INTERIM FINANCIAL REPORT

AT 30 SEPTEMBER 2012

FINMECCANICA

Disclaimer

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€ million	First nine months of 2012	First nine months of 2011	Change	2011
New orders	**10,652**	**10,638**	**0.1%**	**17,434**
Order backlog	**44,706**	**44,811**	**(0.2%)**	**46,005**
Revenues	**12,184**	**12,252**	**(0.6%)**	**17,318**
Adjusted EBITA	**741**	**(188)**	**n.a.**	**(216)**
ROS	***6.1%***	*(1.5%)*	***7.6 p.p.***	*(1.2%)*
Net Profit / (Loss)	**146**	**(324)**	**n.a.**	**(2,306)**
Net invested capital	**9,541**	**11,078**	**(14%)**	**8,046**
Net financial debt / (cash)	**4,853**	**4,665**	**4%**	**3,443**
FOCF	**(1,391)**	**(1,567)**	**11%**	**(358)**
ROI	***11.2%***	***4.8%***	***6.4 p.p.***	*(2.4%)*
ROE	***4.2%***	*(1.3%)*	***5.5 p.p.***	*(39.4%)*
EVA	**(46)**	**(855)**	**95%**	**(956)**
Research and development expenses	**1,353**	**1,276**	**6%**	**2,020**
Workforce (no.)	**68,321**	**71,050**	**(4%)**	**70,474**

The income statement figures for the first nine months of 2012 for Ansaldo Energia group are consolidated at 55%, compared to 100% in the first half of 2011 and 55% for the period from 1 July to 30 September 2011.

Reference should be made to the section entitled Non-IFRS alternative performance indicators for definitions thereof.

The results of operations of Finmeccanica group (the "group") for the nine months ended 30 September 2012 were better than those for the corresponding period of the previous year and in line with the 2012 budget for the first nine months of the year.

Some of the events described in the Outlook section of the 2011 annual consolidated financial statements affected the first nine months of this year and will impact 2012 full-year performance. Specifically, the key events driving the Group's performance are the budget cuts for military and security investment spending since 2010 in the group's key markets (Italy, Great Britain and the United States of America), the consequent increase in customers' attention to product performance and related costs sustainability, which is putting intense pressure on suppliers and timeframes; the shift in demand towards emerging countries with intense competition between companies, which is pushing prices downwards. More generally, the persistent and worsening recession in the Eurozone is making it more difficult (yet, at the same time, necessary) to roll out the business restructuring initiatives and even more important for companies to achieve a sound financial position.

Initiatives undertaken by Finmeccanica group during 2011 enabled the group to improve its efficiency and streamline its corporate structure by drawing up and rolling out in-depth plans (detailing action plans, related costs/benefits, timeframes, constraints and implementation plans) to improve competitiveness and efficiency and to reorganise each company in the Group.

Guidance and monitoring activities undertaken during the reporting period by the parent (as well as the improvement in the key production indicators for the companies) confirm that the steps being implemented as per the above mentioned plans are in line with expectations in terms of physical progress and that the trend of financial statements figures is consistent with the quantitative targets in terms of overall benefits. As early as this reporting period, the results were especially strong in the Aerospace and Defence business segments, while the *vehicles* line of the Transportation business segment is encountering difficulties in pursuing the objectives of the reorganisation plan, mainly due to production issues that may also have consequences on the delivery plans of certain programmes.

Moreover, the impact of these benefits on the interim consolidated financial statements at 30 September 2012 is still limited, as their progressive growth is closely related to revenue volumes in certain cases, such as for purchases and controllable costs.

Even though the group’s consolidated results for the first nine months of the year still do not give a comprehensive representation of the full year performance (as around a third of the group’s operations take place in the fourth quarter), it should be noted that the benefits seen in the third quarter of 2012 exceed those of the first half of the year.

Aiming to analyse the key performance indicators, it should be noted that average euro exchange rates decreased against both the US dollar (around 9%) and the pound sterling (around 7%) in the first nine months of 2012 if compared to the corresponding period of 2011. The difference in the closing rates applied to the statement of financial position balances as of 30 September 2012 and as of 31 December 2011 is also representative of the euro depreciation (around 4%) against the pound sterling; rather, the euro closing rates versus the US dollar remained fairly consistent.

Again for comparative purposes, it should be noted that a joint venture agreement with a leading international private equity investor specialised in the energy and natural resources sector, First Reserve Corporation, for the sale of 45% of Ansaldo Energia, was executed on 13 June 2011. Accordingly, the results of operations of Ansaldo Energia group were consolidated on a line-by-line basis until the transaction date. After such date, they were consolidated on a proportionate basis (55%). Statement of financial position balances were consolidated on a proportionate basis from the transaction date. Specifically, the sale resulted in the recognition of a €443 million gain, net of taxes, in the income statement for the nine months of 2011 and an overall positive impact on net financial debt of €344 million.

Finally, the results of operations for the nine months ended 30 September 2011 (particularly for the Adjusted EBITA) of the Aeronautics business segment included "non-recurring" expenses for risks and charges related to the B787 programme, totalling approximately €753 million.
In comparing the two reporting periods, this impact has been disclosed in order to give a more accurate representation of the operating performance of the group and its segments.

The main changes affecting the group's performance compared to the corresponding period of the previous year are set out below. A more detailed analyses is provided in the sections describing the *trend* for each business segment.
The following table sets out the key performance indicators by business segment:

Key performance indicators by business segment

First nine months of 2012 (€ million)

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS %	R&D	Workforce (no.)
Helicopters	2,276	11,567	2,976	339	11.4%	332	13,098
Defence Electronics and Security	3,394	8,961	4,089	238	5.8%	535	25,568
Aeronautics	2,224	8,945	2,002	74	3.7%	215	12,163
Space	639	2,424	697	47	6.7%	35	4,146
Defence Systems	643	3,497	829	89	10.7%	186	3,983
Energy	512	1,926	493	36	7.3%	12	1,819
Transportation	1,244	8,164	1,385	6	0.4%	35	6,636
Other activities	43	152	244	(88)	n.a.	3	908
Eliminations	(323)	(930)	(531)				
	10,652	**44,706**	**12,184**	**741**	**6.1%**	**1,353**	**68,321**

First nine months of 2011 (€ million)

	New orders	Order backlog at 31.12.2011	Revenues	Adjusted EBITA	ROS %	R&D	Workforce (no.) at 31.12.2011
Helicopters	2,007	12,121	2,750	287	10.4%	293	13,303
Defence Electronics and Security	3,447	9,591	4,291	267	6.2%	482	27,314
Aeronautics	2,158	8,656	1,866	(768)	(41.2%)	219	11,993
Space	514	2,465	699	27	3.9%	43	4,139
Defence Systems	483	3,656	811	65	8.0%	186	4,066
Energy	1,047	1,939	720	54	7.5%	16	1,872
Transportation	1,146	8,317	1,372	(10)	(0.7%)	33	6,876
Other activities	267	256	197	(110)	n.a.	4	911
Eliminations	(431)	(996)	(454)				
	10,638	**46,005**	**12,252**	**(188)**	**(1.5%)**	**1,276**	**70,474**

Changes

	New orders change %	Order backlog change %	Revenues change %	Adjusted EBITA change %	ROS p.p. change	R&D change %	Workforce (no.) change %
Helicopters	13%	(5%)	8%	18%	1 p.p.	13%	(1.5%)
Defence Electronics and Security	(2%)	(7%)	(5%)	(11%)	(0.4) p.p.	11%	(6.4%)
Aeronautics	3%	3%	7%	n.a.	44.9 p.p.	(2%)	1.4%
Space	24%	(2%)	-	74%	2.8 p.p.	(19%)	0.2%
Defence Systems	33%	(4%)	2%	37%	2.7 p.p.	n.s.	(2.0%)
Energy	(51%)	(1%)	(32%)	n.a.	(0.2) p.p.	(25%)	(2.8%)
Transportation	9%	(2%)	1%	n.a.	1.1 p.p.	6%	(3.5%)
Other activities	(84%)	(41%)	24%	(20%)	n.a.	n.a.	(0.3%)
	0.1%	**(2.8%)**	**(0.6%)**	**n.a.**	**7.6 p.p.**	**6%**	**(3.1%)**

In commercial terms, the group's **new orders** of the first nine months of 2012 totalled €10,652 million, with a €14 million increase over the €10,638 million figure for the corresponding period of the previous year. On a like-for-like basis (using the same consolidation percentage for the Energy group at 30 September 2012), new orders for the nine months ended 30 September 2011 would have been approximately €10,279 million.

The increase in new orders can be observed across most of the group's business segments, especially those of:

- *Helicopters:* helicopters (new and upgrades) account for around 75.4%, while product support (spare parts and overhauls), engineering and production account for 24.6%. The increase is mainly related to the new AW169 and AW189 models (73 units);
- *Aeronautics:* due to increased orders in the *military* line, linked to the EFA, M346 and C27J programmes, which more than offset the drop in the *civil* line, which had significant orders of ATR aircraft in 2011;
- *Space*: related to the *satellite services* line, following the acquisition of the order for the OPSAT - 3000 satellite system and to the *manufacturing* line, mainly due to the orders for two satellites in the *commercial telecommunications* area*;*
- *Defence Systems*: due to the agreement of an important contract with the Indian Air Force in the *missile systems* line and an order to supply additional VBM armoured vehicles to the Italian Army in the *land weapon systems* line*;*
- *Transportation*: due mainly to the *signalling and transportation solutions* line*;*

This improvement is partially offset by the decrease seen mainly in the *Defence Electronics and Security* and *Energy* business segments.

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The **order backlog** at 30 September 2012 totalled €44,706 million, down €1,299 million over the €46,005 million figure at 31 December 2011.

The net decrease is partially offset by the translation of foreign currency orders, substantially following the appreciation of the pound sterling against the euro at 30 September 2012 (€383 million).

The order backlog, considered in terms of its workability, ensures around two and a half years of production for the group.

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Reclassified income statement	***Note***	***For the first nine months of***	
€ million		***2012***	***2011***
Revenues	*23*	12,184	12,252
Raw materials and consumables used and personnel costs	*(*)*	(10,992)	(11,233)
Amortisation and depreciation	*26*	(422)	(429)
Other net operating income/(expenses)	*(**)*	(29)	(778)
Adjusted EBITA		**741**	**(188)**
Non-recurring income /(expenses)		-	(310)
Restructuring costs		(50)	(44)
Amortisation of intangible assets acquired as part of business combinations	*26*	(67)	(61)
EBIT		**624**	**(603)**
Net financial income/ (expenses)	*(***)*	(330)	170
Income taxes	*29*	(148)	109
NET PROFIT/(LOSS) ***BEFORE DISCONTINUED OPERATIONS***		**146**	**(324)**
Profit (loss) from discontinued operations		-	-
NET PROFIT/(LOSS)		**146**	**(324)**

Notes to the reconciliation between the reclassified income statement and the income statement included in the condensed consolidated interim financial statements:

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

(**) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs, impairment of goodwill, non-recurring income (expenses) and includes impairment losses).

(***) Includes "Financial income, "Financial expenses" and "Share of profits (losses) on equity-accounted investees".

Revenues for the first nine months of 2012 totalled €12,184 million, compared to €12,252 million for the corresponding period of the previous year, with a €68 million decrease (-0.6%). On a like-for-like basis (using the same consolidation percentage for the Energy group at 30 September 2012), consolidated revenues for the first nine months of 2011 would have amounted to about€12,007 million.

Revenues were basically consistent with the corresponding period of the previous year and forecasts. but the contribution of the group's various business segments differed. The *Helicopters* business segment grew, thanks to the *machines* area (mainly AW101 and AW139) and the strong performance in product support, and the other business segments were largely stable, while the *Defence Electronics and Security* business segment decreased. The decrease was, however, mitigated by the appreciation of the US dollar and the pound sterling against the euro. This trend was seen across all lines of the segment, due to the generalised difficulties and the slow-down in purchases and start up of new orders, worsened by the simultaneous decrease in the contribution of important programmes now in their final stages. This includes the decreased activities for the US Armed Forces, as substantially expected, and the sharp drop in production volumes in the *command and control*

systems and, to a lesser extent, the *avionics* and *information technology and security* lines, which were also impacted by the freezing of the Ministry for the Environment, Land and Sea's SISTRI programme.
The above will also impact the final quarter of the year, with a new orders/revenues ratio of less than one, like in 2011. The sluggish demand in this business segment could impact its growth in the coming year, although medium-term expectations have not been amended at the present date.

Adjusted EBITA for the first nine months of 2012 totalled €741 million, compared to a negative €188 million in the corresponding period of the previous year. Excluding the above-mentioned "non-recurring" expenses related to the B787 programme in the *Aeronautics* business segment (€753 million), and using the same consolidation percentage for Ansaldo Energia group at 30 September 2012, Adjusted EBITA for the first nine months of 2011 would have been a positive €546 million, with a €195 million increase in the reporting period over the corresponding period of the previous year.
Adjusted EBITA increased in the following business segments:

- *Helicopters*: partly due to the increase in production volumes and partly to the streamlining and cost-saving initiatives rolled out at the end of last year;
- *Aeronautics*: due to the improvement in operating expenses and efficiency arising from the restructuring and reorganisation process underway and the benefits arising from the supply chain streamlining and development plan, as well as the renegotiation of the trading agreements of certain programmes;
- *Space*: due to the different production mix and the benefits brought by the streamlining actions in both lines;
- *Defence Systems*: due to the marked improvement in the profit margins, mainly in *missile systems;*
- *Transportation*: in which the *vehicles* line's lower than expected performance is still negative and is impacted by the as yet unresolved issues of the *service* area, as well as the difficulties encountered in pursuing the objectives of the reorganisation plan launched by Ansaldobreda, due to production issues that may have consequences on the delivery plans of certain programmes;
- *Other activities*: substantially attributable to the parent for the positive outcome of the streamlining and cost-saving actions, which are progressing as expected;

Adjusted EBITA decreased in the *Defence Electronics and Security* business segment only, following the above-mentioned drop in production volumes and the deterioration in the mix of the activities in the *command and control systems* line, partly offset by savings generated by the plans underway to improve competitiveness and efficiency and for restructuring.
The *Energy* business segment was substantially stable.
The above changes led to an improvement in **ROS**, which was 6.1%, compared to 4.5% for the corresponding period of the previous year (calculated net of the “non-recurring” expenses).

EBIT for the first nine months of 2012 was €624 million, compared to a negative €603 million in the corresponding period of the previous year. Excluding the previously-mentioned “non-recurring” expenses related to the B787 programme in the Aeronautics business segment (€753 million), and using the same consolidation percentage for Ansaldo Energia group at 30 September 2012, EBIT for the first nine months of 2011 would have been a positive €131 million, with a €493 million increase over the corresponding period of the previous year.
This improvement is due to the increase in Adjusted EBITA (€195 million) and the lower restructuring/non-recurring expenses incurred compared to the corresponding period of the previous year (€298 million). The expenses substantially related to the effects of discontinuing certain programmes, particularly in the *Aeronautics* business segment, the costs related to the corporate restructuring and streamlining process involving the *Defence Electronics and Security* business segment and the extra, unforeseeable costs arising in relation to negotiations with a Danish customer for a contract in the *Transportation* business segment.

Net financial expenses for the first nine months of 2012 were €330 million, with a deterioration of €500 million compared to the corresponding period of the previous year (net financial income of €170 million). Excluding the gains on the partial sale of Ansaldo Energia group (€458 million), net financial expenses for the nine months ended 30 September 2011 would have been €288 million, with a deterioration of €42 million in the reporting period compared to the corresponding period of the previous year. This result is due to the €68 million increase in net financial expenses, mainly due to the combined effect of lower gains for fair value adjustments related to derivatives at fair value through profit or loss and higher commissions, if compared to the corresponding period of the previous year.
The deterioration is partially offset by the share of net losses on equity-accounted investments (€16 million in the first nine months of 2012, compared to €42 million in the corresponding period of the previous year).

The effective **tax rate** for the first nine months of 2012 was -50.38% (-14.00% for the corresponding period of the previous year, net of the effect of the partial sale of Ansaldo Energia). The tax rate will tend to come into line with historical rates towards the end of 2012.

Taxes and the effective tax rate are as follows for each tax type:

- IRAP (Italian regional tax on production activities): €65 million, or -22.13% (€61 million for the first nine months of 2011, or -6.90%).
- IRES (corporate income tax) and deferred taxes: net benefit of €21 million, or 7.15% (€276 million for the first nine months of 2011, or 31.00%);
- Other taxes (mainly relating to foreign companies): €104 million (or -35.40%) (€90 million for the first nine months of 2011, or -10.10%).

The **net profit** came to €146 million (a loss of €324 million in the corresponding period of the previous year). Excluding the net effects arising from the "non-recurring" expenses and the gain on the partial sale of Ansaldo Energia (adjusted for the related tax effects) the group would have recognised a profit of €77 million in the corresponding period of the previous year. On a like-for-like basis, the increase between the corresponding period of the previous year and the current period is €69 million.

* * * * * * * *

Reclassified statement of financial position ***€ million***	*Note*	***30.09.2012***	***31.12.2011***
Non-current assets		13,578	13,543
Non-current liabilities	*(*)*	(4,182)	(4,145)
		9,396	**9,398**
Inventories		4,869	4,486
Trade receivables	*(**) 13*	9,552	8,932
Trade payables	*(***) 21*	(12,967)	(13,162)
Working capital		**1,454**	**256**
Current provisions for risks and charges	*18*	(853)	(932)
Other current liabilities (net)	*(****)*	(456)	(676)
Net working capital		**145**	**(1,352)**
Net invested capital		**9,541**	**8,046**
Equity attributable to the owners of the parent		4,374	4,301
Equity attributable to non-controlling interests		315	303
Shareholders' Equity	*16*	**4,689**	**4,604**
Net financial debt /(cash)	*17*	**4,853**	**3,443**
Net (assets)/ liabilities held for sale	*(*****)*	**(1)**	**(1)**

Notes to the reconciliation between the reclassified statement of financial position and the statement of financial position included in the condensed consolidated interim financial statements:

(*) Includes all non-current liabilities net of "Non-current loans and borrowings"
(**) Includes "Contract work in progress (net)"
(***) Includes "Progress payments and advances from customers"
(****) Includes "Income tax receivables", "Other current assets" and "Derivative assets", net of "Tax liabilities", "Other current liabilities" and "Derivative liabilities".
(*****) Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale".

At 30 September 2012**, net invested capital** totalled €9,541 million, compared to €8,046 million at 31 December 2011, with a net increase of €1,495 million. An in-depth review of the group's invested capital (both non-current and working capital) was carried out at 31 December 2011, leading to the recognition of impairment losses on development expenses for products whose commercial outlook in terms of cost/performance no longer offered an adequate return on the investment, and significant impairment losses on goodwill recognised in relation to specific assets following defence and security budget cuts in the group's main markets which impacted the companies' growth prospects. Net invested capital was also impacted by the accruals made for the roll out of the restructuring plans involving the Aeronautics, Defence Electronics and Security and Transportation (*vehicle* line) business segments in particular. This resulted in the amount of net invested capital being more sustainable and consistent with the forecast growth in the group's profitability and the indicators adequately represent the return on invested capital. The increase in net invested capital in the first nine months of 2012 is substantially due to the typically negative performance of the Free Operating Cash Flows (FOCF), affected by the increase of working capital in this part of the year, as described below.

Net working capital increased by €1,497 million (a positive €145 million at 30 September 2012 and a negative €1,352 million at 31 December 2011).

Non-current assets (net) are largely unchanged (€9,396 million at 30 September 2012 and €9,398 million at 31 December 2011). The increase generated by investments, net of amortisation/depreciation of the period, and the exchange rate differences arising from the translation of financial statements prepared in currencies other than the euro (particularly following the appreciation of the pound sterling against the euro), which resulted in goodwill for the foreign companies higher by €66 million, is substantially offset by the decrease in equity investments and in receivables and other non-current assets.

In respect of the increase in net invested capital compared to 30 September 2011 (amounts in brackets), ROI was 11.2% (4.8%), EVA was a negative €46 million (negative €855 million) and ROE was 4.2% (-1.3%).

FOCF should be considered in terms of the period of the year (seasonality), when there are significantly more payments of trade payables than collections of trade receivables. At 30 September 2012, FOCF was therefore a negative (use of cash) €1,391 million, compared to a negative €1,567 million at 30 September 2011, with a net improvement of €176 million related to cash flows used in operating and ordinary investing activities, which decreased by €57 million and €119 million, respectively.

In the first nine months of the year, investment activities necessary to develop products were concentrated in the Aeronautics business segment (around 39%), while the Helicopters business segment accounted for 25% and Defence Electronics and Security for 22%.

* * * * * * * *

	For the nine months ended 30 September			
	2012		*2011*	
Cash and cash equivalents at 1 January	**1,331**		**1,854**	
Gross cash flows from operating activities	1,258		1,091	
Change in other operating assets and liabilities and provisions for risks and charges (*)	(764)		(869)	
Funds from operations (FFO)		**494**		**222**
Change in working capital	(1,436)		(1,221)	
Net cash generated/(used) from/in operating activities	**(942)**		**(999)**	
Net cash generated/(used) from/in ordinary investing activities	(449)		(568)	
Free operating cash flows (FOCF)		**(1,391)**		**(1,567)**
Strategic transactions	-		473	
Change in other investing activities (**)	(13)		8	
Net cash generated/(used) from/in investing activities	**(462)**		**(87)**	
Net change in loans and borrowings	1,164		27	
Dividends paid	(17)		(258)	
Net cash generated/(used) from/in financing activities	**1,147**		**(231)**	
Exchange rate gains / (losses)	19		(36)	
Cash and cash equivalents at 30 September	**1,093**		**501**	

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

(**) Includes "Other investing activities", dividends received by subsidiaries and coverage of losses carried out in subsidiaries.

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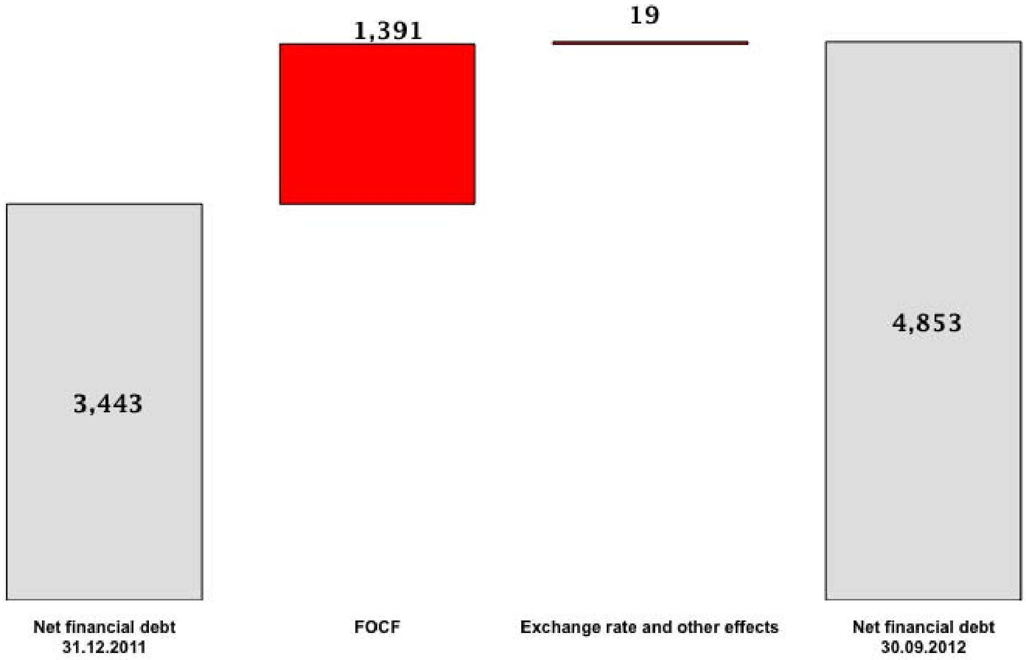
The group's **net financial debt** (greater loans and borrowings than financial receivables and cash and cash equivalents) at 30 September 2012 was €4,853 million (€3,443 million at 31 December 2011), with a net increase of €1,410 million.

The following graph shows the most significant changes affecting net financial debt:

Net financial debt at 30 September 2012 - € million



Net financial debt may be analysed as follows:

€ million	***30.09.2012***	***31.12.2011***
Current loans and borrowings	1,466	414
Non-current loans and borrowings	4,375	4,397
Cash and cash equivalents	(1,093)	(1,331)
NET BANK LOANS AND BORROWINGS AND BONDS	**4,748**	**3,480**
Securities	(10)	(40)
Related parties financial receivables	(65)	(184)
Other financial receivables	(724)	(887)
CURRENT FINANCIAL RECEIVABLES AND SECURITIES	**(799)**	**(1,111)**
Related parties loans and borrowings	755	949
Other current loans and borrowings	94	66
Other non-current loans and borrowings	55	59
OTHER LOANS AND BORROWINGS	**904**	**1,074**
NET FINANCIAL DEBT (CASH)	**4,853**	**3,443**

Like in previous reporting periods, the 30 September 2012 net financial debt does not include the fair value (€60 million; €8 million at 31 December 2011) of derivatives at the reporting date.

The net financial debt at the end of the first nine months of 2012, which reflects the typically negative impact of the FOCF of the period, is not materially impacted by non-recurring transactions. It includes, *inter alia*, the €17 million ordinary dividend paid by Ansaldo STS for 2011.

The group factored receivables without recourse during the period for a nominal amount of approximately €632 million (€332 million in the first nine months of 2011).

The net financial debt also benefitted from the opportunity offered by the national tax consolidation scheme to immediately offset taxes, with a consequent lower outlay of around €101 million during the reporting period.

The net financial debt, and bank loans and borrowings and bonds in particular, which increased from €3,480 million at 31 December 2011 to €4,748 million at 30 September 2012, shows the following main changes:

- current loans and borrowings increased from €414 million at 31 December 2011 to €1,466 million, mainly due to the use of Finmeccanica's and Ansaldo Energia S.p.A.'s short-term revolving credit facilities to repay the €273 million vendor loan granted by Finmeccanica to support the company's partial sale transaction carried out in June 2011. It also includes the recognition of accrued interest on bonds maturing within one year, net of payments of the period, particularly with regard to Finmeccanica's repayment of the first instalment of the BEI loan;
- non-current loans and borrowings were down slightly, from €4,397 million at 31 December 2011 to €4,375 million at 30 September 2012, substantially due to the net effect of the repurchase totalling around €63 million of outstanding bonds (reference should be made to the section entitled Financial transactions), and the appreciation of the pound sterling against the euro;
- cash and cash equivalents decreased from €1,331 million at 31 December 2011 to €1,093 million, mainly as a result of the funding of cash requirements for the period. Cash and cash equivalents include, *inter alia*, cash available directly at the parent and at the subsidiaries, particularly in relation to the amounts generated in the last few days of the quarter, which were subsequently transferred to Finmeccanica in October.
  This caption also includes cash available at companies and joint ventures that, for various reasons, no longer form part of the centralised treasury system.

“Financial receivables and securities” of €799 million (€1,111 million at 31 December 2011) include, *inter alia*, around €663 million (€764 million at 31 December 2011) due to the MBDA and Thales Alenia Space joint ventures from the other venturers under treasury agreements. Under the consolidation method adopted, these receivables are consolidated by the group on a proportionate basis, as are all other amounts relating to joint ventures. As stated previously, during the reporting period, Ansaldo Energia repaid the vendor loan granted by Finmeccanica to support the company’s partial sale transaction and the consequent settlement of the financial receivables with the joint venture (equal to the portion not eliminated on proportionate consolidation), which equalled €126 million at 31 December 2011.

“Related parties loans and borrowings” of €755 million (€949 million at 31 December 2011) include the unconsolidated amount of €636 million (€701 million at 31 December 2012) due from group companies to the MBDA and Thales Alenia Space joint ventures, as well as €69 million (€47 million at 31 December 2011) due to Eurofighter, in which Alenia Aermacchi has a 21% investment. Pursuant to existing agreements, Eurofighter lent excess cash to its shareholders. The above mentioned repayment of the vendor loan also entailed the settlement of the unconsolidated loans and borrowings due to the Ansaldo Energia joint venture of €139 million.

To fund the group’s ordinary operations, Finmeccanica agreed a Revolving Credit Facility with a pool of domestic and international banks in September 2010 for a total of €2,400 million, with a final maturity date of September 2015. At 30 September 2012, it was used for €930 million.
Finmeccanica also has additional short-term uncommitted credit lines of approximately €630 million which were unused at 30 September 2012. There are uncommitted unsecured credit lines approximating €2,054 million.

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Research and development expenses for the first nine months of 2012 totalled €1,353 million, up €77 million over the €1,276 million figure for the corresponding period of the previous year.

In the *Aeronautics* business segment, research and development expenses came to €215 million (around 16% of the amount for the entire group) and comprises the progress made on the main programmes under development: M346, C27J, B787 basic version and Unmanned Aerial Vehicles, and in activities related to innovative aerostructures using composite materials and system integration. Development also continued on important military (EFA, AMX and Neuron) and civil (CSeries and B787-9 derivative version) programmes.

In the *Defence Electronics and Security* business segment, research and development expenses totalled €535 million (around 40% of the amount for the entire group) and mainly comprises:

- *avionics and electro-optical systems*: EFA programme developments; new systems and sensors for Unmanned Aerial Vehicles; new surveillance and combat electronic-scan radars; improvements to avionics suites to meet the requirements of new fixed- and rotary-wing platforms;
- *major integrated defence and security systems* and *command and control systems*: the continuation of activities for the upgrade of current SATCAS products; the programme to develop capabilities and technologies for the architectural design and development of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal); on naval combat systems; the completion of activities for the Kronos 3D surveillance radar and the active multifunctional MFRA;
- *integrated communication systems and networks*: development of TETRA technology products and software defined radio products; on satellite receivers and the ground network for the Galileo PRS programme; on communication intelligence solutions; specific functionalities for advanced Unmanned Airborne Systems.

In the *Helicopters* business segment, research and development expenses totalled €332 million (around 24% of the amount for the entire group) and mainly related to the following development activities:

- technologies for mainly military use for a new 8 tonne class helicopter (AW149);
- multi-role versions of the AW609 convertiplane for national security which is fully owned by and, since mid-November 2011, under the full responsibility of AgustaWestland;
- a 4.5t twin-engine helicopter (AW169).

* * * * * * * *

The **workforce** at 30 June 2012 numbered 68,321, with a net decrease of 2,153 employees over the 70,474 employees at 31 December 2011, substantially as a result of the steps taken to reduce and streamline the workforce as part of the group's reorganisation and restructuring plan, especially in the *Defence Electronics and Security*, *Helicopters*, *Defence Systems* and *Transportation* business segments.

A breakdown of the workforce by geographical area at 30 September 2012 was substantially unchanged from 31 December 2011, with around 59% located in Italy and 41% abroad, mainly in the United States of America (14%), the United Kingdom (13%) and France (5%).

* * * * * * * *

Related parties transactions

Finmeccanica Spa acts as a holding company with industrial and strategic coordination of its subsidiaries and joint ventures. Pursuant to IAS 24, as well as those companies in which Finmeccanica Spa has a direct or indirect controlling interest, related parties include associates, joint ventures and consortia, key management personnel and their close family members, as well as entities controlled by the Ministry of Economy and Finance ("MEF").

Transactions with related parties relate to ordinary operations. They take place on an arm's length basis (unless governed by specific contractual terms), as do interest-bearing assets and liabilities.
They mainly comprise the exchange of goods, the rendering of services and the obtaining/granting of funding from and to associates, joint ventures and unconsolidated consortia and subsidiaries.

Key related parties transactions performed directly by Finmeccanica Spa or through its subsidiaries during the reporting period are described in the section "Key events of and after the reporting period".
Moreover, the financial statements balances and guarantees with related parties and their percentages of the respective totals are shown in the section of "Analysis of the condensed consolidated interim financial statements at 30 September 2012" (Note 22).

The group’s performance in the third quarter of 2012

As mentioned in relation to the performance of the first nine months of 2012, for comparative purposes, it should be noted that the results for the third quarter of 2011 (particularly Adjusted EBITA) of the *Aeronautics* business segment included “non-recurring” expenses for risks related to the B787 programme, totalling approximately €753 million.

In comparing the two quarters, this impact has been disclosed in order to give a more accurate representation of the operating performance of the group and its business segments.

Finmeccanica group’s performance in the third quarter of 2012 was better than that of the corresponding period of the previous year, with the sole exception of new orders, which came to €2,974 million in the third quarter, down €98 million (-3%) compared to the third quarter of 2011 (€3,072 million).

Revenues totalled €4,124 million, up approximately 8% over the €3,828 million figure recognised in the third quarter of 2011, while Adjusted EBITA came to €280 million, compared to a negative €627 million in the third quarter of 2011. Excluding the above-mentioned “non-recurring” expenses, Adjusted EBITA in the third quarter of 2011 would have been €126 million, and would therefore have been up €154 million in the third quarter of 2012.

The increase in Adjusted EBITA mainly relates to the following business segments:

- *Helicopters*: partly due to the greater volumes and partly to the streamlining and cost-saving initiatives rolled out at the end of last year;
- *Defence Electronics and Security*: mainly due to the plans underway to improve competitiveness, streamlining and restructuring (particularly at DRS), which offset both the drop in production volumes and the deterioration of profitability in the *command and control systems* line;
- *Aeronautics*: due to the reduction in operating expenses and the efficiency gains achieved under the restructuring and reorganisation process underway and to the benefits arising from the development and review of the supply chain and the renegotiation of the trading agreements of certain programmes;
- *Defence Systems*: due to the marked improvement in the profit margins, mainly in *missile systems;*
- *Energy*: due to the increase in production volumes and the improvement in operating profitability, which was positively impacted by the reduction in overheads;
- *Other activities*: substantially attributable to the parent for the outcome of the streamlining actions, which are progressing as expected;
- *Transportation*: the *vehicles* line’s lower than expected performance in the third quarter is still negative and is impacted by the as yet unresolved issues of the *service* area, as well as

the difficulties encountered in pursuing the objectives of the reorganisation plan launched by Ansaldobreda's management, due to production issues.

The *Space* business segment was substantially stable.

This performance led to a ROS of 6.8% for the third quarter of 2012, compared to 3.3% for the corresponding period of the previous year (net of the "non-recurring" expenses).

		For the three months ended 30 September	
Reclassified income statement	***Note***	***2012***	***2011***
€ million			
Revenues		4,124	3,828
Raw materials and consumables used and personnel costs	*(*)*	(3,695)	(3,569)
Amortisation and depreciation		(143)	(135)
Other operating income/(expenses)	*(**)*	(6)	(751)
Adjusted EBITA		**280**	**(627)**
Non-recurring expenses		-	(259)
Restructuring costs		(11)	(17)
Amortisation of intangible assets acquired as part of business combinations		(22)	(20)
EBIT		**247**	**(923)**
Net financial expenses	*(***)*	(110)	(82)
Income taxes		(62)	225
NET PROFIT/(LOSS) *BEFORE DISCONTINUED OPERATIONS*		**75**	**(780)**
Profit (loss) from discontinued operations		-	-
NET PROFIT/(LOSS)		**75**	**(780)**

Notes to the reconciliation between the reclassified income statement and the income statement included in the condensed consolidated interim financial statements:

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

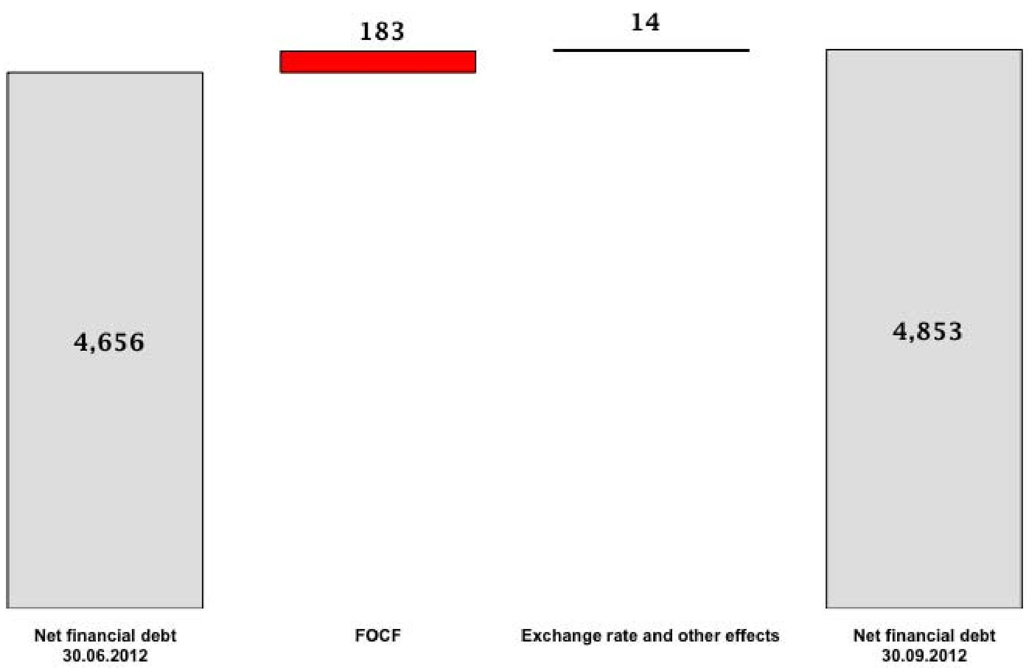
(**) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs, impairment of goodwill, non-recurring income (expenses) and includes impairment losses).

(***) Includes "Financial income, "Financial expenses" and "Share of profits (losses) on equity-accounted investees".

EBIT for the third quarter of 2012 totalled €247 million, compared to a negative €923 million in the corresponding period of the previous year. Excluding the above-mentioned "non-recurring" expenses, EBIT for the third quarter of 2011 would have been a negative €170 million, with a €417 million increase over the corresponding period of the previous year. This improvement is due to the increase in Adjusted EBITA (€154 million) and the lower restructuring/non-recurring expenses (down €263 million). The expenses substantially related to the effects of discontinuing certain programmes, particularly in the *Aeronautics* business segment, the costs related to the corporate restructuring and streamlining process involving the *Defence Electronics and Security* business segment and the extra, unforeseeable costs arising in relation to negotiations with a Danish customer for a contract in the *Transportation* business segment.

The **net profit** for the third quarter of 2012 came to €75 million (a loss of €780 million in the corresponding period of the previous year). Excluding the net effects arising from the "non-recurring" expenses, adjusted for the related tax effects, the group would have recognised a profit of €25 million in the third quarter of the previous year, giving a net increase of €50 million in the third quarter of 2012.

Net financial debt at 2012 September 2012 - € million



Free operating cash flows **(FOCF)** were a negative €183 million in the third quarter of 2012, an improvement of €200 million over the corresponding period of the previous year's figure of €383 million. Net financial debt at 30 September 2012 increased €197 million over that at 30 June 2012, basically due to changes in FOCF and the impact of the appreciation of the pound sterling against the euro.

Key performance indicators by business segment

3rd quarter of 2012 (€ million)	New orders	Revenues	Adjusted EBITA	ROS %
Helicopters	495	1,053	119	11.3%
Defence Electronics and Security	1,052	1,337	94	7.0%
Aeronautics	668	681	25	3.7%
Space	398	235	17	7.2%
Defence Systems	121	265	35	13.2%
Energy	67	187	16	8.6%
Transportation	306	444	(3)	(0.7%)
Other activities	12	99	(23)	n.s.
Eliminations	(145)	(177)		
	2,974	**4,124**	**280**	**6.8%**

3rd quarter of 2011 (€ million)	New orders	Revenues	Adjusted EBITA	ROS %
Helicopters	760	922	99	10.7%
Defence Electronics and Security	909	1,373	88	6.4%
Aeronautics	570	569	(809)	n.s.
Space	143	219	17	7.8%
Defence Systems	165	252	16	6.3%
Energy	249	158	12	7.6%
Transportation	302	419	(19)	(4.5%)
Other activities	37	66	(31)	n.s.
Eliminations	(63)	(150)		
	3,072	**3,828**	**(627)**	**(16.4%)**

Changes	New orders change %	Revenues change %	Adjusted EBITA change %	ROS p.p. change
Helicopters	(35%)	14%	20%	0.6 p.p.
Defence Electronics and Security	16%	(3%)	7%	0.6 p.p.
Aeronautics	17%	20%	n.s.	n.s.
Space	178%	7%	n.s.	(0.5) p.p.
Defence Systems	(27%)	5%	119%	6.9 p.p.
Energy	(73%)	18%	33%	1.0 p.p.
Transportation	1%	6%	n.s.	3.8 p.p.
Other activities	(68%)	50%	26%	n.a.
	(3%)	**8%**	**n.s.**	**23.2 p.p.**

Non-IFRS alternative performance indicators

Finmeccanica's management assesses the performance of the group and the business segments using certain indicators that are not defined by the IFRS. Specifically, Adjusted EBITA is used as the main profitability indicator as it enables group profitability to be analysed eliminating the volatility effects of non-recurring items or items unrelated to ordinary activities.

The components of each indicator are described below as required by CESR/05 - 178b Communication:

- ***EBIT***: earnings before interest and taxes, before any adjustment. EBIT excludes gains or losses on unconsolidated equity investments and securities, as well as any gains or losses on sales of consolidated equity investments, which are classified under "*net financial income and expenses*" or "*share of profit (losses) on equity-accounted investees*" if related to equity-accounted investments.

- ***Adjusted EBITA***: is the EBIT as described above, net of:
  - any impairment of goodwill;
  - amortisation of the portion of purchase price allocated to intangible assets acquired as part of business combinations, pursuant to IFRS 3;
  - restructuring costs in relation to defined and significant plans;
  - other income or expenses not of an ordinary nature, i.e., related to particularly significant events unrelated to ordinary activities.

  Adjusted EBITA is used to calculate ROS (return on sales) and annualised ROI (return on investments) (the ratio of annualised Adjusted EBITA to the average invested capital of the period). Until 30 September 2011, this indicator was calculated based on the last 12 months in the interim reports.

  A reconciliation of EBIT and Adjusted EBITA for the reporting period and corresponding period of the previous year is set out below:

	Nine months ended 30 September		
€ million	**2012**	**2011**	***Note***
EBIT	624	(603)	
Amortisation of intangible assets acquired as part of business combinations	67	61	26
Non-recurring expenses	-	310	
Restructuring costs	50	44	24/25
Adjusted EBITA	741	(188)	

Non-recurring expenses recognised in the corresponding period of the previous year was the result of the review of the operating areas in which the group was active in the Aeronautics and Defence Electronics and Security business segments, which led to the discontinuance of certain programmes (for a total of €193 million), and extra costs on Transportation business segment programmes (€117 million).

Note 8 sets out the EBIT and Adjusted EBITA reconciliation by business segment.

- ***Free Operating Cash Flows (FOCF)*****:** this indicator is the sum of cash flows generated by (used in) operating activities and cash flows generated by (used in) investing and disinvesting in property, plant and equipment, intangible assets and equity investments, net of cash flows from acquisitions and sales of equity investments which are deemed "*strategic*" due to their nature or importance. The reclassified statement of cash flows set out in the previous paragraph shows how FOCF is arrived at for the current reporting period and corresponding period of the previous year.

- ***Funds From Operations (FFO):*** this indicator is the cash flows generated by (used in) operating activities, net of changes in working capital (see Note 30). The reclassified statement of cash flows set out in the previous paragraph shows how FFO is arrived at for the current reporting period and the corresponding period of the previous year.

- ***Economic value added (EVA)***: is the difference between Adjusted EBITA net of income taxes and the cost of the average invested capital (on a like-for-like basis) of the current reporting period and the corresponding period of the previous year measured on the basis of the weighted average cost of capital (WACC).

- ***Working capital***: comprises trade receivables and payables, work in progress and progress payments and advances from customers.

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

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

- ***Net financial debt***: the calculation method complies with paragraph 127 of CESR/05-054b recommendations implementing EC Regulation no. 809/2004. See note 17 for its breakdown.

- ***Research and development expenses:*** the group classifies all internal and external costs incurred in projects to develop or roll out new technologies, know how, materials, products and process as research and development expenses. They may be partially or fully repaid by the customer, funded by public institutions via grants or other incentivising laws or be incurred by the group. Research and development expenses may be recognised in the following different ways:
  - they are recognised as "work in progress" if they are repaid by the customer under existing contracts;
  - they are expensed as incurred if they relate to research activities, that is, the activity is at a stage such that it cannot be demonstrated that it will generate future economic benefits;
  - if they qualify as development activities with respect to which the group can demonstrate the technical feasibility, the ability and intention to complete them and there is a potential market such to generate future economic benefits, they are capitalised under "Intangible assets". Any grants received or to be received related to such expense are recognised as a decrease of the carrying amount of the intangible assets.

- ***New orders:*** are the sum of the contracts agreed with customers during the reporting period that meet the contractual requirements to be recorded in the orders book.

- ***Order backlog:*** is the difference between new orders and revenues (work invoiced for the period, less the change in contract work in progress). This difference is added to the backlog for the previous period.

- ***Workforce:*** is the number of employees recorded in the register on the reporting date.

Performance by business segment

<u>HELICOPTERS</u>

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	2,276	2,007	495	760	3,963
Order backlog	11,567	11,308	n.a.	n.a.	12,121
Revenues	2,976	2,750	1,053	922	3,915
Adjusted EBITA	339	287	119	99	417
ROS	11.4%	10.4%	11.3%	10.7%	10.7%
Research and development	332	293	104	90	472
Workforce (no.)	13,098	13,416	n.a.	n.a.	13,303

Finmeccanica is an international leader in the civil and military helicopters segment through its subsidiary AgustaWestland NV and its investees.

The volume of **new orders** for the reporting period came to €2,276 thousand, up 13.4% over the corresponding period of the previous year *(*€2,007 million). Helicopters (new and upgrades) account for 75.4%, while product support (spare parts and overhauls), engineering and production account for 24.6%. The increase is largely due to sales of the new AW169 and AW189 models (a total of 73 units).

The most important new orders of the period in the *military-government* line include:

- three AW139 units, configured for medical emergency, search and rescue, law enforcement and homeland security missions, for the Maryland State Police Aviation Command (Q3);
- one AW139 helicopter for the Policia do Brasil (Q3);
- six AW Super Lynx 300 helicopters for a key customer in the southern Mediterranean area (Q2);
- five AW169 units for a United Arab Emirates governmental customer (Q2);

- two law enforcement-configured AW139 helicopters for the Japanese National Police Agency (Q1);
- one AW109 helicopter to the Chilean military police (Q1).

The most important new orders in the *civil-government* line include:

- the contract with Heli One to supply four AW 139 helicopters (Q3);
- the supply of 15 off-shore-configured AW189 helicopters to Gulf Helicopters to support oil platforms in the Middle East (Q1);
- the supply of five AW169 helicopters to the air rescue services provider, Inaer Aviation Spain (Q1).

The **order backlog** at 30 September 2012 came to €11,567 million, down on 31 December 2011 (€12,121 million). Helicopters (new and upgrades) account for 67%, while product support (spare parts and overhauls), engineering and production account for 33%. This amount ensures around three years of production.

Revenues for the nine months ended 30 September 2012 came to €2,976 million, up 8.2% over the nine months ended 30 September 2011 (€2,750 million), largely due to the significant growth in certain helicopter production lines (AW101 and AW139); the product support area also performed strongly, with an overall growth of 1.9%.

Adjusted EBITA for the nine months ended 30 September 2012 came to €339 million, up 18.1% over the nine months ended 30 September 2011 (€287 million). This improvement is partially due to the above-mentioned increase in production volumes and partly to the streamlining and restructuring initiatives rolled out at the end of last year. **ROS** consequently increased 1% to 11.4%, from 10.4% for the period ended 30 September 2011.

Research and development expenses for the reporting period came to €332 million (€293 million for the first nine months of 2011) and mainly relates to the development of:

- technologies for mainly military use for a new 8 tonne class helicopter (AW149);
- multi-role versions of the AW609 convertiplane for national security which is fully owned by and under the full responsibility of AgustaWestland;
- a 4.5t twin-engine helicopter (AW169).

Technology research programmes principally comprise activities concerning the European Clean Sky and ALICIA projects.

The **workforce** at 30 September 2012 numbered 13,098, down a net 205 employees on the 13,303 employees at 31 December 2011. This is mainly due to:

- the restructuring plan at the British site of Yeovil, with the laying off of 351 employees during the period;
- the outsourcing of certain non-core activities of the Polish site of Swidnik.

DEFENCE ELECTRONICS AND SECURITY

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	3,394	3,447	1,052	909	4,917
Order backlog	8,961	10,253	n.a.	n.a.	9,591
Revenues	4,089	4,291	1,337	1,373	6,035
Adjusted EBITA	238	267	94	88	303
ROS	5.8%	6.2%	7.0%	6.4%	5.0%
Research and development	535	482	153	150	823
Workforce (no.)	25,568	27,620	n.a.	n.a.	27,314

Finmeccanica has several companies operating in the Defence Electronics and Security business segment, including SELEX Galileo group, SELEX Sistemi Integrati group, SELEX Elsag group and DRS Technologies (DRS) group.
The business segment comprises activities relating to the creation of major integrated defence and security systems based on complex architectures and network-centric logics, 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, including protection against threats deriving from the unauthorised use of digital information and communications systems (cyber security), has become a priority issue for governments and decision makers. Capitalising on their core competencies, the companies have developed a range of products and services for government and civil security operators aiming at protecting critical and strategic infrastructures and locations, with particular attention to issues related to the security of telecommunications networks and IT systems that are the crucial core underlying the modern digital economy.

Moreover, after the merger between Elsag Datamat and SELEX Communications in 2011, Finmeccanica transferred its equity investments in SELEX Galileo Ltd, SELEX Galileo S.p.A., SELEX Elsag S.p.A. and SELEX Sistemi Integrati S.p.A. to its wholly-owned subsidiary, SELEX Electronic Systems S.p.A. at the beginning of 2012. See the Industrial transactions section for greater details.

New orders for the nine months ended 30 September 2012 totalled €3,394 million, down slightly on those of the corresponding period of the previous year (€3,447 million).

Key new orders in the various lines include:

- *avionics and electro-optical systems*: orders for the EFA programme related to avionics devices and radars for the third lot, as well as logistics (Q1-2-3); the order for activities related to the fixed and mobile component of the ground-based part of a surface-to-air surveillance system forming part of NATO's Alliance Ground Surveillance programme (Q2); orders for various space programmes and, specifically, as part of the Aurora Exomars and Galileo programmes (Q1-2-3); orders for countermeasure systems (Q1-2-3); orders for the NH90 helicopter programme (Q1-2-3); the order from SAAB for development activities of the active electronic-scan radar of the Gripen NG multirole fighter (Q2); the order from the Italian Navy for the ground station supporting ATOS surveillance systems on the ATR 72 aircraft as part of its P72A programme (Q1); the order for Unmanned Aerial Vehicle systems for a foreign country (Q1); the order from the British Ministry of Defence for the supply of electro-optical turrets for the fleet of Chinooks (Q2); the order to upgrade the laser targeting capability of the Apache helicopters used by the US army (Q2); customer support orders (Q1-2-3);
- *major integrated defence and security systems*: the further lot of the contract for the Italian Ministry of Defence to increase the security level of operational bases and support Italian soldiers in Afghanistan (Q3);
- *command and control systems* in the *defence systems* area: the order from the Italian Navy to implement the TESEO system on Orizzonte vessels (Q1); orders for the Medium Extended Air Defence System programme (Q1); the order from the Indian navy to supply a RAN 40L ship-detection radar (Q2). In the *civil systems* area: contracts with Uruguay's Civil Aviation Department and the Royal Bahraini Air Force for the supply of primary and secondary radar systems to control and manage air and airport traffic (Q2); the order to upgrade the control tower at Kuala Lumpur's airport in Malaysia (Q3);
- *integrated communication networks and systems*: the order from NATO to develop, implement and manage the Computer Incident Response Capability - Full Operating Capability programme

to protect data from threats and weaknesses as part of cyber security at numerous NATO command centres and locations in various countries (Q1); the order, as part of NATO's above-mentioned Alliance Ground Surveillance programme, to supply the broadband data link (Q2); further orders in the EFA programme to supply various communications devices (Q1-2-3); orders for communications systems of the VBM and VTMM vehicles from the Italian Army (Q2-3); the order from Ansaldo STS to supply the communication system for the Shah-Habshan-Ruwais railway section in the United Arab Emirates (Q2); orders for communications systems for helicopter platforms (Q1-2-3); the order, as part of a cooperation agreement between the Italian and Israeli governments, for the supply of identification and communication systems and flight control computers for Alenia Aermacchi's M346 training aircraft and, via ELTA Systems Ltd, communication subsystems (NATO standard), tactical data links and identification systems for two Conformal Airborne Early Warning aircraft for the Italian Air Force (Q3);

- *Information technology and security:* the order to develop and manage the Ministry of Education, University and Research's IT system (Q1); further orders from the Russian postal service to supply systems for their revenue protection programme (Q1); the order for maintenance and technical assistance services for Poste Italiane S.p.A.'s mail sorting lines and equipment (Q2-3); orders for various system and software support initiatives for the Ministry of Justice (Q3);
- *DRS*: the order to supply modular fuel tanks for the US Army's Modular Fuel System (Q1); the order from the US Navy to supply electronic security services to the Space and Naval Warfare Systems Command (Q2); further orders to supply Thermal Weapon Sight vision systems used by the US Armed Forces (Q1-2); additional orders for the upgrade of the target acquisition sub-systems of the Bradley fighting vehicles (Q1-2-3); the order to supply satellite communication services as part of the Future Commercial Satellite Communications Services Acquisition programme (Q2-3); orders for support, technical assistance and logistics services for the Mast Mounted Sight vision system for OH-58D Kiowa Warrior helicopters (Q1).

The **orders backlog** at 30 September 2012 came to €8,961 million, compared to €9,591 million at 31 December 2011. Around 80% of this amount relates to operations of European companies active in the sector.

Revenues for the first nine months of 2012 came to €4,089 million, with a €202 million decrease over the corresponding period of the previous year (€4,291 million), which was mitigated by the appreciation of the US dollar and the pound sterling against the Euro. This trend was seen across all lines of the segment, due to the generalised difficulties and the slow-down in purchases and start up

of new orders, worsened by the simultaneous decrease in the contribution of important programmes now in their final stages. This includes the decreased activities for the US Armed Forces, as substantially expected, and the sharp drop in production volumes in the *command and control systems* and, to a lesser extent, the *avionics* and *information technology and security* lines, which were also impacted by the freezing of the Ministry for the Environment, Land and Sea's SISTRI programme (reference should also be made to Note 18 to the condensed consolidated interim financial statements).
This will also impact the final quarter of the year, with a new orders/revenues ratio of less than one, like in 2011. The sluggish demand in this business segment could impact its growth in the coming year, although medium-term forecasts have not been amended at the present date.

Revenues in the various lines were mainly generated by:

- *avionics and electro-optical systems*: the continuation of activities for the EFA programme for the production of the Defensive Aids Sub-System, equipment and avionics radars; countermeasure systems; equipment for the helicopter and space programmes; combat and surveillance radars for other fixed-wing platforms; customer support and logistics activities;
- *major integrated defence and security systems:* the continuation of activities for the NEC Force programme; progress on activities related to the Phase 2 Coastal Radar programme; activities related to the Panama Maritime Security System programme;
- *command and control systems*: the continuation of activities on the air traffic control programmes in Italy and abroad; FREMM naval contracts and modernisation of the Italian Navy's vessels; the programme to supply combat systems for the Algerian logistic support amphibious vessel; progress on the Medium Extended Air Defence System international cooperation programme; progress on the programme to supply Fixed Air Defence Radar ground radar for the domestic customer; progress on the supply of fighting systems for vessels for various foreign customers;
- *integrated communications systems and networks*: continuation of the activities to develop the national TETRA network; the development and manufacture of equipment for EFA and helicopter platforms; the supply of military communication systems both in Italy and the United Kingdom; continuation of activities for the FREMM programme;
- *information technology and security*: activities related to postal and industrial automation both in Italy and abroad; monitoring and physical security services for domestic customers and automation services for the public administration;
- *DRS*: the additional supply of Thermal Weapon Sight vision systems for soldiers; additional deliveries related to the programmes to upgrade the target acquisition sub-systems for Bradley

fighting vehicles; activities for the repair and supply of spare parts for the Mast Mounted Sight vision systems for helicopters; the continuation of the deliveries of rugged computers and monitors, particularly for the Joint Battle Command - Platform programme (JCB-P); supply of services and products under the Rapid Response contract and satellite communication services.

Adjusted EBITA for the period ended 30 September 2012 came to €238 million, down over that for the nine months ended 30 September 2011 (€267 million), due to the above-mentioned drop in production volumes, and the deterioration of the mix of activities in the *command and control systems* line, which was partially offset by savings generated by the plans underway to improve competitiveness and efficiency and for restructuring.
ROS for the first nine months of 2012 was 5.8%, representing a decrease over the corresponding period of the previous year (6.2%).

In addition to implementing competitiveness, streamlining and restructuring plans, the business segment is also seeking to combine SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati into one company, within the set timeframes, while significantly streamlining technologies, product lines and industrial facilities. The aim is to establish a single entity in Europe that operates in conjunction and in coordination with DRS, which will not be affected by the business combination given the special regulations to which it is subject. The single entity will be able to successfully take on key industry players, compete on the main markets and take advantage of a technological, financial and production structure that will make it possible to generate significant cash flows and an adequate return on invested capital.

Research and development expenses for the reporting period came to €535 million (€482 million for the first nine months of 2011) and mainly relates to:

- *avionics and electro-optical systems*: EFA programme developments; new systems and sensors for Unmanned Aerial Vehicles; new surveillance and combat electronic-scan radars; improvements to avionics suites to meet the requirements of new fixed-and rotary-wing platforms;
- *major integrated defence and security systems*: the continuation of activities for the upgrade of current SATCAS products; the programme to develop capabilities and technologies for the architectural design and development of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal); on naval combat systems; the completion of activities for the Kronos 3D surveillance radar and the active multifunctional MFRA;

- *integrated communication systems and networks*: development of TETRA technology products and software defined radio products; on satellite receivers and the ground network for the Galileo PRS programme; communication intelligence solutions; specific functionalities for advanced Unmanned Airborne Systems.

The **workforce** at 30 September 2012 numbered 25,568, down a net 1,746 on the 27,314 employees at 31 December 2011, due to the streamlining of the various lines underway, and DRS especially.

AERONAUTICS

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	2,224	2,158	668	570	2,919
Order backlog	8945	8,902	n.a	n.a.	8,656
Revenues	2,002	1,866	681	569	2,670
Adjusted EBITA	74	(768)	25	(809)	(903)
ROS	3.7%	n.s.	3.7%	n.s.	(33.8%)
Research and development	215	219	67	63	326
Workforce (no.)	12,163	12,093	n.a	n.a.	11,993

Figures related to the GIE-ATR and Superjet International joint ventures are consolidated on a proportionate basis at 50% and 51%, respectively.

The Aeronautics business segment includes Alenia Aermacchi S.p.A. (production of military aircraft for combat, transport, special missions and training, as well as civil applications such as regional turboprop aircraft, aerostructures and engine nacelles) and its subsidiaries, including the 50% GIE-ATR (final assembly of ATR aircraft and marketing), Alenia Aermacchi North America Inc., active on the US market also through joint ventures, and the 51% investment in Superjet International S.p.A. (sales and assistance for Superjet aircraft).
With effect from 1 January 2012, Alenia Aermacchi S.p.A. and Alenia SIA S.p.A. were merged into Alenia Aeronautica S.p.A., which changed its name to "Alenia Aermacchi S.p.A.".

New orders for the reporting period came to €2,224 million, up €66 million on the figure for the corresponding period of 2011 (€2,158 million). The rise is due to increased orders in the *military* line, linked to the EFA, M346 and C27J programmes, which more than offset the drop in the *civil* line, which had experienced significant orders of ATR aircraft in the first nine months of 2011.

Key new orders acquired in the first nine months of 2012 include:

- in the *military* line:

- for the EFA programme, the contract to supply technical-logistics services for five years. This order forms part of a broader contract agreed by the Eurofighter consortium with NETMA to support the fleet of aircraft of the programme's four partner nations: Italy, Germany, Spain and the United Kingdom (Q1);
- for the M346 programme, the order for the supply of 30 training aircraft to the Israeli Air Force, which was signed in July as part of a cooperation agreement between the Italian and Israeli governments;
- for the C27J programme, the order for ten aircraft for the Australian Air Force via a Foreign Military Sales agreement with the government of the United States, with the contract awarded to the partnership between L-3 - as prime contractor - and Alenia Aermacchi (Q2);
- for the Maritime Patrol version of the ATR 72 aircraft, the additional order for logistical support for the four aircraft under production ordered by the Italian Air Force in 2008 for maritime patrol (Q1);

- in the *civil* line:
  - for the ATR aircraft, GIE-ATR acquired orders for 15 aircraft, including two from the Laos-based Lao Airlines (Q1), eight from the Taiwan-based TransAsia Airways (Q2), one from the Denmark-based Nordic Aviation (Q2), two from the Austria-based InterSky (Q3) and two from the US-based Air Lease (Q3);
  - for aerostructures, further lots for the B767, B777, A380, ATR and A321 programmes and the production of engine nacelles (Q1-2-3).

The **order backlog** at 30 September 2012 was €8,945 million (€8,656 million at 31 December 2011), covering the medium/long-term. Analysing the breakdown shows a significant proportion of the EFA (40%), B787 (16%), ATR (14%), M346 (9%) and C27J (5%) programmes.

Revenues for the nine months ended 30 September 2012 came to €2,002 million, up €136 million over the nine months ended 30 September 2011 (€1,866 million) due to increased operations in the *civil* line and the increased production rates for the B787, ATR, A380 and A321 aircraft, which offset the drop in activities for EFA military and transport (C27J and G222) aircraft.

Adjusted EBITA for the nine months ended 30 September 2012 came to €74 million compared to the negative €768 million for the corresponding period of the previous year, which was affected by significant "non-recurring" expenses totalling €753 million arising from the B787 programme. Net of the non-recurring expenses, Adjusted EBITA would have improved by €89 million over the nine months ended 30 September 2011, mainly due to:

- a decrease in operating expenses and improved industrial efficiency thanks to the reorganisation underway;
- the benefits arising from the supply chain streamlining and development plan and the renegotiation of the trading agreements of certain programmes.

Accordingly, **ROS** came to 3.7% compared to a negative figure for the nine months ended 30 September 2011.

Research and development expenses for the first nine months of 2012 came to €215 million (€219 million for the nine months ended 30 September 2011) and comprises the progress made on the main programmes under development: M346, C27J, B787 basic version, and Unmanned Aerial Vehicles and in activities related to innovative aerostructures using composite materials and system integration. Development also continued on important military (EFA, AMX and Neuron) and civil (*CSeries* and B787-9 derivative version) programmes.

The **workforce** at 30 September 2012 numbered 12,163, up a net 170 employees on the 11,993 employees at 31 December 2011. This is due, *inter alia*, to:

- the hiring of 470 former temporary workers, as per the agreement reached with the trade unions on 8 November 2011;
- the early retirement for redundancy of 224 employees as part of the restructuring and business reorganisation underway.

SPACE

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	639	514	398	143	919
Order backlog	2,424	2,441	n.a	n.a.	2,465
Revenues	697	699	235	219	1,001
Adjusted EBITA	47	27	17	17	18
ROS	6.7%	3.9%	7.2%	7.8%	1.8%
Research and development	35	43	10	12	77
Workforce (no.)	4,146	4,118	n.a	n.a.	4,139

Finmeccanica group operates in the space industry through the ***Space Alliance*** between Finmeccanica and Thales, via two joint ventures focused, respectively, on satellite services (Telespazio S.p.A., with registered office in Italy and key industrial facilities in Italy, France, Germany and Spain and of which Finmeccanica Spa holds 67% and Thales SAS holds 33%, and into which Telespazio Holding S.r.l. was merged on 20 February 2012) and manufacturing (Thales Alenia Space SAS, with registered office in France and key industrial facilities in France, Italy, Belgium and Spain, of which Finmeccanica Spa holds 33% and Thales SAS holds 67%).

Telespazio operates in the following areas of the *satellite services* line: networks and connectivity (fixed and mobile telecommunication services, internet services, TV, defence and security and value added services); satellite operations (in-orbit satellite control, telemetry services, command and control, launch and early operation phase services, operating management of satellite infrastructures and telecommunications systems and television broadcasting); satellite systems and applications (design, development and management of earth centres, consulting and engineering services, development of navigation, training and meteorology software) and geoinformation (data, thematic maps, operating services and territorial monitoring and surveillance services).
Thales Alenia Space is focused on the *manufacturing* line (design, development and production) in the following areas: telecommunication satellites (commercial, government, civil and military), scientific programmes, earth observation systems (optical and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

New orders for the first nine months of 2012 totalled €639 million, up approximately 24% on the corresponding period of the previous year (€514 million). This increase relates to the *satellite services* line, following the acquisition of the order for the OPSAT - 3000 satellite system, and to the *manufacturing* line, mainly due to the orders for two satellites in the *commercial telecommunications* area.

The most important new orders of the period were as follows:

- in the *commercial telecommunications* line: contracts for the supply of the Turkmensat and Eutelsat 8 West B satellites (Q3); the new orders for satellite and satellite TV services capacities (1-Q2) and supply of satellite telecommunications services (Q1- 2 - 3);
- in the *military and government telecommunications* line: additional lots of the contract with the Italian Space Agency and the French Space Agency (CNES) for the Athena Fidus satellite (Q1) and orders for military satellite telecommunications services (Q1-2-3);
- in the *earth observation* line: additional lots of the order for third-generation Meteosat satellites (Q1-2); the order for the supply of the OPSAT - 3000 optical satellite system (Q3); orders to supply Cosmo data and stations and GeoEye data (Q1-2-3);
- in the *satellite navigation* line: the order for the Egnos programme (Q1);
- in the *scientific programmes* line: an additional lot of orders under the Bepi-Colombo (Q1) and Exomars programmes (Q1-2-3).

The **order backlog** totalled €2,424 million at 30 September 2012, down €41 million on the €2,465 million figure at 31 December 2011. Manufacturing activities account for 61%, while satellite services account for the remaining 39%.

Revenues for the first nine months of 2012 totalled €697 million, substantially in line with the €699 million figure of the corresponding period of the previous year. Production mainly related to ongoing activities in the following areas:

- *commercial telecommunications*: for the Russian AM8/AT1&AT2, Yamal- 401 and 402 satellites and payloads; for the O3B and Iridium NEXT satellite constellations; satellite services for telecommunications and the resale of satellite capacity;
- *military telecommunications*: for the Sicral 2 and Athena Fidus satellites and the supply of satellite services;
- *earth observation*: for Sentinel mission satellites (the Kopernikus programme, previously known as GMES); for the Göktürk satellite system for the Turkish Ministry of Defence (the

programme schedule is currently under review with the latter); for the third-generation Meteosat constellation;

- *scientific programmes*: for the Exomars and Bepi-Colombo programmes;
- *satellite navigation*: for activities in the ground mission line of the Galileo programme and activities related to the Egnos programme.

Adjusted EBITA for the nine months ended 30 September 2012 came to €47 million, up €20 million over the €27 million figure for the corresponding period of the previous year. The increase is mainly due to a different production mix and the improvements brought by the streamlining actions in both lines. Accordingly, **ROS** came to 6.7%, compared to 3.9% for the nine months ended 30 September 2011.

Research and development expenses for the nine months ended 30 September 2012 came to €35 million, down €8 million on the corresponding period of the previous year (€43 million).
Activities mainly comprised the continued development of security systems, solutions and applications, emergency management, the Homeland Security (Kopernikus) programme and navigation/infomobility (Galileo); aerial communication solutions (SESAR); solutions optimising the satellite band; earth observation SAR data processing systems; flexible payload devices for military communications applications; studies on landing systems for planetary exploration, technologies for orbital structures and life-support systems.

The **workforce** at 30 September 2012 numbered 4,146, substantially in line with the 4,139 employees at 31 December 2011.

DEFENCE SYSTEMS

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	643	483	121	165	1,044
Order backlog	3,497	3,450	n.a.	n.a.	3,656
Revenues	829	811	265	252	1,223
Adjusted EBITA	89	65	35	16	117
ROS	10.7%	8.0%	13.2%	6.3%	9.6%
Research and development	186	186	61	62	247
Workforce (no.)	3,983	4,079	n.a.	n.a.	4,066

The Defence Systems business segment includes the activities of MBDA, the joint venture with BAE Systems and EADS in which Finmeccanica Spa has a 25% investment, in missile systems, Oto Melara group in land, sea and air weapons systems and WASS S.p.A. in underwater weapons (torpedoes and countermeasures) and sonar systems.

New orders for the first nine months of 2012 totalled €643 million, an increase over the €483 million figure for the first nine months of 2011, due to the agreement of an important contract with the Indian Air Force for *missile systems* and an order to supply additional VBM armoured vehicles to the Italian Army in the *land weapon systems* line.

Key new orders of the reporting period include:

- in the *missile systems* line: the order to supply Mica air-to-air missiles as part of the upgrade of the Mirage 2000 fleet used by the Indian Air Force (Q1); customer support orders (Q1-2-3);
- in the *land, sea and air weapons system* line: the order for an additional lot of VBM armoured vehicles for the Italian Army (Q2); the acquisition of the contract for two 127/64 LW naval cannons for Algeria (Q3) and various logistics orders;
- in the *underwater systems* line: various contracts in the heavy torpedoes and countermeasures business areas; orders related to the FREMM programme from France (Q2) and various logistics orders.

The **order backlog** at 30 September 2012 was €3,497 million, compared to €3,656 million at 31 December 2011. Around 64% of this amount relates to the *missile systems* line.

Revenues for the nine months ended 30 September 2012 came to €829 million, up 2% on the corresponding period of the previous year (€811 million).

Revenues were mainly generated by:

- *missile systems*: the production of Aster surface-to-air missiles, Spada aerial defence missile systems and Exocet anti-ship missiles; the development of the aerial defence system as part of the Medium Extended Air Defence System programme; the first deliveries of air-to-surface missiles as part of an important programme for a foreign country; customer support;
- *land, sea and air weapons systems:* production related to the VBM armoured vehicles for the Italian army; the Hitfist turret kits for Poland; activities related to the FREMM programme; the production of SampT missile launchers; the production of machine guns for various foreign customers; logistics;
- *underwater systems*: activities related to the Black Shark heavy torpedo and the A244 light torpedoes; countermeasures; FREMM-related activities; logistics.

Adjusted EBITA for the first nine months of 2012 totalled €89 million, higher than the €65 million recognised in the corresponding period of the previous year mainly due to the considerable improvement in the profit margins in *missile systems*. **ROS** came to 10.7% (8.0% for the nine months ended 30 September 2011).

Research and development expenses for the first nine months of 2012 came to €186 million, the same amount as for the corresponding period of the previous year. Key activities included: in the *missile systems* line, activities for the Medium Extended Air Defence System programmes and development programmes with the British Ministry of Defence, as well as the continued development of the air-to-air Meteor missile; in the *land, sea and air weapons systems* line, activities for the guided munitions programmes and to develop the 127/64 LW cannon; in the *underwater systems* line, activities related to the A244 light torpedo and the Black Shark heavy torpedo.

The **workforce** at 30 September 2012 numbered 3,983, down 83 employees from the 4,066 employees at 31 December 2011.

ENERGY

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	512	1,047	67	249	1,258
Order backlog	1,926	2,030	n.a.	n.a.	1,939
Revenues	493	720	187	158	981
Adjusted EBITA	36	54	16	12	91
ROS	7.3%	7.5%	8.6%	7.6%	9.3%
Research and development	12	16	4	4	23
Workforce (no.)	1,819	1,848	n.a	n.a.	1,872

Finmeccanica Spa sold a 45% investment in Ansaldo Energia group to the US investment fund, First Reserve Corporation, on 13 June 2011. Ansaldo Energia Holding and its subsidiaries have consequently been consolidated on a proportionate basis since that date. Moreover, the merger of the parent Ansaldo Energia Holding into the subsidiary Ansaldo Energia was finalised on 30 June 2012, as agreed with First Reserve Corporation at the time the joint venture was created.

Finmeccanica operates in the Energy business segment via Ansaldo Energia S.p.A. (in which it has a 55% investment) and its subsidiaries, Ansaldo Nucleare S.p.A., Asia Power Projects Private Ltd, Ansaldo Swiss AG, the Ansaldo Thomassen group and Yeni Aen Insaat Anonim Sirteki.

The Energy business segment is specialised in supplying *plants* and *components* for energy generation (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), post-sales services, *nuclear* activities (plant engineering, service, waste and decommissioning) and activities for *renewable energy* generation.

Before analysing the changes between the reporting period and the corresponding period of the previous year, it should be noted that in the income statement for the first nine months of 2011, the amounts for the first half of 2011 and the third quarter of 2011 were consolidated at 100% and 55%, respectively. Accordingly, to properly present the business segment’s performance, changes in income statement figures will be shown and discussed on a like-for-like basis.

New orders for the first nine months of 2012 came to €512 million, down €535 million over the €1,047 million figure of the corresponding period of the previous year. On a like-for-like basis, new orders decreased €176 million, largely due to lower purchases in the *plants and components* line.

Key new orders of the reporting period include:

- in the *plants and components* line: an open-cycle plant in Algeria (Hassi Messaud) (Q2); supply of a gas turbine and alternator in Algeria (Labreg) (Q2); supply of a steam turbine and alternator in Chile (Cochrane) (Q2); the supply of a steam turbine and alternator in Egypt (Giza North) (Q3);
- in the *service* line: the solution contract (modifying turbine parts) related to the revamping of the nuclear turbo alternator for a power station in Argentina (Embalse) (Q1); field service contracts;
- in the *nuclear* line: the plant engineering order in Argentina (Embalse) (Q1); the order for the full-scale prototype of the divertor’s inner vertical target for a nuclear power station in France (Cardache) (Q2).

The **order backlog** at 30 September 2012 totalled €1,926 million, down €13 million over the €1,939 million figure at 31 December 2011. *Plants and components* account for 39%, while *services* account for 59% (70% of which is represented by long-term service agreements - LTSAs - for scheduled maintenance contracts), *nuclear* for 1% and *renewable energies* for the remaining 1%.

Revenues for the first nine months of 2012 came to €493 million, down €227 million over the corresponding period of the previous year (€720 million), due entirely to the change in consolidation method. On a like-for-like basis, revenues increased €26 million and substantially relates to the greater operations in the *plants and component* and *renewable energies* lines.

Revenues were mainly generated by:

- *plant and components*: work on contracts in Italy (Aprilia), Tunisia (Sousse), Egypt (El Sabtia – Cairo), Turkey (Gebze) and Algeria (Ain Djasser II and Labreg);
- *services*: LTSAs in Italy (Calenia, Rizziconi, Servola, various Enipower facilities) and in Northern Ireland (Ballylumford); in the spare part area, the activities on the gas and steam turbines in Spain (Algeciras and Escatron), Jordan (Amman-East), Bolivia (Carrasco), Turkey and for a power station in Algeria (Hamma); activities in Italy (Ferrara and Ravenna) and in Chile (Mejillones) in the field service area;
- *nuclear*: in the *plant engineering* area, the continuation of activities for the China project (*Sanmen*) in conjunction with Westinghouse for the new AP1000 nuclear reactors and engineering activities in the Slovakia power station to complete the two VVER 440 reactors

(Mochovce). In the *services* area, revamping activities at the power station in Argentina (Embalse). In the waste and decommissioning area, activities to treat and store radioactive waste from submarines in Russia (Andreeva Bay);

- *renewable energy*: in the *wind* area, work on the Avellina (Bisacca) contract to build a 66 MW wind farm; in the *photovoltaic* area, progress on the Siracusa (Francofonte) and Avellino (Bisaccia), Martano and Soleto (both in Lecce) contracts;

Adjusted EBITA for the first nine months of 2012 came to €36 million, down €18 million over the €54 million figure of the corresponding period of the previous year. On a like-for-like basis, Adjusted EBITA is substantially in line with the same period of the previous year.
ROS for the reporting period was 7.3%, compared to 7.5% for the first nine months of 2011.

Research and development expenses for the reporting period came to €12 million, down €4 million on the corresponding period of the previous year (€16 million). On a like-for-like basis, there were no substantial changes with respect to the corresponding period of the previous year.

The **workforce** at 30 September 2012 numbered 1,819, down 53 employees on the 1,872 employees at 31 December 2011.

TRANSPORTATION

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	1,244	1,146	306	302	2,723
Order backlog	8,164	7,159	n.a.	n.a.	8,317
Revenues	1,385	1,372	444	419	1,877
Adjusted EBITA	6	(10)	(3)	(19)	(110)
ROS	0.4%	(0.7%)	(0.7%)	(4.5%)	(5.9%)
Research and development	35	33	10	9	46
Workforce (no.)	6,636	6,981	n.a.	n.a.	6,876

The Transportation business segment comprises Ansaldo STS group (*signalling and transportation solutions*), AnsaldoBreda S.p.A. and its investees (*vehicles*) and BredaMenarinibus S.p.A. (*buses*).

New orders for the nine months ended 30 September 2012 totalled €1,244 million, up €98 million on the €1,146 million figure of the corresponding period of the previous year, related mainly to the *signalling and transportation solutions* line.

Key new orders of the reporting period include:

- for the *signalling and transportation solutions* line:
  - in the *signalling* area: the order for the first two stages of a signalling system for the train line for heavy traffic use for the Roy Hill Iron Ore project in Australia (Q2); the contract agreed with Southeastern Pennsylvania Transportation Authority for the Positive Train Control integrated signalling system (Q1); the order for the new Shah-Habshan-Ruwais line in the United Arab Emirates (Q1); the contract for the supply of the railway traffic control system for a high-speed line in Korea (Q3); various components and service & maintenance contracts*;*
  - in the *transportation solutions* area, the AutoHaul™ contract to develop and supply an automated train management system for the heavy transport of steel for Rio Tinto Iron Ore, awarded as part of the master agreement signed with Rio Tinto Iron Ore (Q2) and other contracts under the same master agreement, in Australia;

- in the *vehicles* line, the change to Trenitalia's 2010 order for high-speed trains (Q2); additional vehicles that had already been optioned for the Fortaleza metro system in Brazil (Q2); service orders;
- in the *bus* line, orders for nineteen buses and various post-sales orders.

The **order backlog** at 30 September 2012 totalled €8,164 million, down €153 million over the €8,317 million figure at 31 December 2011. The *signalling and transportation solutions* line accounts for 68.4%, the *vehicles* line for 31.4% and the *bus* line for 0.2%.

Revenues for the first nine months of 2012 came to €1,385 million, compared to €1,372 million in the corresponding period of the previous year. Production mainly included:

- for the *signalling and transportation solutions* line:
  - in the *signalling* area, high-speed projects, train control systems and the Turin-Padua stretch in Italy; contracts for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale train lines and for the Ankara metro in Turkey; orders for Australian Rail Track in Australia; the contract for the Red Line of the Stockholm metro in Sweden; the Union Pacific Railroad project in the US; various components contracts;
  - in the *transportation solutions* area, the Copenhagen, Naples Line 6, Rome Line C, Brescia, Genoa, Milan and Riyadh (Saudi Arabia) metros; the Rio Tinto projects in Australia;
- in the *vehicles* line, double-decker carriages for Trenitalia; trains for the Danish railways; trains for the Dutch and Belgian railways; vehicles for the Fortaleza (Brazil), Milan and Riyadh (Saudi Arabia) metros; various service orders;
- in the *bus* line, various bus orders, representing 55% of this line's revenues, and post-sales activities.

Adjusted EBITA for the first nine months of 2012 totalled €6 million, up €16 million over the negative €10 million recorded in the corresponding period of the previous year. The *vehicles* line's lower than expected performance is still negative and is impacted by the as yet unresolved issues of the *service* area, as well as the difficulties encountered in pursuing the objectives of the reorganisation plan launched by Ansaldobreda's management, due to production issues that may have consequences on the delivery plans of certain programmes.
ROS for the business segment was 0.4% (negative by 0.7% for the nine months ended 30 September 2011).

Research and development expenses for the nine months ended 30 September 2012 came to €35 million (€33 million for the first nine months of 2011) and mainly related to projects in the *signalling and transportation solutions* line.

The **workforce** at 30 September 2012 numbered 6,636, down a net 240 employees on the 6,876 employees at 31 December 2011. This relates to both the *vehicles* line (175 employees, including in relation to AnsaldoBreda France SAS's placement into liquidation and consequent exit from the consolidation scope), and to the *signalling and transportation solutions* line.

OTHER ACTIVITIES

€ million	30.09.2012	30.09.2011	Q3 2012	Q3 2011	31.12.2011
New orders	43	267	12	37	319
Order backlog	152	290	n.a	n.a.	256
Revenues	244	197	99	66	305
Adjusted EBITA	(88)	(110)	(23)	(31)	(149)
ROS	n.s.	n.s.	n.s.	n.s.	n.a.
Research and development	3	4	-	4	6
Workforce (no.)	908	895	n.a..	n.a.	911

This business segment includes, *inter alia*, Finmeccanica Group Services S.p.A., which manages group services, Finmeccanica Finance SA and Meccanica Holdings USA Inc, which provide the group with financial support, Finmeccanica Group Real Estate S.p.A. (FGRE), which manages, streamlines and enhances the group's real estate assets, and So.Ge.Pa. S.p.A. in liquidation.

It also includes the **FATA** group, which provides plant and equipment for the processing of aluminium and steel and contracting services to electricity generation and primary aluminium production companies.
At 30 September 2012, FATA had received **new orders** of €43 million, down €224 million on the corresponding period of the previous year (€267 million). The first nine months of 2011 were positively affected by a large new order received from Oman.

Revenues for the nine months ended 30 September 2012 totalled €147 million, up €56 million on the corresponding period of the previous year (€91 million).

The **workforce** at 30 September 2012 numbered 395, compared to 346 employees at 31 December 2011.

This business segment's figures also include **Finmeccanica Spa**, which has been undergoing an in-depth transformation process for several years, redirecting its focus from financial to industrial (guidance and coordination). This process was boosted in previous years by management's commitment to continue steps towards industrial, technological and commercial integration. The group will, therefore, benefit from an additional stimulus to its profitability through streamlining and cost-saving processes. These processes, aimed at reducing costs and which are progressing as planned, also involved Finmeccanica Spa directly, which has already benefitted significantly at 30 September 2012.

Key events of and after the reporting period

Industrial transactions

In the **Helicopters** business segment, AgustaWestland signed an agreement on 18 September 2012 with the US-based Northrop Grumman Corporation to take part in the forthcoming tender of the US Air Force for a new Combat Rescue Helicopter (CRH) and the future tender for the new presidential helicopter Marine One (VXX) which is under the responsibility of the US Navy. The partnership between AgustaWestland and Northrop Grumman brings together Finmeccanica's leadership in the rotary-wing sector and the US company's long experience in the area of mission systems and equipment integration on flights for the United States Department of Defense.

As part of the reorganisation of the **Aeronautics** business segment commenced in 2010, the merger into Alenia Aeronautica S.p.A. of its subsidiaries Alenia Aermacchi S.p.A. and Alenia SIA S.p.A. took effect on 1 January 2012. Alenia Aeronautica S.p.A. then changed its name to Alenia Aermacchi S.p.A. and transferred its registered office from Pomigliano d'Arco (NA) to Venegono Superiore (VA). The plan to relaunch, reorganise and restructure the business segment was also rolled out near the end of 2011 with a view to recapturing market competitiveness through selected products and top-flight technologies.

The programme to upgrade Finmeccanica's industrial structure in the **Defence Electronics and Security ("DE&S")** business segment launched in 2010 involved the 2011 merger between Elsag Datamat and SELEX Communications and the simultaneous incorporation of SELEX Elsag and transfer thereto of the equity investments in Seicos (100%), SELEX Service Management (100%) and SELEX Elsag Cyberlabs (49%) (the first two were held by Finmeccanica and the third by Finmeccanica Group Services). Starting from 1 February 2012, Seicos was also merged into SELEX Elsag. Moreover, effective as of 1 April 2012, Amtec S.p.A., which produces telecommunications network equipment (encryption devices, IP routers, set top boxes), was merged into SELEX Elsag S.p.A..

With effect from 2012, Finmeccanica transferred the equity investments in SELEX Gelileo Ltd, SELEX Galileo S.p.A., SELEX Elsag S.p.A. and SELEX Sistemi Integrati S.p.A. to its wholly-owned subsidiary SELEX Electronic Systems S.p.A. ("SELEX ES"); the procedure for the merger of SELEX Galileo S.p.A. and SELEX Elsag S.p.A. into SELEX ES S.p.A. commenced in September 2012.

The above reorganisation, which will also involve SELEX Sistemi Integrati S.p.A. in the last quarter of 2012, is part of the group's reorganisation in the DE&S business segment which will culminate in the creation of a single European-level organisation by the end of 2012. This will provide all business areas with consistent guidance and further streamline the business structure and investments and provide a unified approach to domestic and international customers. After having only a marginal impact on the results of the first nine months of the year, the effect of the streamlining could result in the accrual of provisions as early as the fourth quarter of 2012.

On 19 December 2011, Finmeccanica (via SELEX Elsag and Vega) and Northrop Grumman signed a collaboration agreement to meet the NCIRC (NATO Computer Incident Response Capability) - Full Operating Capability (FOC) programme requirements. The programme's aim is to ensure security of the information held at around 50 NATO locations and sites across 28 countries, enabling rapid and effective detection and response to cyber security risks. On 29 February 2012, Finmeccanica and Northrop Grumman were awarded the contract by NATO NC3A Agency (Consultation, Command and Control).

On 23 July 2012, Finmeccanica signed a strategic partnership agreement with Poste Italiane S.p.A. and the Russian postal services for its subsidiary SELEX Elsag to supply know how and technologies to develop and modernise the Russian postal network (comprising 42 thousand offices) by upgrading the logistics network and rolling out new digital services. Under this agreement, activities will also be carried out in 2012 to identify further business opportunities where Italian know how can be applied.

On 20 February 2012, in the **Space** business segment, the overhaul of Telespazio group's organisational and management model involved the merger of Telespazio Holding S.r.l., Telespazio group's holding company (67% owned by Finmeccanica and 33% owned by the French company Thales), into the operating company Telespazio S.p.A.. On 7 September 2012, Telespazio successfully completed the restructuring of certain of its operations in Germany, merging VEGA Space GMBH and Telespazio Deutschland GMBH into a single company (Telespazio VEGA Deutschland GmbH).

In the **Energy** business segment, the merger of the parent Ansaldo Energia Holding into the subsidiary Ansaldo Energia was finalised on 30 June 2012. One of the aims is to streamline the corporate structure, with a view to decreasing operating expenses and increasing profitability.

In the **Transportation** business segment, Ansaldo STS reached a strategic agreement with the China-based Cnr Dalian and the Taiwan-based General Resources Company on 17 July 2012, licensing the "TramWave" technology to the joint venture that will be formed by Cnr Dalian and General Resources. The TramWave solution offers cable-free electric power distribution and was developed and patented by Ansaldo STS for use in urban transport systems, eliminating the visual impact of traditional overhead cables.

On 17 October 2012, AnsaldoBreda reached a trading agreement with Cnr Dalian for the transfer of AnsaldoBreda's technology related to the Sirio platform for 600 new trams to be used for public transport in China. With the exception of the first ten, which AnsaldoBreda will produce in its Pistoia facilities and which will be used to train Cnr Dalian personnel, the vehicles will be produced by Cnr Dalian in China under licence from AnsaldoBreda.

On 30 August 2012, **Finmeccanica** (on behalf of SELEX Sistemi Integrati, SELEX Elsag, Thales Alenia Space Italia, MBDA and Elettronica) and the University of Trento signed a three-year master agreement whereby Centro di Ricerca di Diagnostica Elettromagnetica ELEDIA (ELEctromagnetic DIAgnostic) - against financial consideration - gives the above companies an option on all results arising from the basic research into issues regarding innovation in the RF antennas area, including radiating systems architectures and new generation sensing devices, as well as Wireless Power Transmission techniques.

Financial transactions

The group did not carry out material transactions on the capital markets in the first nine months of 2012, with the only transactions of the period being the finalisation of some existing bond repurchase transactions. Specifically, in February and March, Meccanica Holdings USA repurchased, in several instalments, around $34 million of bonds maturing in July 2019, bearing interest at 6.25%, that it issued in 2009 for a total of $500 million. In the second quarter, a further approximate $32 million of same bonds was repurchased, for a total amount approximating $66 million (roughly €51 million). The average repurchase price totalled 89.81% of the nominal amount, with an average annual return of 8.13%. Unlike for bonds issued on the Euromarket, these bonds do not have to be cancelled immediately.

With reference to issues on the Euromarket, Finmeccanica continued in 2012 to repurchase, on an arm's length basis, notes maturing in December 2013, bearing interest at 8.125%. They were issued as part of the Euro Medium Term Notes (EMTN) programme. In respect of this issue, an approximate further €12 million was repurchased in the third quarter of 2012 for an average repurchase price of 106.40% of the nominal amount, with an average annual return of 3.21%. The repurchase of a total of €197 million (€185 million in 2011 plus the €12 million in 2012) took place at an average repurchase price of 105.74% of the nominal amount, with an average return of 5.21%.

The following table details the bonds outstanding at 30 September 2012 showing, respectively, the Euro bonds issued by Finmeccanica and the subsidiary Finmeccanica Finance, the pound sterling bonds issued by Finmeccanica Finance, and the bonds issued by Meccanica Holdings USA on the US market. The average remaining life of the outstanding bonds at 30 September 2012 is approximately ten years.

During the life of the various bonds, Finmeccanica has undertaken transactions to convert the fixed rate to floating rate, in some cases together with option structures protecting against floating rate rises. The notes to the table describe the transactions in place at 30 September 2012.

Issuer		**Year of issue**	**Maturity**	**Nominal amount (€ million)**	**Annual interest rate**	**Type of offer**	**IFRS carrying amount (€ million) (7)**
Finmeccanica Finance SA	(1)	2003	2018	500	5.75%	European institutional	520
Finmeccanica Spa	(2)	2005	2025	500	4.875%	European institutional	508
Finmeccanica Finance SA	(3)	2008	2013	803(*)	8.125%	European institutional	857
Finmeccanica Finance SA	(4)	2009	2022	600	5.25%	European institutional	615

Issuer		**Year of issue**	**Maturity**	**Nominal amount (£ million)**	**Annual interest rate**	**Type of offer**	**IFRS carrying amount (€ million) (7)**
Finmeccanica Finance SA	(5)	2009	2019	400	8.00%	European institutional	508

Issuer		**Year of issue**	**Maturity**	**Nominal amount ($ million)**	**Annual interest rate**	**Type of offer**	**IFRS carrying amount € million (7)**
Meccanica Holdings USA Inc	(6)	2009	2019	434(**)	6.25%	American institutional Rule 144A/Reg. S	337
Meccanica Holdings USA Inc	(6)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	230
Meccanica Holdings USA Inc	(6)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	387

(*) Residual nominal amount after the repurchase of €197 million in several instalments between 2011 and the third quarter of 2012.

(**) Nominal amount of $500 million, reduced after the repurchase of approximately $66 million in several instalments in the first half of 2012.

1. Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. The transaction was authorised pursuant to article 129 of Legislative decree no. 385/93. Notes listed on the Luxembourg stock exchange.
   Interest rate transactions were undertaken for these notes so that the floating rate remained around 3.25%. From 2006, the effective cost of the loan returned to a fixed rate averaging around 5.6%.
2. Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. The transaction was authorised pursuant to article 129 of Legislative decree no. 385/93. Notes listed on the Luxembourg stock exchange. In December 2011, the IRSs converting €250 million to floating rate were redeemed early, thus realising the fair value gain of €36 million.
3. Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. Notes listed on the Luxembourg stock exchange. €750 million of the issue was converted to fixed rate, with a benefit of over 200 basis points in 2011.
4. Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. Notes listed on the Luxembourg stock exchange. No interest rate transactions have been entered into for this issue.
5. Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. Notes listed on the Luxembourg stock exchange. The issue's proceeds were converted into euros and the transaction's currency risk is fully hedged. In the first quarter of 2011, transactions were carried out converting £100 million to floating rate, generating a gain of approximately €4.5 million in the second quarter. Finmeccanica has not excluded the possibility of changing the notes back to pounds sterling to partially hedge the strategic investments in Great Britain.
6. Bonds issued pursuant to Rule 144A Regulation S of the US Securities Act. This issue's proceeds have been fully used by Meccanica Holdings USA to fund the subsidiary DRS in place of the US dollar bonds originally issued by the company and for which early redemption was requested following Finmeccanica's purchase of DRS. Accordingly, no currency or interest risk hedging transactions were performed on these issues.
7. The difference between the bonds' nominal and carrying amounts is due to the recognition of accrued interest as an increase in the payable amount and the annual amounts of issue discounts as a decrease thereof.

All bonds issued by Finmeccanica Finance and Meccanica Holdings USA are irrevocably and unconditionally secured by Finmeccanica and they have a medium-term credit rating from the international rating agencies Moody's Investor Service (Moody's), Standard and Poor's and Fitch.
At the date of the submission of the present document, Finmeccanica's credit ratings are as follows: Baa3 with stable outlook from Moody's (from Baa2 with negative outlook), BBB- with negative outlook from Fitch and BBB- with negative outlook from Standard and Poor's. Specifically, Moody's rating was amended on 24 October 2012, following its decision to place Finmeccanica's debt "on review for downgrade" in July after the further downgrading of the Italian Republic. In rating companies' debt, Standard and Poor's and Moody's use methods such that issuers can be allocated a different rating from that on a "stand alone" basis in the event there are particular relationships linking the issuer to the country to which they belong.

Moreover, the current credit ratings by Standard and Poor's and Moody's do not presently show any difference between the *"stand alone"* ratings and the ratings determined based on Standard and Poor's Government related entities (GRE) and Moody's Government related issuers (GRI) methodologies. Overall, Finmeccanica is rated "Investment Grade", although with negative outlook only for Fitch and Standard and Poor's. This rating could be changed by the rating agencies based not only on the ongoing outcomes of Finmeccanica's restructuring, reorganisation and disinvestment programmes, but also in the event of a deterioration in the macroeconomic context (e.g., national economic system, etc.).

A hypothetical further downgrading of Finmeccanica's rating, even to below Investment Grade, would not significantly affect the confirmed existing financing. However, it could be more difficult and costly to use some of the credit line sources of financing used to date.

The group is actively committed to rolling out the steps of the restructuring plan launched in 2011, which, *inter alia*, include the reduction of debt. Moreover, the group's financial and investment and contract selection policies mean the group constantly monitors the soundness of its financial position and its financial debt level, which also enable compliance with the indicators the rating agencies refer to.

All the existing bond issues are governed by regulations containing standard legal clauses for this type of corporate transaction on institutional markets. They do not require compliance with specific financial covenants for issues, while they include, *inter alia*, negative pledge and cross default clauses.

Under the negative pledge clauses, group issuers, Finmeccanica and their material subsidiaries (in which Finmeccanica Spa holds more than 50% and the related gross revenues and equity represent at least 10% of Finmeccanica's consolidated gross revenues and equity) are expressly prohibited from pledging collateral or other guarantees securing bonds or financial instruments that are listed or may be listed, unless such guarantees are extended to all bondholders. Securitisation transactions are excluded from this prohibition as is, from July 2006, the earmarking of assets pursuant to article 2447-*bis* and following articles of the Italian Civil Code.

Under the cross default clauses, the bondholders of each issue may request their early repayment if one of the group issuers and/or Finmeccanica and/or a material subsidiary defaults, resulting in a failure to pay exceeding set limits.

Other events

As part of the group's focus on its strategic sectors, on 31 May 2012, Finmeccanica Finance, Fondo Strategico Italiano S.p.A. ("FSI"), Avio S.p.A. ("Avio") and the ultimate parent BCV Investments SCA reached an agreement, with the condition precedent of Avio's listing on the stock exchange before the end of 2012 under favourable market conditions, which will enable FSI to become a shareholder of Avio with a stable approximate 15% investment, taking part in the initial public offering, which includes a share capital increase, and acquiring Finmeccanica's entire investment therein. Finmeccanica will receive an amount equal to the net placement price for the sale of its stake.

The sale by Finmeccanica Finance to FSI (subsidiary of Cassa Depositi e Prestiti, in turn controlled by the Ministry for Economy and Finance), if realised under the terms described above, would be a transaction between related parties - carried out by Finmeccanica Spa through its subsidiary - which would qualify for the exemption available for ordinary transactions that take place on an arm's length basis (article 13.3.c) of CONSOB Regulation no. 17221/3 and article 11.2.c) of the company's procedure approved on 26 November 2010.

Outlook

Finmeccanica group's results for the first nine months of 2012 improved on those of the corresponding period of the previous year (also when the accruals related to the B787 programme are excluded, as detailed at the beginning of this report), and were substantially in line with the forecasts contained in the companies' budgets for the reporting period.

As detailed more fully in the report on operations accompanying the 2011 annual consolidated financial statements, the recession which affected other industries from 2008 extended to the Aerospace and Defence industries in the group's key markets of Great Britain, the United States of America and Italy, where budgets for military and security investment spending were cut in 2010. Customers are also tending to refocus on product performance/cost sustainability ratios. Current and prospective demand in the sector is shifting towards emerging countries and competition between companies is intense, which is pushing prices downwards.

The current macroeconomic context is in some ways more worrying than originally thought, with significant impacts on its markets.

Initiatives undertaken to different extents by the various group companies during 2011 enabled the group to improve its efficiency and simplify corporate structures by drawing up and rolling out in-depth plans (detailing actions, costs/benefits, timeframes, limitations and how the roll out is to take place) to improve competitiveness and efficiency and to reorganise each company (with expected benefits topping €440 million in 2013).

These plans cover all critical business areas, including production processes (streamlining of facilities, product/component standardisation, lean manufacturing), purchases (streamlining of suppliers and make or buy policies), engineering (lean engineering, streamlining of investments), workforce (streamlining the indirect to direct ratio), controllable costs, overheads and administrative expenses (streamlining of personnel and IT systems and the corporate structure).

Guidance and monitoring undertaken during the reporting period by Finmeccanica (as well as the improvement in the key production indicators for the companies) confirm the steps are being rolled out as scheduled in terms of physical progress and that the trend of financial statements figures is consistent with the quantitative targets in terms of overall benefits. As early as this reporting period, the results were especially strong in the Aerospace and Defence segment, while the *vehicles* line of the Transportation business segment is encountering difficulties in pursuing the objectives of the reorganisation plan, mainly due to production issues that may also have consequences on the delivery plans of certain programmes.

The group is also taking the steps necessary for structural and sustainable growth, to solve strategic issues, including the consolidation and strengthening of activities in the Defence Electronics and Security business segment, through the combination of SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati into one company, while significantly streamlining technologies, product lines and industrial facilities, leading to important synergies and consequent significant decreases in manufacturing costs. The aim is to establish a single entity in Europe that operates in conjunction and in coordination with DRS, which will not be affected by the business combination given the special regulations to which it is subject. The single entity will be able to successfully take on key industry players, compete on the main markets and take advantage of a technological, financial and production structure that will make it possible to generate significant cash flows and an adequate return on invested capital.

Equally important is the roll out of the group’s asset portfolio review, concentrating invested capital in those activities and business segments boasting the technological and production capacities to maximise the creation and extraction of value on the market. This could entail the disposal of assets, thus reducing financial debt and thereby improving the overall cash position.

In view of the group’s results of operations for the first nine months of 2012 and its reaching the milestones set out both in its plans to improve competiveness and efficiency and for restructuring, and the roll out of actions to resolve strategic issues, we confirm the forecasts for the full year 2012 prepared at the time the 2011 Annual Report was prepared.

Revenues for the full year is expected to be in the range of €16.9 billion and €17.3 billion. Adjusted EBITA will return to be positive in the Aeronautics business segment, although it will continue to be negative in the *vehicles* line, and will increase in the Defence Electronics and Security and Helicopters business segments. Adjusted EBITA will thus approximate €1,100 million, while FOCF will be positive thanks to operating activities before investing activities which (after having funded part of the restructuring costs accrued in 2011, borrowing costs and income taxes) will generate cash flows exceeding €900 million, while investment expenses (after collecting the grants under Law no. 808/85) is expected to generate negative cash outflows approximating €900 million.

Condensed consolidated interim financial statements

as at and for the nine months ended 30 September 2012

Condensed consolidated income statement

(€ million)	Note	For the first nine months of 2012	of which, related parties	For the first nine months of 2011	of which, related parties
Revenues	23	12,184	1,472	12,252	1,394
Raw materials and consumables used and personnel costs	25	(11,035)	(152)	(11,324)	(127)
Amortisation, depreciation and impairment	26	(508)		(553)	
Other operating income/(expenses)	24	(17)	(2)	(978)	1
		624		**(603)**	
Net financial income(expenses)	27	(314)	(3)	212	(6)
Share of profit/(losses) of equity-accounted investments	28	(16)		(42)	
Profit (loss) before income taxes and discontinued operations		**294**		**(433)**	
Income taxes	29	(148)		109	
Profit (loss) from discontinued operations		-		-	
Net profit/(loss)		**146**		**(324)**	
. attributable to the owners of the parent		*118*		*(358)*	
. attributable to non-controlling interests		*28*		*34*	
Earnings/(losses) per share	31				
Basic		*0.205*		*(0.620)*	
Diluted		*0.205*		*(0.619)*	

Condensed consolidated income statement

(€ million)	Note	For the three months ended 30 September 2012	of which, related parties	For the three months ended 30 September 2011	of which, related parties
Revenues	*23*	4,124	*492*	3,828	*466*
Raw materials and consumables used and personnel costs	*25*	(3,701)	*(60)*	(3,618)	*(51)*
Amortisation, depreciation and impairment	*26*	(169)		(181)	
Other operating income/(expenses)	*24*	(7)	*1*	(952)	*2*
		247		**(923)**	
Net financial income/(expenses)	*27*	(107)	*(1)*	(49)	*(2)*
Share of profit/(losses) of equity-accounted investments	*28*	(3)		(33)	
Profit (loss) before income taxes and discontinued operations		**137**		**(1,005)**	
Income taxes	*29*	(62)		225	
Profit (loss) from discontinued operations		-		-	
Net profit/(loss)		**75**		**(780)**	
. attributable to the owners of the parent		*65*		*(790)*	
. attributable to non-controlling interests		*10*		*10*	
Earnings/(losses) per share	*31*				
Basic		*0.113*		*(1.370)*	
Diluted		*0.113*		*(1.368)*	

Statement of condensed consolidated comprehensive income

€ million	For the first nine months of 2012		2011	
Net profit/(loss)		**146**		**(324)**
Other comprehensive income/(expenses)				
- Actuarial gains/(losses) on defined benefit plans:		(224)		(78)
. *actuarial gains/(losses)*	*(220)*		*(78)*	
. *exchange rate gains/(losses)*	*(4)*		-	
- Changes in cash flow hedges:		35		23
. *fair value adjustments*	*31*		*26*	
. *transferred to condensed consolidated income statement*	*4*		*(3)*	
. *exchange rate gains/(losses)*	-		-	
- Translation differences		103		(52)
Income tax on other comprehensive income/(expenses)		42		6
.*fair value adjustments/measurement*	*41*		*(1)*	
. *transferred to condensed consolidated income statement*	-		*7*	
. *exchange rate gains (losses)*	*1*		-	
Other comprehensive income/(expenses)		(44)		(101)
Total comprehensive income/(expenses) for the period		**102**		**(425)**
Attributable to:				
- *Owners of the parent*		*74*		*(453)*
- *Non-controlling interests*		*28*		*28*

Condensed consolidated statement of financial position

(€ million)	*Note*	*30.09.12*	*of which, related parties*	*31.12.11*	*of which, related parties*
Non-current assets					
Intangible assets	*9*	8,610		8,409	
Property, plant and equipment	*10*	3,198		3,171	
Deferred tax assets		1,043		1,046	
Other assets	*12*	727	*35*	917	*11*
		13,578		**13,543**	
Current assets					
Inventories		4,869		4,486	
Trade receivables, including net contract work in progress	*13*	9,552	*865*	8,932	*884*
Financial receivables		789	*65*	1,071	*184*
Derivatives	*14*	165		167	
Other assets	*15*	1,144	*11*	1,062	*13*
Cash and cash equivalents		1,093		1,331	
		17,612		**17,049**	
Non-current assets held for sale		1		1	
Total assets		**31,191**		**30,593**	
Shareholders' equity					
Share capital	*16*	2,525		2,525	
Other reserves		1,849		1,776	
Equity attributable to the owners of the parent		**4,374**		**4,301**	
Equity attributable to non-controlling interests		315		303	
Total shareholders' equity		**4,689**		**4,604**	
Non-current liabilities					
Loans and borrowings	*17*	4,463	*33*	4,492	*36*
Employee liabilities	*19*	1,082		956	
Provisions for risks and charges	*18*	1,728		1,774	
Deferred tax liabilities		427		479	
Other liabilities	*20*	945	-	936	-
		8,645		**8,637**	
Current liabilities					
Trade payables, including progress payments and advances from customers	*21*	12,967	*155*	13,162	*160*
Loans and borrowings	*17*	2,282	*722*	1,393	*913*
Income tax payables		88		44	
Provisions for risks and charges	*18*	853		932	
Derivatives	*14*	105		159	
Other liabilities	*20*	1,562	*35*	1,662	*41*
		17,857		**17,352**	
Liabilities associated with assets held for sale		-		-	
Total liabilities		**26,502**		**25,989**	
Total liabilities and shareholders' equity		**31,191**		**30,593**	

Condensed consolidated statement of cash flows

(€ million)	*Note*	*For the first nine months of* **2012**	*of which, related parties*	**2011**	*of which, related parties*
Cash flows from operating activities:					
Gross cash flows from operating activities	*30*	1,258		1,091	
Change in working capital	*30*	(1,436)	*27*	(1,221)	*285*
Change in other operating assets and liabilities, income taxes, financial expenses and provisions for risks and charges		(764)	*(131)*	(869)	*(125)*
Net cash generated/(used) from/in operating activities	(a)	**(942)**		**(999)**	
Cash flows from investing activities:					
Acquisitions of companies, net of cash acquired	*11*	-		(4)	
Sale of Ansaldo Energia		-		477	
Purchase of property, plant and equipment and intangible assets		(494)		(596)	
Proceeds from sales of property, plant and equipment and intangible assets		34		29	
Other investing activities		(2)	*1*	7	*(4)*
Net cash generated/(used) from/in investing activities	(b)	**(462)**		**(87)**	
Cash flows from financing activities:					
Net change in other loans and borrowings		1,164	*(50)*	27	*(28)*
Dividends paid to the owners of the parent		-		(237)	
Dividends paid to non-controlling investors		(17)		(21)	
Net cash generated/(used) from/in financing activities	(c)	**1,147**		**(231)**	
Net increase/(decrease) in cash and cash equivalents	(d = a+b+c)	(257)		(1,317)	
Exchange rate gains/ (losses) and other changes	(e)	19		(36)	
Cash and cash equivalents at 1 January	(f)	1,331		1,854	
Net increase/(decrease) of the period	(g = d+e)	**(238)**		**(1,353)**	
Cash and cash equivalents at 30 September	(f+g)	**1,093**		**501**	

Condensed statement of changes in consolidated shareholders' equity

	Share capital	Retained earnings and consolidation reserve	Cash-flow hedge reserve	Reserve for Stock options/ grant plans	Reserve for Actuarial gains/ (losses)	Translation reserve	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests
1 January 2011	**2,517**	**4,870**	**16**	**43**	**(96)**	**(536)**	**6,814**	**284**
Dividends paid		(237)					(237)	(21)
Share capital increases							-	-
Profit/(Loss) for the period		(358)					(358)	34
Other comprehensive income/(expenses)			24		(70)	(49)	(95)	(6)
Stock option/ grant plans								
- service cost							-	1
Other changes		(2)	(7)		6		(3)	1
30 September 2011	**2,517**	**4,273**	**33**	**43**	**(160)**	**(585)**	**6,121**	**293**
1 January 2012	**2,525**	**2,310**	**(31)**	**-**	**(76)**	**(427)**	**4,301**	**303**
Dividends paid								(17)
Share capital increases								
Profit/(Loss) for the period		118					118	28
Other comprehensive income/(expenses)			25		(171)	102	(44)	-
Stock option/grant plans								
- service cost				1			1	1
Other changes		(2)					(2)	-
30 September 2012	**2,525**	**2,426**	**(6)**	**1**	**(247)**	**(325)**	**4,374**	**315**

Explanatory notes

1. GENERAL

Finmeccanica is a company limited by shares domiciled in Piazza Monte Grappa 4, Rome (Italy). It is listed on the Italian stock exchange (FTSE MIB).

Finmeccanica group is a key industrial operator in the high-technology sector. The holding company, Finmeccanica Spa (the "parent"), provides industrial and strategic orientation and control and coordinates its operating subsidiaries ("Finmeccanica group" or the "group"), mainly operating in the Helicopters, Defence Electronics and Security, Aeronautics, Space, Defence Systems, Energy and Transportation sectors.

2. BASIS OF PREPARATION

Finmeccanica group's condensed consolidated interim financial statements as at and for the nine months ended 30 September 2012 were prepared pursuant to the provisions of article 154-*ter*.5 of Legislative Decree no. 58/98 - the Consolidated Finance Act - and subsequent amendments and integrations.

The notes to the condensed consolidated interim financial statements do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. This interim financial report should, therefore, be read in conjunction with the 2011 annual consolidated financial statements.

The statement of financial position and income statement are likewise presented in a condensed format compared to the annual financial statements. The notes to the items combined in the interim consolidated financial statements schedules include a reconciliation with annual consolidated financial statements schedules.

The accounting policies used for the condensed consolidated interim financial statements are unchanged from those of the 2011 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the condensed consolidated interim financial statements at 30 September 2011. The new standards applicable from 1 January 2012 reported in note 4 below did not materially impact these condensed consolidated interim financial statements.

The interim financial report at 30 September 2012 was approved by the board of directors on 8 November 2012 and published on the same day.
Amounts are shown in millions of euros unless stated otherwise.

These condensed consolidated interim financial statements have not been audited or reviewed by the independent auditors.

3. TREATMENT OF INCOME TAXES IN THE PREPARATION OF INTERIM REPORTS AND BUSINESS SEASONALITY

Treatment of income taxes

In interim reports, income taxes are estimated based on the expected tax rate applied to pre-tax profit or loss for the period.

Cash flows relating to operations

The group's key business segments feature a high concentration of cash flows from customers in the last few months of the year. This has an impact on interim cash flows and the variability of the group's debt over the various interim periods, which improves substantially in the last few months of the calendar year.

4. EFFECTS OF CHANGES TO THE IFRS

The group adopted IFRS 7 *Financial instruments: disclosures - Amendments* with effect from 1 January 2012. These amendments establish additional disclosures to be provided about transfers of financial assets that are not derecognised or in the event of any continuing involvement in transferred financial assets. This amendment only affects the disclosure provided in annual financial statements.

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Nothing to report for the period.

Conversely, in the first nine months of 2011, the Ansaldo Energia joint venture was set up, with the consequent sale to First Reserve Corporation of a 45% interest in Ansaldo Energia group, executed in June 2011. As a result of this transaction, Finmeccanica group recognised a gain of €458 million (€443 million net of taxes) and net proceeds of €477 million. Net of the effects of the deconsolidation of 45% of Ansaldo Energia’s financial position at the transaction date, the transaction led to a €344 million improvement in the group’s net financial debt.

The results of operations of the Ansaldo Energia group were consolidated on a line-by-line basis up to 30 June 2011 and on a proportionate basis, to the extent of the group’s investment therein, from 1 July to 30 September 2011.

6. CONSOLIDATION SCOPE

Companies consolidated on a line-by-line basis				
Name	***Registered office***	***Group's investment %***		***Contribution to the group %***
		Direct	***Indirect***	
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)		100	100
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)		51	51
AGUSTA AEROSPACE SERVICES A.A.S. SA	Grace Hollogne (Belgiium)		100	100
AGUSTA HOLDING BV	Amsterdam (The Netherlands)		100	100
AGUSTAWESTLAND TILT-ROTOR INC. formerly 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 (UK)		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 (UK)		100	100
AGUSTAWESTLAND 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	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 (UK)		100	100
AGUSTAWESTLAND S.p.A.	Cascina Costa (VA)		100	100
ALENIA AERMACCHI S.p.A. formerly ALENIA AERONAUTICA S.p.A.	Venegono Superiore (VA)	100		100
ALENIA AERMACCHI NORTH AMERICA INC formerly ALENIA NORTH AMERICA INC	New Castle,Wilmington, Delaware (USA)		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)		100	40.066%
ANSALDO STS AUSTRALIA PTY LTD	Birsbane (Australia)		100	40.066%
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0528
ANSALDO STS CANADA INC.	Kingstone, Ontario (Canada)		100	40.066%
ANSALDO STS DEUTSCHLAND GMBH	Munich (Germany)		100	40.066%
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.066%
ANSALDO STS FINLAND OY (IN LIQ.)	Helsinki (Finland)		100	40.066%
ANSALDO STS FRANCE SAS	Les Ulis (France)		100	40.066%
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.066%
ANSALDO STS IRELAND LTD	CO KERRY (Irland)		100	40.066%
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.066%
ANSALDO STS – SINOSA RAIL SOLUT. SOUTH AFR. (PTY) LTD formerly ANS. STS SOUTH AFR.(PTY	Sandton (ZA - South Africa)		100	40.066%
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana)		100	40.066%
ANSALDO STS SWEDEN AB	Solna (Sweden)		100	40.066%
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	Bangalore (India)		100	40.066%
ANSALDO STS UK LTD	Barbican (UK)		100	40.066%
ANSALDO STS S.p.A.	Genoa	40.066%		40.066%
ANSALDO STS USA INC	Wilmington, Delaware (USA)		100	40.066%
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.066%
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.066%
ANSALDOBREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDOBREDA INC	Pittsburg, California (USA)		100	100
ANSALDOBREDA S.p.A.	Naples	100		100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	Les Ulis (France)		100	40.066%
BREDAMENARINIBUS S.p.A.	Bologna	100		100
CISDEG S.p.A.	Rome		87.5	87.5
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS CENGEN 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
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

Companies consolidated on a line-by-line basis (continued)

Name	*Registered office*	*Group's investment %* *Direct*	*Indirect*	*Contribution to the group %*
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	Baltimora, Maryland (USA)		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)		49	49
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 S.r.l.	Rome		100	100
ELECTRON ITALIA S.r.l.	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 S.r.l.	Montesilvano (Pe)		79.688	79.688
ESSI RESOURCES LLC	Louisville, Kentucky (USA)		100	100
FATA ENGINEERING S.p.A.	Pianezza (To)		100	100
FATA HUNTER INC	Riverside, California (USA)		100	100
FATA LOGISTIC SYSTEMS S.p.A.	Pianezza (To)		100	100
FATA S.p.A.	Pianezza (To)	100		100
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	100		100
FINMECCANICA GROUP REAL ESTATE S.p.A.	Rome	100		100
FINMECCANICA GROUP SERVICES S.p.A.	Rome	100		100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
LARIMART S.p.A.	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
NET SERVICE S.r.l.	Bologna		70	70
ORANGEE S.r.l.	Rome		100	100
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)		100	100
OTO MELARA NORTH AMERICA INC	Dover, Delaware (USA)		100	100
OTO MELARA S.p.A.	La Spezia	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)		100	100
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		72.0588	72.0588
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 S.r.l.	Bucarest (Romenia)		99.976	99.976
SELEX ELECTRONIC SYSTEMS S.p.A.	Rome	100		100
SELEX ELSAG CYBERLABS S.r.l.	Milan		100	100
SELEX ELSAG HOLDINGS LTD	Chelmsford (UK)		100	100
SELEX ELSAG LTD	Chelmsford, Essex (UK)		100	100
SELEX ELSAG S.p.A.	Genoa		100	100
SELEX GALILEO INC	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (UK)		100	100
SELEX GALILEO MUAS S.p.A.	Rome		100	100
SELEX GALILEO S.p.A.	Campi Bisenzio (Fi)		100	100

Companies consolidated on a line-by-line basis (continued)				
Name	***Registered office***	***Group's investment %***		***Contribution to the group %***
		Direct	***Indirect***	
SELEX KOMUNIKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX SERVICE MANAGEMENT S.p.A.	Rome	100		100
SELEX SISTEMI INTEGRATI S.p.A.	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 S.p.A.	Montevarchi (Ar)		100	100
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI S.p.A. (IN LIQ.)	Genoa	100		100
SISTEMI SOFTWARE INTEGRATI S.p.A.	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
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)		100	100
WHITEHEAD SISTEMI SUBACQUEI S.p.A. ex WHITEHEAD ALENIA SIST. SUBACQUEI S.p.A.	Livorno	100		100
WING NED BV	Rotterdam (The Netherlands)		100	100
WORLD'S WING SA	Ginevra (Switzerland)		94.944	94.944
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-SWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)		96.09166	96.09166
ZAKLAD NARZEDZIOWY W SWIDNIKU SP.ZO.O.	Narzedziowa 16 - U1, Swidnik (Poland)		100	96.09166
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Swidnik (Poland)		100	96.09166

Companies consolidated on proportionate basis

Name	*Registered office*	*Group's investment %*		*Contribution to the group %*
		Direct	*Indirect*	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Parigi (France)		100	33
THALES ALENIA SPACE ITALIA S.p.A.	Rome		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
THALES ALENIA SPACE DEUTHCHLAND SAS	Germany		100	33
FORMALEC SA	Parigi (France)		100	33
TELESPAZIO FRANCE SAS	Tolosa (France)		100	67
TELESPAZIO S.p.A.	Rome		100	67
SPACEOPAL GMBH	Monaco (Germany)		50	33.5
TELESPAZIO VEGA UK LTD ex VEGA SPACE LTD	Welwyn Garden City, Herts (UK)		100	67
TELESPAZIO VEGA UK SL ex VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	67
TELESPAZIO VEGA DEUTSCHLAND GMBH ex VEGA SPACE GMBH	Darmstadt (Germany)		100	67
E - GEOS S.p.A.	Matera		80	53.6
GAF AG	Monaco (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEBSGESELLSCHAFT 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	Bucarest (Romania)		61.061	40.911
TELESPAZIO IBERICA ex AURENSIS SL	Barcellona (Spain)		100	67
AMSH BV	Amsterdam (The Netherlands)	50		50
MBDA SAS	Parigi (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (UK)		100	25
MBDA FRANCE SAS	Parigi (France)		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		100	25
MBDA INTERNATIONAL LTD	UK		100	25
MBDA ITALIA S.p.A.	Rome		100	25
MBDA UK LTD	Stevenage (UK)		99.99	25
MBDA UAE LTD	London (UK)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		99.99	25
MBDA INSURANCE LTD ex MBDA REINSURANCE LTD	Dublin (Irlanda)		100	25
MBDA SERVICES SA	Paris (France)		99.68	24.92
MBDA DEUTSCHLAND GMBH ex 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 (UK)		50	50
ROTORSIM S.r.l.	Sesto Calende (Va)		50	50
CONSORZIO ATR GIE e SPE	Tolouse (France)		50	50
SUPERJET INTERNATIONAL S.p.A.	Tessera (Ve)		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 S.p.A.	Genoa	54.55		54.55
ANSALDO SWISS ag ex ANSALDO ESG AG	Wurenlingen (Switzerland)		100	54.55
ANSALDO NUCLEARE S.p.A.	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

Companies measured using the equity method

Name	Registered office	Group's investment %		Contribution to the group %
		Direct	Indirect	
A4ESSOR SAS	Neuilly Sur Seine (France)		21	21
ABRUZZO ENGINEERING SCPA (IN LIQ.)	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 S.p.A.	Turin		51	16.83
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)		30	30
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 AMERICA LATINA SA	Buenos Aires (Argentina)		99.993	54.546
ANSALDO – E.M.IT. SCRL (IN LIQ.)	Genoa		50	50
ANSALDO ENERGY INC	Wilmington, Delaware (USA)		100	54.55
ANSERV S.r.l.	Bucarest (Romania)		100	54.55
AUTOMATION INTEGRATED SOLUTIONS S.p.A.	Pianezza (To)		40	40
BCV INVESTMENTS SCA	Luxembourg (Luxembourg)		14.32	14.32
BRITISH HELICOPTERS LTD	Yeovil, Somerset (UK)		100	100
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)		100	100
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START S.p.A.	Rome		43.96	43.96
DEVELOPMENT & INNOVATION IN TRANSPORT SYSTEMS S.r.l.	Rome		24	16.8079
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi		24	24
DOGMATIX LEASING LIMITED	Mauritius		100	50
ECOSEN SA	Caracas (Venezuela)		48	19.23
ELETTRONICA S.p.A.	Rome	31.333		31.333
ELSACOM HUNGARIA KFT (IN LIQ.)	Budapest (Hungary)		100	100
ELSACOM NV	Amsterdam (The Netherlands)	100		100
ELSACOM S.p.A. (IN LIQ.)	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 (UK)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH S.p.A.	Amaro (Ud)	11.08		11.08
FATA GULF CO WLL	Doha (Qatar)		49	49
FATA HUNTER INDIA PVT LTD	New Dehli (India)		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 (UK)	100		100
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)		100	67
IAMCO SCRL	Mestre (Ve)		20	20
ICARUS SCPA	Turin		49	49
IMMOBILIARE CASCINA S.r.l.	Gallarate (Va)		100	100
IMMOBILIARE FONTEVERDE S.r.l. (IN LIQ.)	Rome		60	48
INTERNATIONAL METRO SERVICE S.r.l.	Milan		49	19.63
I.M. INTERMETRO S.p.A. (IN LIQ.)	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 (Russia)		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 S.p.A.	Milan		31.9	17.16
METRO BRESCIA S.r.l.	Brescia		50	25.787
MUSINET ENGINEERING S.p.A.	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NGL PRIME S.p.A.	Turin	30		30
NHINDUSTRIES SAS ex N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyone (France)		40	21.82
NOVACOM SERVICES SA	Tolouse (France)		39.73	26.62
ORIZZONTE – SISTEMI NAVALI S.p.A.	Genoa		49	49

Companies measured using the equity method (continued)

Name	Registered office	Group's investment %		Contribution to the group %
		Direct	Indirect	
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (UK)		100	100
SELEX GALILEO INDIA PRIVATE LTD	New (India)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (UK)		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (UK)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Arabia Saudita)		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	St. Petersburg (Russia)		35	35
SIRIO PANEL INC	Dover, Delaware (USA)		100	100
SISTEMI DINAMICI S.p.A.	S. Piero a Grado (Pi)		40	40
CONSORZIO TELAER	Rome		100	67.52
CONSORZIO TELAER - SISTEMI DI TELERILEVAMENTO AEREO	Rome		62	47.152
TELESPAZIO NETHERLAND BV	Enschede (The Netherlands)		100	67
TRIMPROBE S.p.A. (IN LIQ.)	Rome	100		100
TURBOENERGY S.r.l.	Ferrara		21.4443	11.79
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 S.r.l.	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russa)		51	51

Subsidiaries and associates measured at cost

Name	Registered office	Group's investment %		Contribution to the group %
		Direct	Indirect	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LTD	Yeovil (UK)		100	100
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	100
ANSALDOBREDA FRANCE SAS (IN LIQ.)	Marsiglia (France)		100	100
COREAT S.C. A R.L.	Rieti		30	30
CCRT SISTEMI S.p.A. (IN FALL.)	Milan		30.34	30.34
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.94	18.94	25.19
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ.)	Bruxelles (Belgium)	18.94	18.94	25.19
IND. AER. E MECC. R. PIAGGIO S.p.A. (AMM.STR.)	Genoa	30.982		30.982
SAITECH S.p.A. (IN FALL.)	Passignano sul Trasimeno (Pg)		40	40
SCUOLA ICT S.r.l. (IN LIQ.)	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
YENI ELEKTRIK URETIM ANONIM SIRKETI	Istanbul (Turkey)		40	21.82

For ease of understanding and comparability, the main changes to the consolidation scope since October 2011 are reported below:

- Metro Brescia S.r.l. was incorporated on 26 October 2011 and is measured using the equity method;
- Agusta US Inc. became the sole shareholder of Bell Agusta Aerospace Company LLC on 15 November 2011, which changed its name to AgustaWestland Tilt Rotor Company; it is consolidated from that date (it was previously measured using the equity method);
- on 6 December 2011, Westland Industries Ltd exited the consolidation scope after it was struck off the company register;
- Selex Galileo India Private Ltd was incorporated on 16 December 2011 and is measured using the equity method;
- MSSC Company was deconsolidated with effect from 1 January 2012, after it was struck off the company register;
- Ansaldo STS Sistemas de Transporte e Sinalizacao Limitada was deconsolidated with effect from 1 January 2012, after it was struck off the company register;
- Ansaldobreda France SAS (in liquidation) was deconsolidated with effect from 1 January 2012, as it is dormant after being placed into liquidation;
- Elsacom Slovakia SRO (in liquidation) was deconsolidated with effect from 1 January 2012, after it was struck off the company register;
- DRS Technologies Saudi Arabia LLC was incorporated on 31 January 2012 and was included in the consolidation scope;
- Development & Innovation in Transport Systems S.r.l. was incorporated on 23 February 2012 and is measured using the equity method;
- AgustaWestland Aviation Services LLC was incorporated on 7 March 2012 and is measured using the equity method;

The following companies changed their names during the first nine months of 2012:

- Vega Space Ltd to Telespazio Vega UK Ltd;
- Whitehead Alenia Sistemi Subacquei S.p.A. to Whitehead Sistemi Subacquei S.p.A.;
- Alenia North America Inc to Alenia Aermacchi North America Inc;
- Ansaldo ESG AG to Ansaldo Swiss AG;
- Ansaldo STS South Africa (PTY) Ltd to Ansaldo STS-Sinosa Rail Solutions South Africa (PTY) Ltd.;
- N.H. Industries S.A.R.L. to NHIndustries SAS;
- Aurensis SL to Telespazio Iberica SL;
- Vega Consulting & Technology SL to Telespazio Vega UK SL.

The following companies were put into liquidation in the first nine months of 2012:

- Ansaldobreda France SAS;
- Ansaldo STS Finland OY.

The following mergers took place after 30 September 2011:

- Ansaldo Fuel Cells S.p.A. was merged into Ansaldo Energia S.p.A. on 1 October 2011, with accounting effect from 1 January 2011;
- Italdata Ingegneria dell'Idea and Sistemi e Telematica were merged into SELEX Elsag S.p.A. on 1 December 2011;
- Alenia SIA S.p.A. and Alenia Aermacchi S.p.A. were merged into Alenia Aeronautica S.p.A. on 1 January 2012 and the latter simultaneously changed its name to Alenia Aermacchi S.p.A.;
- Fileas SAS and Vega Technologies SAS were merged into Telespazio France SAS on 1 January 2012;
- PZL Invest SP. Z O.O., Zaklad Utrzymania Ruchu SO. Z O.O., "Swidtrans" SP. Z O.O. and Zaklad Remontowy SP. Z O.O. were merged into "PZL Swidnik" on 5 January 2012";
- Seicos S.p.A. was merged into SELEX Elsag S.p.A. on 1 February 2012, with accounting effect from 1 January 2012;
- Telespazio Holding S.r.l. was merged into Telespazio S.p.A. on 20 February 2012, with accounting effect from 1 January 2012;
- Amtec S.p.A. was merged into SELEX Elsag S.p.A. on 1 April 2012, with accounting effect from 1 January 2012;
- Night Vision Systems LLC was merged into DRS RSTA Inc on 16 April 2012;
- Ansaldo Energia Holding S.p.A. was merged into Ansaldo Energia S.p.A. on 30 June 2012, with accounting effect from 1 January 2012.
- Telespazio Deutschland GmbH was merged into Vega Space GmbH on 26 July 2012 and the latter simultaneously changed its name to Telespazio Vega Deutschland GmbH, with accounting effect from 1 January 2012;
- AgustaWestland Tilt-Rotor Company LLC was merged into Agusta US Inc. on 27 July 2012 and the latter simultaneously changed its name to AgustaWestland Tilt-Rotor Inc..

7. MATERIAL CHANGES IN EXCHANGE RATES ADOPTED

Again with reference to data comparability, the euro exchange rate fluctuated against those of the main currencies relevant to the group in the first nine months of 2012. Specifically, the key exchange rates at 30 September 2012 and averages for the reporting period varied as follows from the same period of 2011: closing rates (euro/US dollar -0.07% and euro/pound sterling -4.46%); average exchange rates of the reporting period (euro/US dollar -8.86% and euro/pound sterling -6.77%).

The exchange rates adopted for the key currencies for the group are:

	30 September 2012		31 December 2011	30 September 2011	
	average rate for the period	closing rate	closing rate	average rate for the period	closing rate
US dollar	1.28168	1.29300	1.29390	1.40627	1.35030
Pound sterling	0.81225	0.79805	0.83530	0.87127	0.86665

8. SEGMENT REPORTING

In compliance with IFRS 8 and in line with the management and control model used, management has identified the group's operating segments as the business segments in which it operates: Helicopters, Defence Electronics and Security, Aeronautics, Space, Defence Systems, Energy, Transportation and Other activities.

Reference should be made to the report on operations for a more in-depth analysis of the main programmes, outlook and revenues and Adjusted EBITA for each business segment.

The group assesses its operating segments and the allocation of financial resources based on revenues and Adjusted EBITA (see the section of the report on operations entitled "*Non-IFRS alternative performance indicators*").

Following the incorporation of the joint venture Ansaldo Energia (via the sale, finalised in June 2011, of the entire share capital of Ansaldo Energia S.p.A. to Ansaldo Energia Holding, in which the US fund, First Reserve Corporation, has a 45% investment), the Energy business segment is consolidated using the proportionate method (to the extent of the investment percentage) from the transaction date.

The results of the business segments for the reporting period, compared to those of the corresponding period of the previous year, are as follows:

	Helicop-ters	**Defence Electro-nics and Security**	**Aeronau tics**	**Space**	**Defence Systems**	**Energy**	**Transpor tation**	**Other activi-ties**	**Elimina-tions**	**Total**
For the first nine months of 2012										
Revenues	2,976	4,089	2,002	697	829	493	1,385	244	(531)	**12.184**
of which, related parties	*149*	*336*	*552*	*19*	*101*	*7*	*298*	*10*	-	***11,472***
Adjusted EBITA	339	238	74	47	89	36	6	(88)	-	**741**
Investments	163	141	257	21	22	14	14	27	-	**659**

	Helicop-ters	**Defence Electro-nics and Security**	**Aeronau tics**	**Space**	**Defence Systems**	**Energy**	**Transpor -tation**	**Other activi-ties**	**Elimina-tions**	**Total**
For the first nine months of 2011										
Revenues	2,750	4,291	1,866	699	811	720	1,372	197	(454)	**12.252**
of which, related parties	*141*	*339*	*523*	*20*	*127*	*3*	*233*	*8*	-	***1,394***
Adjusted EBITA	287	267	(768)	27	65	54	(10)	(110)	-	**(188)**
Investments	130	143	165	18	24	17	13	10	-	**520**

Non-current assets (intangible assets, property, plant and equipment and investment property) may be analysed by their business segment as follows at 30 September 2012 and 31 December 2011:

	Helicop-ters	Defence Electro-nics and Security	Aeronau tics	Space	Defence Systems	Energy	Transpor-tation	Other activi-ties	Elimina tions	Total
30.09.2012										
Non-current assets	2,786	5,080	1,834	510	566	97	162	773	-	**11,808**

	Helico pters	Defence Electro-nics and Security	Aeronau tics	Space	Defence Systems	Energy	Transpor-tation	Other activi ties	Elimina-tions	Total
31.12.2011										
Non-current assets	2,702	5,063	1,681	519	563	94	167	791	-	**11,580**

A reconciliation between Adjusted EBITA and EBIT for the reporting period and the corresponding period of the previous year is as follows:

	Helicop-ters	Defence Electronics and Security	Aeronau-tics	Space	Defence Systems	Energy	Transpor tation	Other activities	Total
For the first nine months of 2012									
Adjusted EBITA	**339**	**238**	**74**	**47**	**89**	**36**	**6**	**(88)**	**741**
Impairment losses	-	-	-	-	-	-	-	-	-
Amortisation of intangible assets acquired as part of business combinations	(6)	(59)	-	(1)	(1)	-	-	-	**(67)**
Restructuring costs	-	(27)	-	(5)	(4)	-	(14)	-	**(50)**
Non-recurring income (expenses)	-	-	-	-	-	-	-	-	-
EBIT	**333**	**152**	**74**	**41**	**84**	**36**	**(8)**	**(88)**	**624**

	Helicop-ters	Defence Electronics and Security	Aeronau-tics	Space	Defence Systems	Energy	Transpor tation	Other activities	Total
For the first nine months of 2011									
Adjusted EBITA	**287**	**267**	**(768)**	**27**	**65**	**54**	**(10)**	**(110)**	**(188)**
Impairment losses	-	-	-	-	-	-	-	-	-
Amortisation of intangible assets acquired as part of business combinations	(6)	(53)	-	(1)	(1)	-	-	-	**(61)**
Restructuring costs	-	(14)	(20)	-	(2)	-	(8)	-	**(44)**
Non-recurring income	-	(81)	(112)	-	-	-	(117)	-	**(310)**
EBIT	**281**	**119**	**(900)**	**26**	**62**	**54**	**(135)**	**(110)**	**(603)**

9. INTANGIBLE ASSETS

Intangible assets may be analysed as follows:

	30.09.2012	***31.12.2011***
Goodwill	5,584	5,518
Development expenses	600	569
Non-recurring expenses	891	716
Concessions, licences and trademarks	419	417
Acquisitions as part of business combinations	853	908
Other	263	281
Total intangible assets	**8,610**	**8,409**

Key changes were:

- a net increase in goodwill (€66 million) mainly due to exchange rate gains on the goodwill related to assets denominated in US dollars and pounds sterling;
- amortisation totalling €205 million (€206 million at 30 September 2011) (Note 26);

- investments totalling €320 million (€258 million at 30 September 2011), as follows:

Investments	*For the first nine months of* **2012**	**2011**
Development expenses	77	55
Non-recurring expenses	187	136
Concessions, licences and trademarks	8	1
Other	48	66
Total intangible assets	**320**	**258**

There are also commitments to purchase intangible assets for €11 million (€21 million at 31 December 2011).

The market capitalisation of the Finmeccanica Spa share is currently lower than the carrying amount of equity attributable to the owners of the parent (market capitalisation at 30 September 2012 of €2.1 billion, against equity attributable to the owners of the parent of €4.4 billion). However, this situation was not deemed to require impairment testing additional to that carried out when the annual consolidated financial statements at 31 December 2011 were prepared, as the share price reflects the generally depressed and highly volatile conditions of the financial markets and is decidedly different from a valuation based on value in use.

Moreover, certain group markets are impacted by uncertainties arising from the ongoing review of public spending, which especially concerns the Defence Electronics and Security business segment (Italy, Great Britain and United States of America). The related developments and effects will be assessed for the purposes of the preparation of the business plans. Nothing is deemed to have arisen to date compared to the assumptions and projections used for impairment testing in the 2011 consolidated financial statements.

Particularly with reference to DRS, almost the full amount of this CGU’s revenues is realised with the government of the United States of America, whose budgets, including for defence spending, were reduced significantly in 2011. This impacted DRS’s outlook and, therefore, impairment losses on goodwill totalling €646 million were recognised in the 2011 consolidated financial statements. However, the United States defence budget is still uncertain considering the possible further selective cuts and the sequestration process. Under this process, if the relevant bodies are unable to reach an agreement on the costs needed to comply with budget ceilings, the programmes already approved for funding will be reduced on a linear basis, with a few limited exceptions. The effects of the sequestration process cannot be predicted at present.

Pending the conclusion of the decision-making process and given that an agreement is expected to be reached, there are no indications such to require further amendments to the assumptions, which were already reduced in 2011, used for the impairment testing carried out at 31 December 2011. Moreover, DRS has already commenced a series of streamlining and efficiency initiatives to maintain its competitiveness, also in this challenging context.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment may be analysed as follows:

	30.09.2012	*31.12.2011*
Land and buildings	1,200	1,229
Plant and machinery	593	610
Equipment	737	708
Other assets	668	624
Total property, plant and equipment	**3,198**	**3,171**

In addition to the exchange rate gains on assets in US dollars and pounds sterling (€19 million), the key changes were:

- depreciation totalling €284 million (€284 million at 30 September 2011);
- investments totalling €339 million (€262 million at 30 September 2011), as follows:

	For the first nine months of	
	2012	*2011*
Land and buildings	13	12
Plant and machinery	32	36
Equipment	65	56
Other assets	229	158
Total property, plant and equipment	**339**	**262**

Property, plant and equipment include €58 million (€59 million at 31 December 2011) related to assets held under finance leases. “Other assets” also include the aircraft owned by GIE ATR group of €15 million (€39 million at 31 December 2011) and aircraft for which sales contracts have been agreed with third-party customers but for which the conditions for the substantial transfer of risks related to ownership have not been satisfied such to enable its recognition as a sales transaction. The caption also includes helicopters owned by the AgustaWestland group of €47 million (€38 million at

31 December 2011) and simulators owned by Superjet of €9 million (€10 million at 31 December 2011).

There are also commitments to purchase property, plant and equipment for €107 million (€103 million at 31 December 2011).

11. BUSINESS COMBINATIONS

There were no business combinations during the reporting period.

The purchase by the Thales Alenia Space joint venture (consolidated on a proportionate basis at 33%) of Thales Deutschland was finalised in the corresponding period of the previous year.

The overall effects of the transactions finalised in the reporting period and the corresponding period of the previous year are as follows:

€ million	***30 September 2012***		***30 September 2011***	
	Goodwill	Cash effect	Goodwill	Cash effect
Acquisitions	-	-	2	1
Payments related to previous years acquisitions	-	-	-	3
Total	**-**	**-**	**2**	**4**

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	30 September 2012	*31 December 2011*
Financing to third parties	70	83
Security deposits	23	23
Finance lease receivables	3	2
Deferred receivables under Law no. 808/85	108	152
Net assets of defined benefit plan (Note 19)	64	102
Related parties financial receivables (Note 22)	31	8
Other	51	36
Non-current receivables	**350**	**406**
Prepaid expenses (non-current portion)	13	24
Equity investments	232	263
Non-recurring costs awaiting for approval under Law no. 808/1985	128	221
Other related parties receivables (Note 22)	4	3
Non-current assets	**377**	**511**
Total receivables and other non-current assets	**727**	**917**

Finance lease receivables relate to transactions that qualify as such undertaken by GIE ATR and in which the group is the lessor. In this case, the relevant aircraft is derecognised from assets and replaced by the receivable; the related financial income is gradually recognised over the term of the lease on the basis of the effective interest rate applicable to the contract.

The item "Deferred receivables under Law 808/85" includes the receivables from the Ministry for Economic Development relating to the current value of the interventions pursuant to Law 808/85 in national security and similar projects for which collections were deferred. The portion for which collection is expected within 12 months (€6 million; € 29 million at 31 December 2011) is classified among other current assets (Note 15). Non-recurring costs awaiting for approval under Law 808/85 include the portion of non-recurring expenses paid on programmes that benefit from the provisions of Law 808/85, that are classified as being functional to national security, and whose expenses have not been assessed yet by the issuer. After the legal requirements for the recognition of the receivable from the Ministry are fulfilled, the recognised amount is reclassified as a receivable (current or non-current, based on the expected payment schedule). The amount shown is calculated based on an estimate made by management that reflects the reasonable probability that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

Equity investments measured at cost or using the equity method show a net decrease, mainly due to the loss for the period of Joint Stock Company Sukhoi Aircraft (€30 million), while the profits for the period of Elettronica S.p.A. (€5 million) and International Metro Service S.r.l. (€4 million) are offset by the collection of the same amount of dividends from such companies.

Non-current assets also include the net amount of the indirect equity investment (via the holding company BCV Investment) in Avio group and additional credit instruments issued to BCV Investment, for a total amount of €30 million.

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	30.09.2012	***31.12.2011***
Trade receivables	4,526	4,690
Allowance for impairment	(318)	(309)
Trade receivables from related parties (Note 22)	865	884
	5,073	5,265
Contract work in progress	9,438	8,131
Progress payments and advances from customers	(4,959)	(4,464)
Net contract work in progress	4,479	3,667
Total trade receivables and net contract work in progress	**9,552**	**8,932**

Reference should be made to Note 22 for details of trade receivables from related parties and a summary of the more important transactions.

14. DERIVATIVES

Derivative assets and liabilities may be analysed as follows:

	30.09.2012		*31.12.2011*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency forwards	85	88	101	144
Embedded derivatives	6	-	30	-
Interest rate swaps	74	17	36	15
	165	**105**	**167**	**159**

The change in the fair value of forwards relates mainly to fluctuations in the US dollar/euro exchange rate. The greater stability of the euro vis-a-vis the US dollar (the exchange rate was 1.2939 at 31 December 2011 and 1.2930 at 30 September 2012) recorded during the reporting period has limited the effect on the measurement of currency hedging derivatives. However, it did not impact the income statement following the adoption of cash flow hedging.

The interest rate swaps totalling a notional amount of €1,150 million are entered into to hedge part of the bond issues. The change in the fair value is impacted by the trend of the interest rate curve and payments of around €30 million were made during the reporting period. Accordingly, the fair value at 30 September 2012 was positively impacted by the amount that will be certainly collected in December 2012.

Embedded derivatives arise from trading contracts agreed in currencies other than those of the contracting parties and from those generally used on the relevant markets. This component, separated from the trading contract, is measured at fair value through profit or loss and is merely an unrealised item that will not produce financial effects.

15. OTHER CURRENT ASSETS

		30.09.2012		31.12.2011
Income tax receivables		184		185
Assets held for sale		10		40
Other current assets:		950		837
Prepaid expenses - current portion	*120*		*126*	
Equity investments	*-*		*1*	
Receivables for grants	*88*		*78*	
Receivables from employees and social security	*47*		*43*	
Indirect tax receivables	*341*		*293*	
Deferred receivables under Law no. 808/85	*6*		*29*	
Other related parties receivables (Note 22)	*11*		*13*	
Other assets	*337*		*254*	
Total other current assets		**1,144**		**1,062**

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, *inter alia*, amounts due from Bombardier Transportation (€20 million; €20 million at 31 December 2011), Ariane Space (€94 million; €44 million at 31 December 2011) and sundry advances (€41 million; €19 million at 31 December 2011).

16. SHAREHOLDERS' EQUITY

Share capital	**No. of ordinary shares**	**Par value € million**	**Treasury shares € million**	**Costs incurred net of the tax effect € million.**	**Total € million**
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
31 December 2011	578,117,945	2,544	-	(19)	2,525
Repurchase of treasury shares, net of shares transferred	-	-	-	-	-
30 September 2012	578,117,945	2,544	-	(19)	2,525
as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
	578,117,945	2,544	-	(19)	2,525

The parent's fully subscribed and paid up share capital comprises ordinary shares of a unit nominal amount of €4.40.

At 30 September 2012, the Ministry of Economy and Finance owned around 30.204% of the share capital, Deutsche Bank Trust Company Americas around 3.600% and Arab Bkg Corp/Libyan Investment, Man around 2.010%. Moreover, Tradewinds Global Investors LLC held around 4.976% of the shares on a discretional fund management basis, BlackRock Inc. around 2.240% on a non-discretional fund management basis and Grantham, Mayo, Van Otterloo & Co. LLC around 2.045% on a discretional fund management basis.

Apart from those stated above, no shareholders hold more than 2% of Finmeccanica Spa's share capital at 30 September 2012.

Changes in Other reserves and Equity attributable to non-controlling interests are presented in the financial statements schedules.

The tax effects on the gains and losses recognised in equity are shown below:

	Equity attributable to the owners of the parent			*Equity attributable to non-controlling interests*		
	Pre-tax amount	Tax effect	Net of the tax effect	Pre-tax amount	Tax effect	Net of the tax effect
Actuarial gains/(losses) on defined benefit plans	(223)	52	(171)	(1)	-	(1)
Changes in cash flow hedges	35	(10)	25	-	-	-
Exchange rate gains/(losses)	102	-	102	1	-	1
Total	**(86)**	**42**	**(44)**	**-**	**-**	**-**

17. LOANS AND BORROWINGS

	30.09.2012	***31.12.2011***
Bonds	3,962	3,951
Bank loans and borrowings	1,879	860
Finance lease payables	5	6
Related parties loans and borrowings (Note 22)	755	949
Other loans and borrowings	144	119
Total loans and borrowings	**6,745**	**5,885**
of which:		
Current	2,282	1,393
Non-current	4,463	4,492

The increase in bonds is due to the recognition of interest accrued in the reporting period (€189 million), net of payments made (€140 million), and the repurchase of around €51 million (nominal amount of $66 million) of the $500 million bonds maturing in July 2019 issued in 2009 by the subsidiary Meccanica Holdings USA during the first half of the year and the repurchase, during the third quarter of the year, of around €12 million of the €1,000 million bonds maturing in December 2013 issued by the subsidiary Finmeccanica Finance SA in 2008. The changes of the reporting period also include significant exchange rate gains and losses.

Bond issues are governed by regulations containing standard legal clauses for this type of corporate transaction on institutional markets. They do not require compliance with specific financial covenants for issues, while they include, *inter alia*, negative pledge and cross default clauses (see also the Financial transactions section in the report on operations).

The increase in bank loans and borrowings is mainly due to use of the short-term revolving credit line. To fund the group's ordinary operations, Finmeccanica agreed a Revolving Credit Facility with a pool of domestic and international banks in September 2010 for a total of €2,400 million, with a final maturity date of September 2015. The same regulations described above for bond issues apply to this facility.

Related parties transactions are discussed in Note 22.

The following disclosure is required by CONSOB communication no. DEM/6064293 of 28 July 2006:

€ million	***30.09.2012***	*of which, related parties*	***31.12.2011***	*of which, related parties*
Cash and cash equivalents	(1,093)		(1,331)	
Securities held for trading	(10)		(40)	
LIQUIDITY	**(1,103)**		**(1,371)**	
CURRENT FINANCIAL RECEIVABLES	**(789)**	*(65)*	**(1,071)**	*(184)*
Current bank loans and borrowings	1,213		159	
Current portion of non-current loans, borrowings and bonds	253		255	
Other current loans and borrowings	816	*722*	979	*913*
CURRENT FINANCIAL DEBT	**2,282**		**1,393**	
NET CURRENT FINANCIAL DEBT (CASH)	**390**		**(1,049)**	
Non-current bank loans and borrowings	666		701	
Bonds issued	3,709		3,696	
Other non-current loans and borrowings	88	*33*	95	*36*
NON-CURRENT FINANCIAL DEBT	**4,463**		**4,492**	
NET FINANCIAL DEBT	**4,853**		**3,443**	

18. PROVISIONS FOR RISKS AND CHARGES

	30 September 2012		*31 December 2011*	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	56	42	80	33
Restructuring	163	42	160	104
Penalties	275	36	254	40
Product warranties	105	122	95	134
Other	1,129	611	1,185	621
	1,728	**853**	**1,774**	**932**

"Other" totalled €1,740 million (€1,806 million at 31 December 2011) and mainly relates to:

- the provision for risks on GIE ATR activities of €68 million, unchanged from 31 December 2011;
- the provision for contractual risks and charges of €1,014 million (€1,043 million at 31 December 2011). It mainly relates to the Aeronautics business segment (€850 million), the Defence Electronics and Security business segment (€79 million), the Transportation business segment (€29 million) and the Space business segment (€27 million);
- the provision for risks on equity investments of €27 million (€24 million at 31 December 2011), which includes the accruals for losses exceeding the carrying amounts of unconsolidated or equity-accounted investments;
- the provision for taxes of €109 million (€99 million at 31 December 2011);
- the provision for litigation with employees and former employees of €39 million (€35 million at 31 December 2011);
- the provision for litigation underway of €87 million (€81 million at 31 December 2011);
- the provision for contract costs to complete of €66 million (€102 million at 31 December 2011);
- other sundry provisions of €330 million (€354 million at 31 December 2011).

Finally, in relation to the provisions for risks, it should be noted that the activities of the Finmeccanica group companies relate to segments and markets where disputes are only settled after a significant time lapse, especially in cases where the counterparty is a public body.

Pursuant to the IFRS, provisions have only been made for risks that are probable and for which the amount can be determined. Likewise, specific provisions have not been set aside for disputes in which the group is defendant as, based on current knowledge, these disputes are expected to be resolved satisfactorily and without significantly impacting results.

For the purposes of full disclosure, changes in the cases (for which no provision has been made) described in the 2011 Annual Report, to which reference should be made for a more complete description, are reported below:

- the dispute in which Finmeccanica is defendant in relation to contractual commitments taken on at the time of the sale of the former subsidiary Finmilano S.p.A. to Banca di Roma (now Unicredit Group), arising from an assessment report issued to Finmilano S.p.A. by the Rome Direct Taxation Office, which disallowed the tax deductibility of the loss arising in 1987 from the factoring without recourse of a receivable subject to deferred collection for an amount lower than its nominal amount. Basically, the tax authorities considered this factoring to be a financing transaction and that the loss should be treated as borrowing costs and, therefore, it should not have been fully deducted in 1987 but deferred on a pro rata basis over the subsequent years as implicit interest.
  After the Supreme Court had allowed the petition filed by the tax authorities and referred the case to the trial judge, the latter again allowed the parent's appeal. However, the tax authorities filed another petition to the Supreme Court against the trial judge's decision. In 2009, for the second time, the Supreme Court quashed the trial judge's decision and referred the case to the second level court. The Rome Regional Tax Court resolved in favour of the tax authorities and the parent filed a new petition with the Supreme Court on 6 June 2012. The parent does not currently expect it will incur significant losses in this respect;

- the appeal filed by AgustaWestland S.p.A. against the 2006 IRES and IRAP assessment report issued by the Lombardy Regional tax office, disallowing the deductibility of certain costs (without however contesting the relevant transactions) that allegedly did not meet the requirements of article 110.11 of the Consolidated Tax Act. According to the tax authorities, their correct treatment would lead to an increase in taxes of approximately €8.5 million (excluding interest), to which penalties of an equal amount are to be added. The company believes that its treatment is correct and filed an appeal with the Milan Local Tax Court on 27 March 2012;

- the litigation commenced by Reid against Finmeccanica and Alenia Space (now So.Ge.Pa. S.p.A.) before the Court of Texas in 2001, whereby Reid claimed that the former Finmeccanica - Space business segment failed to meet its obligations under the contract for the development of the Gorizont satellite programme, was closed in favour of the group after more than five years, due to the lack of jurisdiction of the Court involved. In May 2007, Reid served

Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) a complaint, whereby it commenced new legal proceedings before the Court of Chancery in Delaware.

Reid has reproposed the same claims for damages that it claimed before the Court of Texas, without, however, quantifying the amount of the alleged damage.

Finmeccanica appeared before the Court on 29 June 2007, filing a motion to dismiss, asserting that the case was time-barred, the statute of limitation had run out and the Court of Delaware did not have jurisdiction. On 27 March 2008, the judge rejected the claim as the case was time-barred. The claimant appealed against this decision before the Supreme Court of Delaware, which, on 9 April 2009, allowed the petition and referred the case to the Court of Chancery for its decision about the plea related to the jurisdiction. Therefore, the discovery phase commenced and is still ongoing. In this respect, after having made the decision reserved after the hearing held on 29 February 2012, the judged has allowed the testimonial evidence requested by the counterparty. Witnesses will be examined in the coming months;

- G.M.R., as the sole shareholder of Firema Trasporti, commenced legal proceedings against Finmeccanica and AnsaldoBreda before the Santa Maria Capua Vetere Court in 2011, requesting that the court admit the defendants' liability for having caused, with their conduct, Firema Trasporti's insolvency, ordering them to pay damages. According to the claimant, during the period in which Finmeccanica held an investment in Firema Trasporti (from 1993 to 2005), its management and coordination were carried out to the detriment of Firema Trasporti and in the sole interest of Finmeccanica group. Moreover, even after the sale of the investment by Finmeccanica, Firema Transporti was allegedly de facto subjected to an abuse of economic dependence by the group in performing the various agreements existing with AnsaldoBreda.

  Finmeccanica and AnsaldoBreda appeared before the court requesting that the claims be dismissed as evidently unfounded. After the first hearing held on 31 May 2011 and following the filing of the briefs, the judge fixed the hearing for 30 October 2012. During that hearing, the judge reserved their decision on the preliminary pleas filed by the defendants, in particular the plea for the lack of jurisdiction of the court;

- in January 2009, Pont Ventoux Scrl commenced an arbitration procedure against the joint venture set up by Ansaldo Energia (lead contractor, 31%), Alstom Power Italia S.p.A. (17%) and Voith Siemens Hydro Power Generation S.p.A. (52%) in connection with a contract for the provision of two power generators, for a total amount approximating €15 million, as part of the project for the construction of a hydro power plant in Val di Susa (Italy). The claimant requests compensation of alleged direct and indirect damage totalling approximately €90 million, asserting that the clause limiting the joint venture's liability to the contractual consideration is not applicable due to gross negligence. Ansaldo Energia holds that it has fulfilled its lead contractor's duties with utmost diligence and that Pont Ventoux's allegations of delays and breach of contract are unfounded. The court-appointed expert's report was filed on 6 June 2011. The parties completed exchanging their briefs in October, after which the arbitration award should be issued before the end of December 2012;

- in September 2011, the French company DCNS commenced an arbitration procedure before the Paris ICC against WASS in relation to the agreement signed by the parties in 2008 for the development of the F21 heavy torpedo for the French Navy Ministry.

  The dispute followed the suspension of supply by WASS, due to the suspension of the export licence by the Italian Ministry of Foreign Affairs. The measure was taken on the basis of a possible Italian-French agreement for the exchange of technology between the two countries. However, the agreement has never been reached. Therefore, DCNS commenced the arbitration procedure requesting that the agreement be declared terminated due to WASS' default and claiming damages of €45 million. WASS appeared before the arbitration tribunal, objecting that the supervening impossibility of performance was due to reasons not attributable thereto and raising, by way of counterclaim, the counterparty's default, therefore claiming damages of €55 million.

  The parties reached an agreement on 26 March 2012, whereby DCNS undertakes that it will not use the technology developed for the 2008 agreement. Following the agreement, WASS discontinued the precautionary motion filed as part of the arbitration procedure.

  The arbitration tribunal has planned the preliminary activities, which will be completed before the end of December 2012. The first hearing for discussion will be held on 23 January 2013.

* * * * * * * *

Moreover, given their complexity, their cutting-edge technological content and the nature of customers, the group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performance. The group adjusts the estimated contract costs for foreseeable issues on a quarterly basis, also taking into account the possible developments in the relevant disputes. Specifically, the following contracts in progress are affected by issues under discussion with customers that have not been provided for at 30 September 2012:

- contract for the supply of air traffic control systems to a Cypriot body for €19 million, with respect to which the customer enforced the guarantees provided, amounting to €18 million, in July 2012, despite the fact that almost all the tests performed were passed;

- contract for the supply of 160 buses to a public transport operator for €46 million, with respect to which the customer continues to defer payments asserting alleged faultiness and due to its financial stress;
- contracts of the vehicle line of the Transportation business segment, which is encountering difficulties in meeting customer specifications in due time.

Moreover, with reference to the SISTRI programme, Law decree no. 147 of 26 June 2012 froze the roll out of the system in order to carry out further administrative and operating checks of the projects to be completed by 30 June 2013.

Said Law decree has also established that a new deadline for the system roll out should be fixed by Ministerial decree, suspending the effects of the contract between the Ministry for the Environment, Land and Sea and SELEX Service Management S.p.A. and payment of contributions due from users for 2012 until such date.

In the light of the above, the company informed the Ministry that it will collaborate in the performance of the required checks and invited it to commence the related procedure as soon as possible. Indeed, in addition to causing a significant financial loss for the company, the deferral of the system roll out date may jeopardise its functionality.

On 5 September 2012, the Ministry informed the company of the commencement of the procedure, which also involves Agenzia per l'Italia Digitale (formerly DigitPA). The first few meetings with the Ministry and the agency have taken place.

The assets relating to the SISTRI programme recognised in the condensed consolidated interim financial statements at 30 September 2012 are as follows:

	€ million
Inventories	23
Inventories awaiting contracting	9
Receivables for invoices issued	54
Unbilled Receivables	95

Moreover, the company factored receivables without recourse (which were then derecognised) totalling €107 million, of which €78 million has not been collected from the factor.

Based on the information currently available, there is no reason to make accruals or recognise impairment losses in relation to the programme.

* * * * * * * *

The Report on corporate governance and shareholding structure included in the 2011 Annual Report sets out the investigations involving Finmeccanica and group companies carried out by the judicial authorities during the year.
The development of pending criminal proceedings that occurred during the reporting period are summarised below.

Finmeccanica Spa fulfilled the court's order to produce evidence and provided documentation relating to: *i)* the findings of the internal audit carried out by Finmeccanica and AgustaWestland S.p.A. in relation to the supply contract for 12 helicopters to India; *ii)* the international tender procedure for the supply of the above-mentioned helicopters; *iii)* agreements that are necessary for and related to the above-mentioned supply to which one of AgustaWestland's advisors was a party, either directly or through companies related thereto
On 9 September 2012, at the request of the public prosecutor's expert, Finmeccanica provided the minutes of the board of statutory auditors' and supervisory body's meetings and the audit reports of Finmeccanica, AgustaWestland and SELEX Sistemi Integrati concerning the Panama contract, as well as an update on the progress of the contracts signed by the concerned companies with AGAFIA Corp.
On 9 October 2012, the company was notified of a court order to produce evidence aimed at acquiring documentation about any transactions between Finmeccanica or its group companies and a Russian company.
As part of the same proceeding, concerning allegations of crimes as per article 322-bis of the Italian Criminal Code, on 23 October 2012, the judge for preliminary investigations of the Naples Court issued a preventive detention warrant against the company's former sales executive officer.
On the same date, Finmeccanica was served a search warrant for the office used by its former sales executive officer, aimed at obtaining the documentation supporting *i)* the cash flows involving the former sales executive officer and *ii)* the latter's relationships with other parties involved in the transactions covered by the investigation.

As part of the criminal proceeding carried out by the public prosecutor of the Busto Arsizio Court relating to the supply of 12 helicopters to India, detailed below, on 20 September 2012, Finmeccanica Spa was served a notice of investigation for the administrative offence covered by article 25 of Legislative decree no. 231/01, resulting from the crime covered by articles 110, 319 and 322-bis of the Italian Criminal Code, which was allegedly committed by, *inter alia*, the chairman and CEO, who was previously in charge of the AugustaWestland group.

AnsaldoBreda S.p.A. was served a court order to produce evidence aimed at acquiring documentation about its transactions with GADIT A.G., a company related to Mr. Haschke, as well as documentation about any contracts signed with Mr. Haschke.

AgustaWestland S.p.A. provided further information and documentation relating to: i) the company's organisational structure; ii) company procedures; iii) certain foreign contracts, including that for the supply of 12 helicopters to India; iv) relationships with foreign suppliers and intermediaries

Following the decision of the general public prosecutor of the Supreme Court, which established that the Busto Arsizio public prosecutor had jurisdiction, the investigation file for the supply of 12 helicopters to India by AugustaWestland was transferred to the competent public prosecutor office.

On 27 August 2012, AgustaWestland S.p.A. was served a notice of investigation for the administrative offence covered by article 25 of Legislative decree no. 231/01, resulting from the crime covered by articles 110, 319 and 322-bis of the Italian Criminal Code, which was allegedly committed by the former head of the AugustaWestland group and former CEO of the company.

Ansaldo Energia S.p.A. filed an appeal against the decision issued by the Milan Court on 20 September 2011, which ordered the company to pay an administrative fine of €150,000 for the administrative offence covered by article 25.3 of Legislative decree no. 231/2001 and seized an equivalent of €98,700,000. The hearing before the Milan Court of Appeal originally fixed for 20 September 2012, was postponed to 14 February 2013. In this respect, in its 2011 financial statements, the company has made a provision for risks for the entire discounted amount (roughly €81 million), despite being confident that the higher level courts will review the decision

Moreover, as part of a criminal proceeding carried out by the public prosecutor of the Milan Court, on 16 March 2012, Ansaldo Energia was notified of the request for an extension of the preliminary investigation term in relation to the alleged crime covered by article 25 of Legislative decree no. 231/01 "committed in Milan before and close to 20 June 2011".

Bredamenarinibus S.p.A. was served a search and direct seizure warrant aimed at acquiring documentation about the above-mentioned contract and the sub-contract awarded to the company, as well as a copy of its Organisational Model and the minutes of the supervisory body's meetings. The measure was served also as a notice of investigation aimed at, *inter alia*, the company's former chief executive officer, for the crime covered by articles 110, 319 and 321 of the Italian Criminal Code and the crime covered by article 61.2 of Legislative decree no. 74/2000, and at the company for administrative offence covered by article 25.2 of Legislative decree no. 231/2001, resulting from the crime covered by article 321 of the Italian Criminal Code, allegedly committed by the company's former CEO.

On 17 October 2012, the company received another seizure warrant aimed at acquiring, *inter alia*, documentation on the provision of consulting services relating to the supply of the 45 trolley-buses.

Electron Italia S.r.l. was served a seizure warrant for the documentation relating to the agreements signed with SELEX Sistemi Integrati S.p.A. in 2009.

FATA S.p.A. was issued with a search warrant for the offices used by the company's chairman, in order to acquire documentation about his relationship with certain third parties.

SELEX Elsag S.p.A. announced that, on 23 January 2012, one of its employees was notified of the request for an extension of the preliminary investigation term in relation to crimes associated with supplies not meeting the customer's requirements (articles 353 and 356 of the Italian Criminal Code).
As part of the criminal proceeding carried out by the public prosecutor of the Trani Court in relation to the development of the access control system for the restricted traffic area in the Barletta municipality, SELEX Elsag announced that, on 12 July 2012, one of its employees was committed for trial by the preliminary investigation judge for crimes associated with supplies not meeting the customer's requirements (articles 353, 356 and 483 of the Italian Criminal Code). The first hearing before the relevant court was held on 22 October 2012 and the next hearing will be held on 21 May 2013.

SELEX Galileo S.p.A, which was issued with a search warrant by the public prosecutor of the Palermo Court in relation to the public funding it requested pursuant to the P.I.A. Innovazione (integrated aid package - innovation), announced that, on 5 March 2012 and 25 September 2012, its former CEO, the current CEO and other two employees received the request for an extension of the preliminary investigation term in relation to the crimes covered by articles 81, second paragraph, 640-bis, 483, 56 and 640 of the Italian Criminal Code.

SELEX Service Management S.p.A. received an order to produce evidence for the acquisition of documentation on the checks carried out by the supervisory body.

Moreover, as part of the criminal proceeding carried out by the public prosecutor of the Naples Court, on 26 April 2012, SELEX Service Management was issued with a search warrant ordering the acquisition of the documentation filed with the Ministry for the Environment, Land and Sea concerning the SISTRI project as from 2006.

SELEX Sistemi Integrati S.p.A., as the victim of the crime, received the notice informing it that the preliminary hearing relating to the request to commit for trial the former CEO and the former Sales executive officer for the crimes covered by article 8 of Legislative decree no. 74/2000 and articles 61.2/11, 81, second paragraph, 110 and 646 of the Italian Criminal Code had been fixed for 22 June 2012. At that hearing, SELEX Sistemi Integrati brought a civil action in the criminal proceeding and the judge reserved the decision for the hearing fixed for 21 September 2012, which was subsequently postponed to 9 November 2012.

As part of the criminal proceeding carried out by the public prosecutor of the Rome Court against the former CEO for the crime covered by article 2 of Legislative decree no. 74/2000, on 23 July 2012, SELEX Sistemi Integrati S.p.A. was served a seizure warrant aimed at acquiring documentation about its transactions with a company that is not part of the group.

As part of the criminal proceeding carried out by the public prosecutor of the Rome Court in relation to allegations of bribery in assigning works by ENAV, SELEX Sistemi Integrati, which is alleged to have committed the unlawful act covered by article 25.2 of Legislative decree no. 231/01, was issued with search warrant on 18 January 2012, which ordered the acquisition of the contracts signed with Print Sistem S.r.l. and Electron Italia in 2009.

Moreover, the company received a seizure warrant on 8 March 2012, ordering the acquisition of the documentation relating to the installation of the Multilateration system covered by the contract signed with ENAV on 23 December 2009.

In relation to the same proceeding, on 23 April 2012, SELEX Sistemi Integrati received the notice that the preliminary investigation into the above-mentioned unlawful act had been concluded. The company has not currently been notified of any requests for committal for trial of any of the individuals involved.

On 4 October 2012, SELEX Sistemi Integrati filed an application for a plea agreement, in order to settle all pending proceedings against the company pursuant to article 25.2 of Legislative decree no. 231/01 as part of the assignment of works by ENAV.

The actions undertaken after the 2001 Corporate governance report date to face the issues that have emerged in relation to the proper fulfilment of certain supplies relating to contracts that the company signed with ENAV are summarised below:

- In February 2012, SELEX Sistemi Integrati assigned the engagement for a fairness analysis of the amounts and works carried under the subcontracts to Arc Trade S.r.l., Print Sistem S.r.l., Techno Sky S.p.A. and Renco S.p.A. from 1 January 2008 to 30 November 2011 to an independent expert (RINA SERVICES S.p.A.). The overall amount of orders to be analysed for fairness approximates €138 million. The analysis aims at ensuring that the costs allocated to each subcontract are in line with market values and that works have been carried out correctly, with delivery and installation in line with contractual terms.

  The analysis comprises two stages: Stage 1 - Fairness analysis of the price and estimated bills of quantities (expected to take four months); Stage 2 - On-site check that the works carried out are consistent with the contractual terms (expected to take another four months).

  RINA issued its “Final report” relating to Stage 1 to the company on 31 May 2012. The report states that orders analysed totalled €127 million, which is less than the scope of the engagement, as orders approximating €11 million could not be financially analysed for fairness (these are fixed-price orders, whose amounts are not detailed, or orders to a single global supplier that did not reply to the pricing requests). Of the analysed orders, orders or portions of orders totalling

€32 million (or 23% of the total) were found incongruent, whereas another portion of orders approximating €16 million could not be analysed for the above-mentioned reasons. Based on the findings of Stage 1, the company has increased by €6 million the provisions made in its 2011 financial statements.

Once it received the Final Report on Stage 1, SELEX Sistemi Integrati's board of directors deemed it necessary to immediately start Stage 2, which will be finalized in November, with the issue of the "Final Report" related to Stage 2. Based on the anticipated information, the company does not deem that further significant accruals will be necessary when preparing its 2012 financial statements;

- On 6 July 2012, the board of directors of SELEX Sistemi Integrati approved a revised version of the Organisation, Management and Control model pursuant to Legislative decree no. 231/2001. This revision was preceded by an in-depth risk assessment exercise carried out in collaboration with external consultants. In addition to covering the introduction of environmental crimes in the scope of the relevant legislation, it implements, in particular, all amendments and integrations to both the general and special parts of the Model proposed in the light of the well-known legal proceedings in which the company is involved. Special emphasis has been placed on the revision of the special part covering crimes against the public administration. Specifically, the following critical areas have been revised and updated in detail: *(i)* subcontract management; *(ii)* acquisition of contracts with public bodies by participating in negotiated proceedings and public tenders; *(iii)* cash flows;
- SELEX Sistemi Integrati commenced different legal and arbitration proceedings in March, April and May 2012, claiming the return of overpayments and compensation of the damage suffered from the subcontractor Print Sistem;
- SELEX Sistemi Integrati brought a civil action into the above-mentioned criminal proceeding alleging tax crimes committed by the former CEO. However, this does not jeopardise its right to commence an action against the directors in the future, including in the light of the outcome of the ongoing criminal proceedings, as this type of action becomes time-barred after five year of the termination of the director's office;
- Following the findings of internal checks of certain subcontracts in connection with the ENAV contracts, SELEX Sistemi Integrati commenced disciplinary procedures in March against five employees, two of which ended with the termination of employment and three with a suspension measure.

With reference to that disclosed in the 2011 Annual Report and the above, to the best of their present knowledge and based on the findings of the analyses carried out, the directors believe that Finmeccanica's equity is not currently or prospectively exposed to additional risks to those for which a provision has been made.

19. EMPLOYEE LIABILITIES

	30.09.2012			*31.12.2011*		
	Liabilities	***Assets***	***Net***	***Liabilities***	***Assets***	***Net***
Severance obligations	552	-	552	512	-	512
Defined benefit plans (Note 12)	389	64	325	325	102	223
Share of MBDA joint venture pension obligation	116	-	116	92	-	92
Defined contribution plans	25	-	25	27	-	27
	1,082	**64**	**1,018**	**956**	**102**	**854**

Defined benefit plans and statistical information on the plans' deficit are detailed below:

	30.09.2012	*31.12.2011*	*31.12.2010*	*31.12.2009*	*31.12.2008*
Present value of obligations	(2,074)	(1,798)	(1,567)	(1,409)	(1,055)
Fair value of plan assets	1,749	1,575	1,258	1,038	846
Plan excess/(deficit)	**(325)**	**(223)**	**(309)**	**(371)**	**(209)**
of which, related to:					
- net liabilities	(389)	(325)	(341)	(382)	(248)
- net assets	64	102	32	11	39

The increased net deficit relates substantially to the AgustaWestland Ltd plan (an increase in the deficit of €77 million), the SELEX Galileo Ltd plan (a decrease in net plan assets of €38 million) and the DRS plan (a decrease in the deficit of €23 million).

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

	For the first nine months of	
	2012	***2011***
Current service costs	46	24
Personnel costs	46	24
Interest expenses	79	90
Expected return on plan assets	(62)	(72)
Costs booked as "financial expenses"	17	18
	63	**42**

20. OTHER LIABILITIES

	Non-current		Current	
	30.09.2012	*31.12.2011*	*30.09.2012*	*31.12.2011*
Employees obligations	66	56	449	462
Deferred income	42	51	93	102
Social security payables	6	6	243	288
Payables to MED (Law no. 808/85)	268	259	63	63
Payables to MED for royalties (Law no. 808/85)	112	112	30	36
Other liabilities (Law no. 808/85)	128	119	-	-
Indirect tax payables	-	-	127	219
Other related parties payables (Note 22)	-	-	35	41
Other payables	323	333	522	451
	945	**936**	**1,562**	**1,662**

The payables to the Ministry for Economic Development (MED) relate to the payables for royalties accrued pursuant to Law no. 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 no. 808/85. The payables are reimbursed on the basis of a scheduled repayment plan, without the payment of financial expenses.
Other liabilities (Law no. 808/85) include the difference between the royalties charged for the national security programmes and the effective payable accrued based on the established reimbursement ratio.

Other payables include:

- the payable due to Bell Helicopter of €278 million (€336 million at 31 December 2011), of which €229 million carried as non-current liabilities (€294 million at 31 December 2011). €39 million of this payable relates to the “BAAC reorganisation”, entailing the acquisition of all manufacturing and marketing rights for the AW139 helicopter previously held by Bell Helicopter (25%) and €239 million to the agreements reached in November 2011 for the acquisition of 100% of the AW609 programme, in which the group already had a 39.7% stake. This amount also includes the reasonably estimated potential consideration due to Bell Helicopter based on the programme’s commercial success;
- the payable due to EADS NV from GIE ATR (joint venture held equally by Alenia Aermacchi S.p.A. and EADS NV) of €4 million (€0 million at 31 December 2011);
- payables for customer deposits of €60 million (€44 million at 31 December 2011);
- payables for commissions due in the amount of €46 million (€48 million at 31 December 2011);

- royalties due for €24 million (€23 million at 31 December 2011);
- payables for contractual penalties of €14 million (€15 million at 31 December 2011);
- payables for the repurchase of a G222 aircraft for €4 million (€6 million at 31 December 2011);
- payables for insurance premiums of €2 million (€5 million at 31 December 2011).

21. TRADE PAYABLES, INCLUDING PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

	30.09.2012	*31.12.2011*
Trade payables	4,508	4,789
Trade payables to related parties (Note 22)	155	160
	4,663	4,949
Progress payments and advances from customers (gross)	16,000	15,622
Contract work in progress	(7,696)	(7,409)
Progress payments and advances from customers	8,304	8,213
Total trade payables	**12,967**	**13,162**

Reference should be made to Note 22 for details of Trade payables to related parties and a summary of the most significant liabilities of this kind.

22. RELATED PARTIES TRANSACTIONS

Related parties transactions take place on an arm's length basis, as does the settlement of interest-bearing financial assets and liabilities where not governed by specific contractual conditions. The relevant financial statements amounts are shown below. The statement of cash flows presents the impact of related parties transactions on cash flows. Reference should be made to the section Related parties transactions in the report on operations for the definition of related parties.

(€ million) *RECEIVABLES AT 30.09.2012*	**Non-current financial receivables**	**Other non-current receiva-bles**	**Current financial receiva bles**	**Trade receiva -bles**	**Other current receiva-bles**	**Total**
Subsidiaries						
Elsacom NV			8			8
SESM - Soluzioni Evolute per la Sistemistica e i Modelli Scarl			5			5
Other companies with an amount less than €5 million			7	2	1	10
Associates						
Eurofighter Jagdflugzeug GmbH				241		241
NHIndustries SAS				110		110
Iveco - Oto Melara Scarl				28		28
Metro 5 S.p.A.		3	1	27		31
BCV Investment SCA	26					26
Abruzzo Engineering Scpa (in liquidation)				21		21
Joint Stock Company Sukhoi Civil Aircraft				14		14
Orizzonte - Sistemi Navali S.p.A.				11	1	12
Eurosysnav SAS				10		10
Macchi Hurel Dubois SAS				10		10
Abu Dhabi Systems Integration LLC				6		6
Other companies with an amount less than €5 million				21	1	22
Joint ventures (*)						
MBDA SAS				50		50
GIE ATR				30	4	34
Thales Alenia Space SAS			6	16	1	23
Ansaldo Energia S.p.A.			2	10		12
Yeni Elektrik Uretim Anonim Sirketi				10		10
Telespazio S.p.A.	3		13	1		17
Superjet International S.p.A.			19	4	1	24
Other companies with an amount less than €5 million	2	1	2	8		13
Consortia (**)						
Ferroviario Vesuviano				14		14
S3Log				5		5
Other consortia with an amount less than €5 million			2	20	2	24
Subsidiaries/associates of MEF						
Ferrovie dello Stato Italiane				53		53
Other				143		143
Total	**31**	**4**	**65**	**865**	**11**	**976**
% of the total for the reporting period	***24.0***	***7.4***	***8.2***	***17.1***	***1.2***	

(€ million) *PAYABLES AT 30.09.2012*	**Non-current loans and borrowings**	**Other non-current payables**	**Current loans and borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Other companies with an amount less than €5 million			4	13	1	18	
Associates							
Eurofighter Jagdflugzeug GmbH			69	5		74	
Consorzio Start S.p.A.				38		38	
Joint Stock Company Sukhoi Civil Aircraft	10		2	4		16	
Avio S.p.A.				17		17	
Elettronica S.p.A.				6		6	
Iveco - Oto Melara Scarl				2	8	10	
Other companies with an amount less than €5 million			3	10		13	
Joint ventures (*)							
MBDA SAS			502	12		514	93
Thales Alenia Space SAS			134	12		146	1
Ansaldo Energia S.p.A.					13	13	
GIE ATR				5		5	
Telespazio S.p.A.				1	4	5	211
Superject International S.p.A.			1	1	8	10	
Other companies with an amount less than €5 million				4		4	
Consortia *(**)*							
Other consortia with an amount less than €5 million				6		6	
Subsidiaries/associates of MEF							
Ferrovie dello Stato				8		8	
Other	23		7	11	1	42	
Total	**33**	**-**	**722**	**155**	**35**	**945**	**305**
% of the total for the reporting period	***0.74***	-	***31.64***	***3.45***	***2.29***		

(*) Portion not eliminated on proportionate consolidation
(**) Consortia subject to significant influence or under joint control

(€ million) *RECEIVABLES AT 31.12.2011*	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receiva-bles**	**Other current receiva-bles**	**Total**
Subsidiaries						
Elsacom NV			8			8
Other companies with an amount less than €5 million			10	3	1	14
Associates						
Eurofighter Jagdflugzeug GmbH				193		193
NHIndustries SAS				91		91
Iveco - Oto Melara Scarl				41		41
Orizzonte - Sistemi Navali S.p.A.				22		22
Abruzzo Engineering Scpa (in liquidation)				22		22
Joint Stock Company Sukhoi Civil Aircraft				15	5	20
Metro 5 S.p.A.		2		14		16
Macchi Hurel Dubois SAS				5		5
Eurosysnav SAS				8		8
Abu Dhabi Systems Integration LLC				5		5
Other companies with an amount less than €5 million				18	1	19
Joint ventures(*)						
Ansaldo Energia Holding S.p.A.			126			126
MBDA SAS				67		67
Thales Alenia Space SAS	2		5	18		25
GIE ATR				18		18
Rotorsim S.r.l.				15		15
Telespazio S.p.A.	4		18	1		23
Superjet International S.p.A.			15	4		19
Balfour Beatty Ansaldo Systems JV SDN BHD				9		9
Ansaldo Energia S.p.A.				9	3	12
Other companies with an amount less than €5 million	2	1	1	2	1	7
Consortia (**)						
Saturno				14	1	15
Ferroviario Vesuviano				14		14
S3Log				7		7
Other consortia with an amount less than €5 million			1	19	1	21
Subsidiaries/associates of MEF						
Ferrovie dello Stato Italiane				150		150
Other				100		100
Total	**8**	**3**	**184**	**884**	**13**	**1,092**
% of the total for the reporting period	***9.5***	***8.0***	***17.2***	***16.8***	***1.6***	

(€ million) ***PAYABLES AT 31.12.2011***	**Non-current loans and borro-wings**	**Other non-current payables**	**Current loans and borro-wings**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Finmeccanica North America Inc.				5	1	6	
Other companies with an amount less than €5 million			5	8		13	
Associates							
Eurofighter Jagdflugzeug GmbH			47	5		52	
Consorzio Start S.p.A.				44		44	
Avio S.p.A.				10		10	
Iveco - Oto Melara Scarl				1	7	8	
Joint Stock Company Sukhoi Civil Aircraft	10			5		15	
Other companies with an amount less than €5 million			2	13		15	
Joint ventures (*)							
MBDA SAS			569	11		580	96
Ansaldo Energia S.p.A.			139		7	146	
Ansaldo Energia Holding S.p.A.					4	4	
Thales Alenia Space SAS			132	13		145	2
Rotorsim S.r.l.				13		13	
Telespazio S.p.A.			6	2	7	15	208
Superject International S.p.A.			6	1	8	15	
GIE ATR				4	5	9	
Other companies with an amount less than €5 million				2	1	3	
Consortia *(**)*							
Other consortia with an amount less than €5 million				7		7	
Subsidiaries/associates of MEF							
Other	26		7	16	1	50	
Total	**36**	**-**	**913**	**160**	**41**	**1,150**	**306**
% of the total for the reporting period	***0.8***	-	***65.5***	***3.2***	***2.6***		

(*) Portion not eliminated on proportionate consolidation
(**) Consortia subject to significant influence or under joint control

For the first nine months of 2012 ***(€ million)***	**Revenues**	**Other operating income**	**Expenses**	**Other operating expenses**	**Financial income**	**Financial expenses**
Subsidiaries						
Finmeccanica UK Ltd			9			
Finmeccanica North America Inc.			7			
Other companies with an amount less than €5 million	1		7			
Associates						
Eurofighter Jagdflugzeug GmbH	521					
NHIndustries SAS	147					
Orizzonte - Sistemi Navali S.p.A.	106					
Iveco - Oto Melara Scarl	72		1	1		2
Consorzio Start S.p.A.	1		20			
Macchi Hurel Dubois SAS	22					
Eurofighter Simulation Sistems GmbH	7					
Metro 5 S.p.A.	7		1			
Fata Gulf CO. W.L.L.			15			
Euromids SAS	5					
Avio S.p.A.	1		14			
Automation Integrated Solutions S.p.A.			8			
Other companies with an amount less than €5 million	18		7	1		1
Joint ventures (*)						
GIE ATR	80		14			
MBDA SAS	46					4
Thales Alenia Space SAS	22		4			1
Balfour Beatty Ansaldo Systems JV SDN BHD	6					
Telespazio S.p.A.	1		8		1	
Rotorsim S.r.l.	1	2	6			
Ansaldo Energia S.p.A.	6		1		4	
Other companies with an amount less than €5 million	4	1	1			
Consortia (**)						
Saturno	5		1			
Other consortia with an amount less than €5 million	6		2			
Subsidiaries/associates of MEF						
Ferrovie dello Stato Italiane	276		6	3		
Other	111		20			
Total	**1,472**	**3**	**152**	**5**	**5**	**8**
% of the total for the reporting period	***12.08***	***0.84***	***2.00***	***1.38***	***1.29***	***1.14***

(*) Portion not eliminated on proportionate consolidation
(**) Consortia subject to significant influence or under joint control

For the first nine months of 2011 *(€ million)*	**Revenues**	**Other operating income**	**Expenses**	**Other operating expenses**	**Financial income**	**Financial expenses**
Subsidiaries						
Finmeccanica North America Inc.			8			
Finmeccanica UK Ltd.			7			
Other companies with an amount less than €5 million	3		11	1		
Associates						
Eurofighter Jagdflugzeug GmbH	511		4			
NH Industries Sarl	139					
Orizzonte Sistemi Navali S.p.A.	89		1			
Iveco - Oto Melara Scarl	74		1	1		3
Macchi Hurel Dubois SAS	13					
Eurofighter Simulation Sistem GmbH	12					
Metro 5 S.p.A.	7					
Abu Dhabi Systems Integration Llc	6					
A4ESSOR SAS	5					
Consozio Start S.p.A.	1		29			
Other companies with an amount less than €5 million	16		9			
Joint ventures (*)						
GIE ATR	67					
MBDA	78					5
Thales Alenia Space	21		9			
Telespazio S.p.A.			5			
Rotorsim S.r.l.		2	5			
Other companies with an amount less than €5 million	11	1	2		3	1
Consortia (**)						
Saturno	9		2			
Other consortia with an amount less than €5 million	9		2			
Subsidiaries/associates of MEF						
Ferrovie dello Stato Italiane	205		4			
Other	118		28			
Total	**1,394**	**3**	**127**	**2**	**3**	**9**
% of the total for the reporting period	***11.4***	***1.0***	***1.6***	***0.3***	***0.3***	***1.3***

(*) Portion not eliminated on proportionate consolidation
(**) Consortia subject to significant influence or under joint control

The main transactions generating financial assets and liabilities, revenues and expenses in the reporting period were as follows:

- "trade receivables" relate mainly to associates, to companies or consortia heading up large-scale programmes in which the group is involved, as well as the uneliminated portion of amounts due from joint ventures. The most important of these transactions concern:
  - the Eurofighter (EFA programme) for €241 million (€193 million at 31 December 2011) for contracts for semi-wings and posterior fuselages and to the assembly of aircraft for the Italian Air Force;
  - NHIndustries for €110 million (€91 million at 31 December 2011) for the final sale of the NH90 helicopter;
  - the Iveco - Oto Melara consortium for €28 million (€41 million at 31 December 2011) for production and post-sales assistance on defence and security ground vehicles (production is underway for contracts for the VBM Freccia and PZH2000 self-propelled vehicles for the Italian Army);
  - Metro 5 S.p.A. for €27 million (€14 million at 31 December 2011) for the design, construction and operation of the new line 5 of the Milan metro;
  - Orizzonte - Sistemi Navali S.p.A. for €11 million (€22 million at 31 December 2011) for the FREMM programme;
  - Abruzzo Engineering (in liquidation) for €21 million (€22 million at 31 December 2011) for the project to develop regional infrastructure to resolve the Digital Divide, commissioned by the Abruzzo regional authorities;
  - Ferrovie dello Stato Italiane group for €53 million (€150 million at 31 December 2011) to supply locomotives for long-distance trains, high-speed and local trains, train control systems and service and maintenance;

- "trade payables" due to related parties mainly relate to the uneliminated portion of payables to joint ventures and Consorzio Start of €38 million (€44 million at 31 December 2011) for the supply of software for defence and security systems;

- "current financial receivables" mainly relate to the uneliminated portion of amounts due from joint ventures;

- "current loans and borrowings" of €722 million (€913 million at 31 December 2011) include the unconsolidated amount of €636 million (€701 million at 31 December 2011) due from group companies to the MBDA and Thales Alenia Space joint ventures, as well as €69 million (€47 million at 31 December 2011) due to Eurofighter, in which Alenia Aermacchi has a 21% investment. Pursuant to existing agreements, Eurofighter lent excess cash to its shareholders;

- the most significant "revenue" items from related parties, in addition to the uneliminated portion of receivables due from joint ventures, relate to:
  - the Eurofighter (EFA programme) for €521 million (€511 million in the corresponding period of 2011) for contracts for semi-wings and posterior fuselages and to the assembly of aircraft for the Italian Air Force;
  - the Iveco - Oto Melara consortium for €72 million (€74 million in the corresponding period of 2011) for production and post-sales assistance on defence and security ground vehicles;
  - NHIndustries for €147 million (€139 million in the corresponding period of 2011) for the final sale of the NH90 helicopter;
  - Orizzonte - Sistemi Navali S.p.A. for €106 million (€89 million in the corresponding period of 2011) for the FREMM programme;
  - Ferrovie dello Stato Italiane group for €276 million (€205 million in the corresponding period of 2011) to supply high-speed and local trains, train control systems and service, maintenance and revamping;

- "expenses" incurred with related parties, in addition to the uneliminated portion paid to the joint ventures, mainly relate to Consorzio Start for €20 million (€29 million in the corresponding period of 2011) for the supply of software for defence and security systems.

23. REVENUES

	For the first nine months of	
	2012	***2011***
Sales	7,330	7,084
Services	2,453	2,121
Change in work in progress	929	1,653
Related parties revenues (Note 22)	1,472	1,394
Total revenues	**12,184**	**12,252**

Revenues for the first nine months of 2012 totalled €12,184 million, compared to €12,252 million in the corresponding period of the previous year, with a €68 million reduction. On a like-for-like basis, i.e., consolidating the Energy business segment at 55%, group revenues for the first nine months of 2011 would have approximated €12,007 million

Revenues by business segment is discussed in Note 8.

Reference should be made to Note 22 in relation to related parties revenues (for an analysis of the caption and a summary of the more significant amounts).

Revenues for the third quarter of 2012 increased €246 million, from €3,828 million to €4,124 million.

Revenues for the third quarter by business segment is discussed in "The group's performance in the third quarter of 2012" section of the report on operations.

24. OTHER OPERATING INCOME (EXPENSES)

Specifically:

	For the first nine months of					
	2012			*2011*		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Grants for training, research and development	57	-	57	49	-	49
Exchange rate gains (losses) on operating items	115	(132)	(17)	115	(126)	(11)
Indirect taxes	-	(38)	(38)	-	(32)	(32)
Gain (losses) on the sale of assets	7	(4)	3	1	-	1
Insurance reimbursements	15	-	15	21	-	21
Reversals of impairment of receivables	6	-	6	2	-	2
Restructuring costs	-	(8)	(8)	-	(4)	(4)
Reversal of / Accruals to provisions	96	(122)	(26)	59	(1,052)	(993)
Other operating income (expenses)	56	(63)	(7)	50	(62)	(12)
Other operating income (expenses) from/to related parties (Note 22)	3	(5)	(2)	3	(2)	1
Total	**355**	**(372)**	**(17)**	**300**	**(1,278)**	**(978)**

"Use of (accruals to) provisions" mainly relates to provisions for contractual risks and charges in the Aeronautics, Defence Electronics and Security, Space and Transportation business segments. The figure for the corresponding period of the previous year was affected by significant accruals made to provisions for contractual risks and charges in the Aeronautics and Transportation business segments.

In the third quarter of 2012, the group recognised other net operating expenses of €7 million (including other operating income of €86 million and other operating expenses of €93 million) compared to other net operating expenses of €952 million (including other operating income of €83 million and other operating expenses of €1,035 million) in the third quarter of 2011. As mentioned above, the figure for the third quarter of 2011 was affected by the accruals made to provisions for contractual risks and charges in the Aeronautics and Transportation business segments.

25. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

Specifically:

	For the first nine months of			
	2012		***2011***	
Raw materials and consumables used		4,059		4,118
Purchase of services		3,887		4,067
Costs to related parties (Note 22)		152		127
Personnel costs		3,442		3,558
Wages, salaries and contributions	*3,145*		*3,240*	
Stock grant plans costs	*2*		*1*	
Performance cash plans costs	*8*		*16*	
Defined benefit plans costs (Note 19)	*50*		*24*	
Defined contribution plans costs	*99*		*109*	
Restructuring costs	*43*		*40*	
Other personnel costs	*95*		*128*	
Change in finished goods, work in progress and semi-finished products		(171)		(207)
Work performed by the Group and capitalised		(334)		(339)
Total raw materials and consumables used and personnel costs		**11,035**		**11,324**

The average workforce numbered 67,625 employees in the first nine months of 2012, a net decrease of 4,542 employees from the 72,167 employees in the corresponding period of the previous year. The drop was seen mainly in the Defence Electronics and Security (mainly due to the reorganisation underway in the United States of America) and Aeronautics business segments, mainly due to the reorganisation, streamlining and cost-saving initiatives launched last year. The decrease in the average workforce is also a result of the change in the group's consolidation scope with the different consolidation method (from consolidation on a line-by-line basis to consolidation on a proportionate basis (55%)) used for Ansaldo Energia group from the second half of the previous year. This change accounted for a decrease of 1,498 employees.

The workforce at 30 September 2012 numbers 68,321 employees, compared to 70,474 employees at 31 December 2011, with a net decrease of 2,153 employees, seen in the Defence Electronics and Security, Helicopters and Transportation business segments especially.

Personnel costs totalled €3,442 million in the first nine months of 2012 compared to €3,558 million in the corresponding period of 2011, with a net decrease of €116 million attributable, *inter alia*, to the net effect of the decrease in the average workforce and the change in the consolidation scope (in particular, due to the changed contribution of the Ansaldo Energia group), the increase in restructuring costs and the change in costs for defined contribution plans and costs for defined benefit plans. Specifically, the increased costs of the British plans impacted the costs for defined benefit plans, while the decrease in costs for defined contribution plans is mainly due to the reduction in the workforce.

Like in the corresponding period of the previous year, stock grant plans related to the Ansaldo STS plan, while performance cash plans relate to the group's medium- to long-term incentive plan for management.

Restructuring costs comprise costs for the reorganisations taking place, especially in the Defence Electronics and Security (particularly in the foreign area), Transportation and Space business segments.

Personnel costs totalled €1,053 in the third quarter of 2012, compared to €1,112 million in the third quarter of 2011. Restructuring costs for the third quarter of 2012 came to €6 million, compared to €17 million in the corresponding period of the previous year, and mainly relate to the Defence Electronics and Security and Transportation business segments.

Raw materials and consumables used and purchase of services for the first nine months of 2012 came to €7,946 million, compared to €8,185 million in the corresponding period of 2011. They include, *inter alia*, rental costs, operating leases and hire cost of €177 million, compared to €215 million in the corresponding period of 2011.

Raw materials and consumables used and purchase of services for the third quarter of 2012 totalled €2,792 million, compared to €2,619 million for the third quarter of 2011. They include, *inter alia*, rental costs, operating leases and hire cost of €62 million, compared to €75 million in the third quarter of 2011.

Related parties costs are discussed in Note 22.

26. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	For the first nine months of			
	2012		***2011***	
Amortisation and depreciation:				
• Amortisation of intangible assets (Note 9)		205		206
Development expenses	*50*		*59*	
Non-recurring expenses	*18*		*20*	
Acquired as part of business combinations	*67*		*61*	
Other	*70*		*66*	
• Depreciation of property, plant and equipment		284		284
Impairment:				
• non-current assets and investment property		5		51
• operating receivables		14		12
Total amortisation, depreciation and impairment		**508**		**553**

Amortisation and depreciation for the third quarter of 2012 amounted to €165 million (amortisation of €70 million and depreciation of €95 million) compared to €155 million (amortisation of €63 million and depreciation of €92 million). Impairment came to €4 million, compared to €26 million in the third quarter of 2011, when they mainly related to development expenses of the Aeronautics business segment.

27. FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise:

	For the first nine months of					
	2012			***2011***		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Gain on the sale of Ansaldo Energia	-	-	-	458	-	458
Dividends	2	-	2	6	-	6
Interests	20	(225)	(205)	16	(227)	(211)
Premiums (paid)/received on IRSs	-	(30)	(30)	12	(30)	(18)
Commissions (including on factoring without recourse)	1	(52)	(51)	-	(31)	(31)
Fair value adjustments through profit or loss	62	(45)	17	112	(39)	73
Premiums (paid)/received on forward contracts	11	(9)	2	5	(6)	(1)
Exchange rate differences	271	(282)	(11)	273	(313)	(40)
Impairment/reversals on equity investments	-	(1)	(1)	2	(1)	1
Interest cost on defined benefit plans (net of the expected return on plan assets) (Note 19)	-	(19)	(19)	-	(18)	(18)
Financial income/(expenses) from/to related parties (Note 22)	5	(8)	(3)	3	(9)	(6)
Other financial income /(expenses)	15	(30)	(15)	35	(36)	(1)
	387	**(701)**	**(314)**	**922**	**(710)**	**212**

Specifically:

- net interest expenses includes, *inter alia*, €177 million (€198 million in the corresponding period of the previous year) on bonds, down on the first nine months of 2011 due to the partial repurchase of bonds in the second half of 2011 and the third quarter of 2012, respectively for €185 million and €12 million (bonds maturing in December 2013, bearing interest at 8.125%, issued by Finmeccanica Finance in 2008 for a nominal total of €1,000 million) and in the first half of 2012 for approximately €51 million (approximately $66 million of the bonds maturing in July 2019, bearing interest at 6.25%, issued by Meccanica Holdings USA in 2009 for a total of $500 million); reference should be made to the Financial transactions section;
- net commission expenses rose due to certain group companies' greater use of without recourse factoring of receivables;

- fair value adjustments through profit or loss can be detailed as follows:

	For the first nine months of					
	2012			***2011***		
	Gains	**Losses**	**Net**	**Gains**	**Losses**	**Net**
Currency swaps	7	(11)	(4)	31	(9)	22
Currency options	-	-	-	-	(1)	(1)
Interest rate swaps	37	(2)	35	62	(1)	61
Ineffective portion of hedging swaps	18	(4)	14	6	(9)	(3)
Embedded derivatives	-	(28)	(28)	-	(6)	(6)
Other equity derivatives	-	-	-	13	(13)	-
	62	**(45)**	**17**	**112**	**(39)**	**73**

  - net fair value losses on currency swaps relate to forwards agreed for hedging purposes (hedges of foreign currency financial assets/liabilities) and recognised as fair value hedges. They mainly relate to the parent;
  - fair value adjustments on interest rate swaps, offsetting the realised losses (premiums paid on IRSs), fell compared to the corresponding period of the previous year due to the early termination in the fourth quarter of 2011 of transactions measured at fair value at 30 September 2011. As the transactions' effects were realised in the previous year, they no longer produce fair value adjustments in 2012.
  - the ineffective portion of hedging swaps relates to net gains on currency swaps, relating to the ineffective portion of trading contracts recognised as cash flow hedges (forward points);
  - embedded derivatives arise from trading contracts agreed in currencies other than those of the contracting parties and from those generally used on the relevant markets. This component, separated from the trading contract, is measured at fair value through profit or loss and is merely an unrealised item that will not produce financial effects;

- other net financial expenses mainly relate to income and expenses generated by discounting receivables, payables and provisions. The figure for the corresponding period of the previous year mainly comprised the positive and negative impact of premiums collected and paid on the earn out and the option mirroring the earn out mechanism related to the sale of STM shares.

The group's net financial expenses rose by €58 million, from €107 million for the third quarter of 2011 to €49 million for the third quarter of 2012. The increase is mainly due to larger commission expenses and fair value losses, partially offset by smaller interest expenses. Interest expenses on bonds decreased to €50 million from €66 million in the third quarter of 2011.

28. SHARE OF PROFITS (LOSSES) OF EQUITY-ACCOUNTED INVESTMENTS

	For the first nine months of	
	2012	***2011***
Share of profit on Elettronica S.p.A.	5	3
Share of loss on Joint Stock Co. Sukhoi Aircraft	(30)	(47)
Share of profit on Eurofighter Jagdflugzeug GMBH	2	-
Share of profit on International Metro Service S.r.l.	4	-
Other (net)	3	2
	(16)	**(42)**

The share of net losses on equity-accounted investments totalled €3 million in the third quarter of 2012, compared to €33 million in the third quarter of the previous year and mainly related to the share of loss on Joint Stock Co. Sukhoi Aircraft.

29. INCOME TAXES

This caption may be analysed as follows:

	For the first nine months of	
	2012	***2011***
IRES	(84)	(93)
IRAP	(65)	(61)
Tax consolidation benefits	83	79
Other income taxes	(97)	(81)
Taxes relative to previous years	4	7
Provisions for tax litigations	(11)	(16)
Net deferred taxes - income/(expenses)	22	274
Income taxes	**(148)**	**109**

Income taxes for the reporting period totalled €148 million as expenses, compared to a positive €109 million in the corresponding period of the previous year, when the group recognised significant net deferred tax income.

Income taxes for the third quarter of 2012 came to €62 million as expenses compared to a positive €225 million in the third quarter of 2011.

30. CASH FLOWS FROM OPERATING ACTIVITIES

	For the first nine months of	
	2012	***2011***
Net profit/(loss)	146	(324)
Amortisation, depreciation and impairment	508	553
Share of profit/(losses) of equity-accounted investments	16	42
Income taxes	148	(109)
Pension plans and stock grant plans	52	25
Net finance (income)/ expenses	314	(212)
Net accruals to provisions for risks and charges	50	1,028
Other non-monetary items	24	88
Gross cash flow from operating activities	**1,258**	**1,091**

Pension plans and stock grant plans include the portion of costs related to defined benefit pension plans recognised under personnel costs (interest expenses is recognised as a financial item).

The change in working capital, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

	For the first nine months of	
	2012	***2011***
Inventories	(383)	(451)
Contract work in progress and progress payments and advances from customers	(886)	(568)
Trade receivables and payables	(167)	(202)
Change in working capital	**(1,436)**	**(1,221)**

31. EARNINGS PER SHARE

Earnings per share ("EPS") are calculated by:

- dividing the profit for the period attributable to holders of ordinary shares by the average number of ordinary shares outstanding in the reporting period, net of treasury shares (basic EPS);
- dividing the profit for the period by the average number of ordinary shares and, for the corresponding period of the previous year, those that could arise from the exercise of all options under stock option plans, net of treasury shares (diluted EPS).

	For the first nine months of	
Basic EPS	***2012***	***2011***
Average number of shares outstanding during the reporting period (in thousands)	578,118	577,438
Net profit/(loss) excluding non-controlling interests (€ million)	118	(358)
Profit (loss) from continuing operations (excluding non-controlling interests) (€ million)	118	(358)
Basic EPS (€)	0.205	(0.620)
Basic EPS from continuing operations (€)	0.205	(0.620)

	For the first nine months of	
Diluted EPS	***2012***	***2011***
Average number of shares outstanding during the reporting period (in thousands)	578,118	578,097
Adjusted net profit/(loss) excluding non-controlling interests (€ million)	118	(358)
Adjusted profit (loss) from continuing operations (excluding non-controlling interests) (€ million)	118	(358)
Diluted EPS (€)	0.205	(0.619)
Diluted EPS from continuing operations (€)	0.205	(0.619)

On behalf of the board of directors
The chairman and CEO
(Giuseppe Orsi)
(signed on the original)

Declaration of the manager in charge of financial reporting on the interim financial report at 30 September 2012 pursuant to article 154-bis, paragraph 2 of Legislative Decree no. 58/98 and subsequent amendments and integrations

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 and subsequent amendments and integrations, the undersigned, Gian Piero Cutillo, manager in charge of financial reporting and CFO of Finmeccanica Spa, certifies that the interim financial report at 30 September 2012 corresponds to the related accounting records, books and supporting documentation.

Rome, 8 November 2012

The manager in charge of financial
reporting
Gian Piero Cutillo
(signed on the original)