INTERIM FINANCIAL REPORT

AT 31 MARCH 2011

FINMECCANICA

Disclaimer

This Interim Financial Report at 31 March 2011 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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Highlights

€ million	March 2011	March 2010	Change	2010
New orders	**3,816**	**3,742**	**2%**	**22,453**
Order backlog	**48,038**	**45,460**	**6%**	**48,668**
Revenues	**3,855**	**4,039**	**(5%)**	**18,695**
Adjusted EBITA	**215**	**251**	**(14%)**	**1,589**
Net profit	**7**	**91**	**(92%)**	**557**
Adjusted net profit	**7**	**91**	**(92%)**	**557**
Net capital invested	**11,053**	**11,147**	**(1%)**	**10,230**
Net financial debt	**4,051**	**4.379**	**(7%)**	**3,133**
FOCF	**(998)**	**(1,106)**	**10%**	**443**
ROS	***5.6%***	***6.2%***	***(0.6) p.p.***	***8.5%***
ROI	***14.0%***	***14.5%***	***(0.5) p.p.***	***16.0%***
ROE	***6.9%***	***10.7%***	***(3.8) p.p.***	***8.2%***
EVA	**(99)**	**(77)**	**(28%)**	**317**
Research & Development	**384**	**353**	**9%**	**2,030**
Workforce (no.)	**74,497**	**76,907**	**(3%)**	**75,197**

Refer to the following section for definitions of the indicators.

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

As reported in the 2010 financial statements, the Group expected its rate of growth to slow in early 2011. While the results for the first quarter were better than expected, compared with the same period of 2010, performance trends differed. However, the results can still be compared with those for the previous years.

Before analysing the main indicators, it should be noted that, in comparing the periods, the US dollar depreciated against the euro by around 6.0% during the first quarter of 2011 (comparison of the prevailing exchange rates at 31 March 2011 and at 31 December 2010). This change had an effect on the balance-sheet items, but the change in the average exchange rates for the two periods compared had virtually no effect on the income statement and the statement of cash flows.

New orders for the first quarter of 2011 rose by 2% over the same period of the previous year, while revenues fell slightly by just under 5% and adjusted EBITA deteriorated by roughly 14%. Return on sales (ROS) amounted to 5.6% (equal to 6.2% for the first quarter of 2010).

Compared with the same period of the previous year, return on investment (ROI) stood at 14.0% (14.5% at 31 March 2010), EVA came to a negative €mil. 99 (negative €mil.77) and return on equity (ROE) amounted to 6.9% (10.7%).

The Group's net profit for the first quarter of 2011 amounted to €mil. 7 (€mil. 91 for the same period of 2010) and the primary items contributing to this result are attributable to the deterioration in EBIT (€mil. 47) and in net finance costs (€mil. 58), partially offset by lower taxes (€mil. 21).

The deterioration in EBIT of €mil. 47 is a result of the decline in revenues for the period (€mil. 12), higher restructuring costs in carrying out efficiency enhancement efforts begun in 2010 (€mil. 11), and to the different mix of profitability of productive activities as compared with the same period of 2010 (€mil. 24).

The higher net finance costs are largely the result of the increase in the costs from the fair value measurement of interest rate swaps (a year-on-year change of €mil. 56). The result for the quarter reflects the measurement spread and represents an absolute value, dependent only upon changes in the interest rate curves, and, therefore, the "proportion" attributable to the year cannot be calculated.

The effective tax rate at 31 March 2011 was 88.2% (45.4% a year earlier).

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

- Regional tax on productive activities (IRAP) of €mil. 23.9, or 38.1% (at 31 March 2010 it was €mil. 23.9, or 14.2%); this is due to the use of a different taxable base than it used in calculating IRES, which has not been changed by the negative results;
- Corporate income tax (IRES) of €mil. 6.4, or 10.2% (at 31 March 2010 it was €mil. 32.2, or 19.2%); this is due to the lower pre-tax profit as a result of the factors described above;
- Other taxes (mainly relating to foreign companies) of €mil. 25.0, or 39.9% (at 31 March 2010 it amounted to €mil. 20, or 11.9%).

The effective tax rate at 31 March 2011 reflects the seasonality of results, and should, during the year, realign with past performance.

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Income statement		***For the three months ended 31 March***	
	Note	***2011***	***2010***
€ million			
Revenue		3,855	4,039
Raw materials and consumables used and personnel costs	*(*)*	(3,497)	(3,647)
Amortisation and depreciation	*25*	(135)	(132)
Other net operating income (expenses)	*(**)*	(8)	(9)
Adjusted EBITA		**215**	**251**
Restructuring costs		(13)	(2)
Amortisation of intangible assets acquired through a business combination	*25*	(21)	(21)
EBIT		**181**	**228**
Net finance income (costs)	*(***)*	(119)	(61)
Income taxes	*27*	(55)	(76)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**7**	**91**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**7**	**91**

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

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

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

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

Primary Finmeccanica Group indicators by segment

March 2011 (€ million)	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	680	11,848	815	81	10.0%	77	13,477
Defence and Security Electronics	1,213	11,256	1,343	98	7.3%	148	29,102
Aeronautics	535	8,518	567	4	0.7%	62	12,445
Space	103	2,519	219		n.a.	19	4,062
Defence Systems	119	3,640	260	12	4.6%	59	4,098
Energy	730	3,763	266	21	7.9%	6	3,370
Transportation	639	7,459	458	22	4.8%	13	7,078
Other activities	15	107	48	(23)	n.a.	0	865
Eliminations	(218)	(1072)	(121)				
	3,816	**48,038**	**3,855**	**215**	**5.6%**	**384**	**74,497**

March 2010 (€ million)	New orders	Order backlog at 31 Dec. 2010	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.) at 31 Dec. 2010
Helicopters	1,146	12,162	837	75	9.0%	72	13,573
Defence and Security Electronics	1,642	11,747	1,452	107	7.4%	131	29,840
Aeronautics	217	8,638	592	34	5.7%	76	12,604
Space	208	2,568	194	-	n.a.	12	3,651
Defence Systems	234	3,797	231	14	6.1%	45	4,112
Energy	178	3,305	337	31	9.2%	7	3,418
Transportation	330	7,303	445	20	4.5%	10	7,093
Other activities	13	113	58	(30)	n.a.	-	906
Eliminations	(226)	(965)	(107)				
	3,742	**48,668**	**4,039**	**251**	**6.2%**	**353**	**75,197**

Change	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	(41%)	(3%)	(3%)	8%	1.1 p.p.	7%	(0.7%)
Defence and Security Electronics	(26%)	(4%)	(8%)	(8%)	(0.1) p.p.	13%	(2.5%)
Aeronautics	147%	(1%)	(4%)	(88%)	(5.0) p.p.	(18%)	(1.3%)
Space	(50%)	(2%)	13%	n.a.	n.a.	58%	11.3%
Defence Systems	(49%)	(4%)	13%	(14%)	(1.4) p.p.	31%	n.s.
Energy	310%	14%	(21%)	(32%)	(1.3) p.p.	(14%)	(1.4%)
Transportation	94%	2%	3%	10%	0.3	30%	n.s.
Other activities	15%	(5%)	n.a.	(23%)	n.a.	n.a.	n.s.
	2%	**(1%)**	**(5%)**	**(14%)**	**(0.6) p.p.**	**9%**	**(0.9%)**

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

From a commercial perspective, the Group reported an increase in **new orders,** which amounted to €mil. 3,816 at the end of the first quarter of 2011 compared with €mil. 3,742 for the same quarter of 2010.

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

- *Energy,* mainly due to the important new order from Gebze in Turkey (worth €mil. 638) for an 800 MW combined-cycle plant and related scheduled maintenance;
- *Aeronautics,* due to more orders in the civil and military segments*;*
- *Transportation,* due mainly to increased new orders in the signalling and transportation solutions segment.

These improvements were partially offset by declines in:

- *Helicopters,* which benefited from a significant order from the Indian air force for 12 AW101 helicopters worth €mil. 560 in the first quarter of 2010*;*
- *Defence and Security Electronics,* which during the same period of 2010 saw the initial orders for the third lot of the EFA programme received, as well as significant orders from the US Army.

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The **order backlog** at 31 March 2011 amounted to €mil. 48,038, a decrease of €mil. 630 from 31 December 2010 (€mil. 48,668).

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

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

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Revenues at 31 March 2011 came to €mil. 3,855, compared with €mil 4,039 for the same period of 2010, a decrease of €mil. 184 (-5%).

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

- *Defence and Security Electronics*, mainly due to the completion of important programmes for the US military;
- *Aeronautics*, due to a slowdown in work on the EFA programme;
- *Energy*, attributable to lower production volumes in the plants and components segment.

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

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Adjusted EBITA at 31 March 2011 came to €mil. 215, compared with €mil. 251 for the same period of the previous year, for a decrease of €mil. 36.
The decline in adjusted EBITA is mainly attributable to the following sectors:

- *Aeronautics*, largely due to lower revenues, the different mix of progress made on the programmes, and difficulties in certain industrial processes, for which corrective actions have been taken to address the situation;
- *Defence and Security Electronics*, due to the decline in volumes partially offset by a more profitable mix of activities in the avionics and electro-optical systems segment;
- *Energy*, due to lower revenues.

The adjusted EBITA in the other divisions was substantially in line with that of the first quarter of 2010, except for the *Helicopters* division, which experienced growth due to a better mix of revenues.

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Research and development costs at 31 March 2011 came to €mil. 384, up €mil. 31 over the same period of the previous year (€mil. 353).

In the *Helicopters* division, R&D costs amounted to €mil. 77 (about 20% of the Group's total R&D costs) and mainly concerned technologies, primarily for military use (AW149) and the development of multi-role versions of the BA609 convertiplane for national security.

In the *Defence and Security Electronics* division, R&D costs totalled €mil. 148 (about 39% of the Group's total cost) and related mainly to:

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

Finally, in the *Aeronautics* division, R&D costs for first quarter of 2011 totalled €mil.62 (about 16% of the Group's total) and reflect the progress made in the main programmes under development in the military and civil segments.

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The **workforce** at 31 March 2011 came to 74,497, a net decrease of 700 from 75,197 at 31 December 2010, essentially due to staff reduction and efficiency efforts undertaken as part of the ongoing Group reorganisation and restructuring process, especially in the Defence and Security Electronics and Aeronautics divisions.

The geographical distribution of the workforce at the end of the first quarter of 2011 was substantially stable compared with 31 December 2010, breaking down into 57% of the workforce in Italy and 43% in foreign countries, largely the United States (16%), the United Kingdom (13%) and France (5%).

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Balance Sheet	***Note***	***31 Mar. 2011***	***31 Dec. 2010***
€ million			
Non-current assets		13,327	13,641
Non-current liabilities	*(*)*	(2,479)	(2,583)
		10,848	**11,058**
Inventories		4,587	4,426
Trade receivables	*(**) 13*	9,336	9,242
Trade payables	*(***) 21*	(12,534)	(12,996)
Working capital		**1,389**	**672**
Provisions for short-term risks and charges	*18*	(669)	(762)
Other net current assets (liabilities)	*(****)*	(515)	(738)
Net working capital		**205**	**(828)**
Net capital invested		**11,053**	**10,230**
Capital and reserves attributable to equity holders of the Company		6,720	6,814
Minority interests in equity		283	284
Shareholders' equity		**7,003**	**7,098**
Net financial debt (cash)	*17*	**4,051**	**3,133**
Net (assets) liabilities held for sale	*(*****)*	**(1)**	**(1)**

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

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

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

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

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

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

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At 31 March 2011 the consolidated **net capital invested** came to €mil. 11,053, compared with €mil. 10,230 at 31 December 2010, for a net increase of €mil. 823.

More specifically, there was a €mil. 1,033 increase in **net working capital** (positive €mil. 205 at 31 March 2011, compared with negative €mil. 828 at 31 December 2010), mainly attributable to the use of cash during the period (Free Operating Cash Flow) as described below.

As to **capital assets**, there was a decrease of €mil. 210 (€mil. 10,848 at 31 March 2011, compared with €mil. 11,058 at 31 December 2010), mainly due to the impact of translating financial statements into euros as a result of the decline in the dollar/euro exchange rate, reflected in the goodwill of foreign companies for €mil. 203.

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The ***Free Operating Cash Flow*** (FOCF) is to be analysed in the context of the period, and seasonal factors have to be taken into account. The balance between trade collections and payments reveals that payments are particularly higher than collections. At 31 March 2011, FOCF was negative (use of cash) in the amount of about €mil. 998, compared with negative €mil. 1,106 at 31 March 2010, for an improvement of €mil.108.

In the first quarter of 2011, investing activity, needed for product development, was concentrated in Aeronautics (31%), Defence and Security Electronics (30%) and Helicopters (25%).

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	For the three months ended 31 March			
	2011		***2010***	
Cash and cash equivalents at 1 January	**1,854**		**2,630**	
Gross cash flow from operating activities	373		432	
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(372)		(334)	
Funds From Operations (FFO)		**1**		**98**
Changes in working capital	(811)		(984)	
Cash flow generated from (used in) operating activities	**(810)**		**(886)**	
Cash flow from ordinary investing activities	(188)		(220)	
Free Operating Cash Flow (FOCF)		**(998)**		**(1,106)**
Strategic operations	(4)		(87)	
Change in other investing activities (**)	6		12	
Cash flow generated from (used in) investing activities	**(186)**		**(295)**	
Net change in borrowings	(75)		(830)	
Cash flow generated from (used in) financing activities	**(75)**		**(830)**	
Exchange gains/losses	(14)		17	
Cash and cash equivalents at 31 March	**769**		**636**	

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

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

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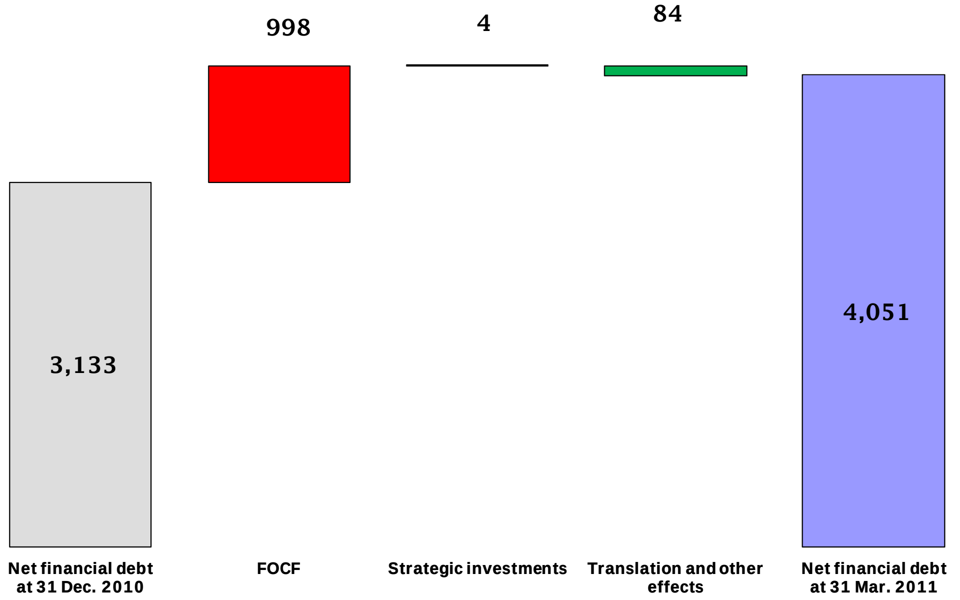
Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 31 March 2011 came to €mil. 4,051 (€mil. 3,133 at 31 December 2010), for a net increase of €mil. 918.

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

Net financial debt at 31 March 2011 - (€ million)



€ million	*31 Mar. 2011*	*31 Dec. 2010*
Short-term borrowings	347	456
Medium/long-term borrowings	4,347	4,437
Cash and cash equivalents	(769)	(1,854)
NET BANK DEBT AND BONDS	**3,925**	**3,039**
Securities	(26)	(1)
Financial receivables from related parties	(51)	(34)
Other financial receivables	(779)	(779)
FINANCIAL RECEIVABLES AND SECURITIES	**(856)**	**(814)**
Borrowings from related parties	795	714
Other short-term borrowings	88	88
Other medium/long-term borrowings	99	106
OTHER BORROWINGS	**982**	**908**
NET FINANCIAL DEBT (CASH)	**4,051**	**3,133**

Once again for March 2011, consistent with the approach adopted in the presentation of the accounts in previous years, the net debt figure does not include the net fair value of derivatives at the date the accounts were closed (positive balance of €mil. 173).

The performance in the first quarter of 2011 confirmed the ordinary pattern of the balance between trade collections and payments, with significant use of cash in operating activities during the first part of the year.

The FOCF at 31 March 2011 came to a negative €mil. 998 (negative €mil. 1,106 at 31 March 2010).

The debt figure at the end of the first quarter was not significantly affected by any extraordinary transactions, although it did benefit from the depreciation in the dollar against the euro as at 31 March 2011, compared with at December 2010, particularly with respect to the translation into euros of debt denominated in dollars.

During the period, the Group made assignments of non-recourse receivables totalling around €mil. 69 (€mil. 138 at 31 March 2010).

As regards the composition of the net debt items, with particular regard to bank borrowings and bonds, which went from €mil. 3,039 at 31 December 2010 to €mil.3,925 at 31 March 2011, the main changes were as follows:

- short-term borrowings fell from €mil. 456 at 31 December 2010 to €mil. 347 at 31 March 2011 due to the reduction in short-term bank borrowings and to the net effect of the recognition of the coupons on bond issues maturing over the next 12 months and payments made during the period;

- medium/long-term borrowings fell from €mil. 4,437 at 31 December 2010 to €mil. 4,347 at 31 March 2011, mainly as a result of the decrease due to the depreciation of the dollar against the euro and the transfer of coupons on bond issues maturing over the next 12 months to short-term borrowings;

- cash and cash equivalents went from €mil. 1,854 at 31 December 2010 to €mil. 769 at 31 March 2011. The change in cash and cash equivalents as compared with the end of 2010 is mainly due to the considerable use of cash by the Group companies in the first quarter.

The item “financial receivables and securities” equal to €mil. 856 (€mil. 814 at 31 December 2010) includes, among other things, the amount of €mil. 713 (€mil. 742 at 31 December 2010) in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group’s scope of consolidation on a proportionate basis.

The item “borrowings from related parties” amounting to €mil. 795 (€mil. 714 at 31 December 2010) includes the debt of €mil. 714 (€mil. 673 at 31 December 2010) of Group companies in the above joint ventures for the unconsolidated portion, and the debt of €mil. 78 (€mil. 27 at 31 December 2010) to the company Eurofighter, of which Alenia Aeronautica owns 21%. In regard to this, under the existing treasury agreements, surplus cash and cash equivalents at 31 March 2011 were distributed among the partners.

To meet the financing needs for ordinary Group activities, Finmeccanica obtained a revolving credit facility with a pool of banks, including leading Italian and foreign banks in September 2010 (the transaction is more fully described in the notes to the 2010 financial statements) for €mil. 2,400, (final maturity in September 2015).
Moreover, at 31 March 2011, Finmeccanica had additional confirmed short-term credit lines for €mil. 50 and unconfirmed credit lines for around €mil. 657. The lines of credit were entirely unused at 31 March 2011. Finally, there are also unconfirmed guarantees of around €mil. 2,607.

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Transactions with related parties

Transactions with related parties concern activities in the ordinary course of business and are carried out at arm's length (where they are not governed by specific contractual conditions), as is the settlement of interest-bearing payables and receivables.

These mainly relate to the exchange of assets, the performance of services and the generation and use of net cash from and to associated companies, held under common control (joint ventures), consortia, and unconsolidated subsidiaries.

The section "Analysis of the balance sheet and income statement at 31 March 2011" contains a summary of income statement and balance sheet balances attributable to transactions with related parties, as well as the percentage impact of these transactions on the respective total balances (Note 22).

“Non-GAAP” performance indicators

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

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

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

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

  Adjusted EBITA is then used to calculate return on sales (ROS) and on a 12-month basis return on investment (ROI) (which is calculated as the ratio of adjusted EBITA to the average value of capital invested during the two periods being compared).

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

	For the three months ended 31 March		
€ millions	**2011**	**2010**	***Note***
EBIT	181	228	*8*
Amortisation of intangible assets acquired through a business combination	21	21	*25*
Restructuring costs	13	2	*23/24*
Adjusted EBIT	**215**	**251**	

- ***Adjusted net profit**:* This is arrived at by eliminating from net profits the positive and negative components of income that are the effects of events which, due to their scale and departure from the Group's usual performance, are treated as extraordinary.

  This adjusted net profit is used to calculate return on equity (ROE) for the last 12 months, which is based on the average value of equity for the two periods being compared.

  There are no components of net profit to be reconciled for the periods being compared.

- ***Free Operating Cash Flow (FOCF)***: This is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments". The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.

- ***Funds From Operations (FFO)***: This is cash flow generated by (used in) operating activities net of changes in working capital (as described under Note 28). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.

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

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

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

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

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

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

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

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

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

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

Performance by division

<u>HELICOPTERS</u>

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	680	1,146	5,982
Order backlog	11,848	10,292	12,162
Revenues	815	837	3,644
Adjusted EBITA	81	75	413
ROS	10.0%	9.0%	11.3%
R&D	77	72	409
Workforce (no.)	13,477	14,575	13,573

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

The total volume of **new orders** at 31 March 2011 came to €mil. 680, a 40.6% decrease from the same period of 2010 (€mil. 1,146), which benefited from a significant order from the Indian air force for 12 AW101 helicopters worth €mil. 560. New orders break down into 66.3% for helicopters (new helicopters and upgrading) and 33.7% for product support (spare parts and inspections), engineering and manufacturing.

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

- the order for two AW101 helicopters in VVIP configuration for a southern Mediterranean customer;
- the order for 10 AW139 helicopters from Italy.

In the *civil-government* segment, new orders for 14 helicopters were received in the first quarter of 2011. Mention should be made of the strategically important contract with VTB Leasing, a Russian services company that received the first AW139 sold in Russia. The helicopter will be used for corporate and passenger transportation around Moscow.

The value of the **order backlog** at 31 March 2011 came to €mil. 11,848, down slightly by 2.6% from 31 December 2010 (€mil. 12,162), and is sufficient to guarantee coverage of production for an equivalent of about 2.5 years.

Revenues at 31 March 2011 came to €mil. 815, down slightly by 2.6% from 31 March 2010 (€mil. 837). This decline in attributable to the different mix of revenues, with the helicopter segment falling 6.9% as a result of new contracts still in the start-up stage, while product support activity, with a high value-added component, posted good performance (up 4.7%).

Adjusted EBITA came to €mil. 81 at 31 March 2011, up 8.0% compared with the €mil.75 reported at 31 March 2010. This improvement is correlated with the different revenue mix mentioned above. The combined effect of these factors caused **ROS** to rise by 1.0 percentage point to 10.0% compared with 9.0% at 31 March 2010.

Research and development costs for the first quarter of 2011 came to €mil. 77 (€mil.72 at 31 March 2010) and mainly concerned:

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

The **workforce** at 31 March 2011 came to 13,477, a net decrease from 31 December 2010 (13,573 employees). This change is primarily due to the completion of the reorganisation plan of the PZL-WIDNIK group acquired last year.

DEFENCE AND SECURITY ELECTRONICS

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	1,213	1,642	6,783
Order backlog	11,256	12,653	11,747
Revenues	1,343	1,452	7,137
Adjusted EBITA	98	107	735
ROS	7.3%	7.4%	10.3%
R&D	148	131	810
Workforce (no.)	29,102	30,003	29,840

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

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

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

New orders at 31 March 2011 totalled €mil. 1,213, down from the figure posted for the same period of the previous year (€mil. 1,642) during which the initial orders for the third lot of the EFA programme were received, as well as significant orders from the US Army.

The main new orders received include the following:

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics equipment and radar for the third lot, as well as logistics; orders for countermeasure systems; laser system orders for the US market; orders for the NH90 helicopter programme; orders for attitude sensors for the Iridium NEXT space programme; customer support activity;
- *command and control systems:* in the defence systems segment: the supplemental agreement to the SILEF (Eurofighter Logistics Information System) contract for integrated info-logistic support for the Eurofighter with NETMA (NATO Eurofighter and Tornado Management Agency); in the civil systems segment: orders from the Ukrainian Air Traffic Control Agency for technological upgrades at various airports; further activity under the contract from the Royal Malaysian Air Force to upgrade the air traffic control centre in Subang - Kuala Lumpur; the order from the UK for a primary radar combined with an advanced multilateration solution for the Isle of Man and Jersey airport; the contract from Estonia to upgrade an airport;
- *integrated communication networks and systems*: orders for communications systems for helicopter platforms; the supplemental order for the Defense Fields Telephone System (DFTS) from British Telecom; TETRA network orders from

Russia; the order from the Italian Ministry of Defence to upgrade the communications systems at various airports;

- *information technology and security*: the order from Aeroporti di Roma for ordinary maintenance and management support for equipment installed at Leonardo da Vinci Airport in Fiumicino; the contract from the Chilean national police for APFIS (Automated Palmprints and Fingerprints Identification Systems) equipment; the order for video surveillance systems from Banca Nazionale del Lavoro;
- *in the United States*: orders for additional activities related to the Thermal Weapon Sight (TWS) system issued to soldiers; the contract with the US Air Force to service and adjust Tunner systems for loading and moving air cargo.

The **order backlog** came to €mil. 11,256 at 31 March 2011, compared with €mil. 11,747 at 31 December 2010, one-third of which related to the avionics and electro-optical systems segment, and about one-fifth each to major integrated systems and command and control systems and to the activities in the United States.

Revenues at 31 March 2011 amounted to €mil. 1,343, down €mil. 109 from the figure reported at 31 March 2010 (€mil. 1,452). This decrease is mainly due to the completion of important programmes for the US military.
Revenues resulted mainly from the following segments, specifically:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub-System (DASS) production and the production of avionics equipment and radar for the EFA programme; systems for countermeasures; devices for the helicopter and space programmes; customer support and logistics;
- *major integrated defence and security systems:* continuation of the Forza NEC programme and the contract with the Italian Department of Civil Protection for the emergency management system; progress on activities related to the Phase 2 Coastal Radar programme; continuation of work under the S.I.Co.Te. programme for the General Command of the Carabinieri Force;
- *command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading;

the Medium Extended Air Defence System (MEADS) international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;

- *integrated communication systems and networks*: the continuation of activities relating to the construction of the national TETRA network; the development and manufacture of equipment for the EFA and the NH90; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;
- *information technology and security*: activities relating to postal automation and industrial services for domestic customers and ICT services for government agencies;
- the *United States*: additional orders for the TWS system issued to soldiers; additional deliveries for programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; activity pertaining to the repair and provision of spare parts for the MMS system for helicopters; the continuation of deliveries of rugged computers and displays; deliveries of Tactical Quiet Generators (TQG); provision of services and products for the Rapid Response contract and satellite communications services.

Adjusted EBITA reached €mil. 98 at 31 March 2011, slightly down from the figure reported at 31 December 2010 (€mil. 107), due to the decline in volumes offset by a more profitable mix of activities in the *avionics and electro-optical systems* segment.
As a result, **ROS** came to 7.3%, in line with the figure at 31 March 2010 (7.4%).

Research and development costs at 31 March 2011 totalled €mil. 148 (€mil. 131 at 31 March 2010), relating to:

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

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

The **workforce** at 31 March 2011 came to 29,102 as compared with 29,840 at 31 December 2010, a net decrease of 738, attributable to the previously mentioned transfer of business to the Space division and to the ongoing reorganisation process in some segments.

AERONAUTICS

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	535	217	2,539
Order backlog	8,518	8,604	8,638
Revenues	567	592	2,809
Adjusted EBITA	4	34	205
R.O.S.	0.7%	5.7%	7.3%
R&D	62	76	369
Workforce (no.)	12,445	13,099	12,604

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

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

New orders at 31 March 2011 came to €mil. 535, up €mil. 318 from the €mil. 217 reported at 31 March 2010, due to more orders in the *civil* and *military* segments.

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

- in the *military* segment:

  - under the Tornado programme, the RET 8 contract to perform a mid-life upgrade (MLU) on 25 more aircraft from the Italian Air Force;
  - orders to provide logistics support for EFA and C27J aircraft.

- in the *civil* segment:
  - for the ATR aircraft, GIE-ATR received new orders for 25 ATR aircraft from various airlines including: 15 from Indonesian carrier Lion Air, two from Israeli company Israir and eight from Australian airline Virgin Blue;
  - for the Maritime Patrol version of the ATR 42MP aircraft, the order from the Italian Harbour Authority to convert the third aircraft;
  - for aerostructures, orders for additional lots of the B777, ATR and A321 programmes and for engine nacelles.

The **order backlog** at 31 March 2011 came to €mil. 8,518 (€mil. 8,638 at 31 December 2010) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (42%), B787 (18%), JSF (5%), C27J (4%) and M346 (4%) programmes.

Revenues at 31 March 2011 came to €mil. 567, a decrease of €mil. 25 (-4.2%) from the €mil. 592 reported at 31 March 2010, due to a slowdown in work on the EFA programme.

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

- C27J: the production of C27J aircrafts for the United States (two aircraft delivered to US partner L-3), Morocco (one aircraft delivered), Bulgaria (the third and final aircraft delivered), Romania and activities for the Italian Air Force;
- EFA: continuation of development and production relating to the second lot of the programme and logistics support (of which one aircraft was delivered to the Italian Air Force during the period and readying of 11 left semi-wing units and 12 rear fuselages);

- M346: the continuation of production of aircraft for the Italian Air Force, the first two of which will be tested in the coming months, and the start of work on the aircraft ordered by the Singapore Air Force;
- G222: the upgrading of G222 aircraft commissioned by the US Air Force;
- Tornado: the continuation of MLU for the Italian Air Force.

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

Production in the *civil* segment in the first quarter of 2011 mainly related to orders for the following customers:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft, for which five fuselage sections and seven horizontal stabilisers were completed in the first quarter of 2011, and production of control surfaces for the B767 and B777 aircraft;
- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;
- GIE ATR: the production of the ATR 42 and ATR 72 turboprops for which 13 fuselages were completed;
- Dassault Aviation: the production of the fuselage section for the extended-range version of the Falcon 2000 and the engine nacelles for the Falcon 900EX;
- Bombardier: start-up of non-recurring work on the stabilisers (horizontal and vertical) of new regional C-Series aircraft.

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

Adjusted EBITA at 31 March 2011 came to €mil. 4, a €mil. 30 decrease compared with the €mil. 34 reported at 31 March 2010. This reduction is largely due to lower volumes of activity and the different mix of progress made on the programmes (especially the slowdown in EFA production). This decline is also the result of the difficulties on certain industrial processes for which corrective actions have been taken to address the situation.

As a consequence, **ROS** decreased to 0.7%, compared with 5.7% at 31 March 2010.

Research and development costs for first quarter of 2011 totalled €mil. 62 (€mil. 76 at 31 March 2010) and reflect the progress made in the main programmes under development (M346, C27J, B787 and UAV) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, Tornado and Neuron) and civil (C-series and derivative versions of the B787) programmes as commissioned by customers.

The **workforce** at 31 March 2011 numbered 12,445, a net decrease of 159 from the 12,604 at 31 December 2010, essentially due to staff reduction and efficiency efforts undertaken as part of the ongoing reorganisation and restructuring process.

SPACE

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	103	208	1,912
Order backlog	2,519	1,647	2,568
Revenues	219	194	925
Adjusted EBITDA	0	0	39
ROS	n.a.	n.a.	4.2%
R&D	19	12	68
Workforce (no.)	4,062	3,656	3,651

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

More specifically, Telespazio Holding Srl focuses on satellite services in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, valued-added services), satellite operations (in-orbit satellite control, earth centre management, telemetry services, command and control and Launch and Early Operation Phase (LEOP) services), earth observation (data, thematic maps, operational services) and navigation and infomobility (Galileo services).

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

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

From a commercial perspective, in the first quarter of 2011, the Group acquired **new orders** in the amount of €mil.103, compared with €mil. 208 for the same period of 2010, for a decrease of €mil. 105, mainly attributable to the *manufacturing* segment.

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

- in the *commercial telecommunications* segment*:* the initial lot of the order for payloads for the Express AM8, Express AT1 and Express AT2 Russian telecommunications satellites;
- in the *military and government telecommunications* segment: additional lots of the orders from the Italian Space Agency (ASI) and the French Space Agency (CNES) for the Athena Fidus satellite and orders for military telecommunications satellite services;
- in the *earth observation* segment: orders for Cosmo data;
- in the *satellite navigation* segment*:* additional new orders for the “Ground Mission Segment” and the “Space Segment” for the Full Operation Capacity (FOC) phase under the Galileo Programme;
- in the *science programmes* segment*:* additional lot for the Bepi-Colombo programme.

The **order backlog** at 31 March 2011 totalled €mil. 2,519, a decrease of €mil. 49 from the figure at 31 December 2010 (€mil. 2,568). The backlog at 31 March 2011 is composed of manufacturing activities (66%) and satellite services (34%).

Revenues in the first quarter of 2011 came to €mil. 219, up €mil. 25 from the same period of the previous year (€mil. 194). Production mainly related to the continuation of activities in the following segments:

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

Adjusted EBITA at 31 March 2011 broke even, the same as at 31 March 2010.

Research and development costs at 31 March 2011 came to €mil. 19, an increase of €mil. 7 from the figure posted at 31 March 2010 (€mil. 12).
Activities in this area largely included the continued development of systems, solutions and applications for security, emergency management, homeland security (Kopernikus programme) and for navigation/infomobility services (Galileo programme); aerial communications solutions (SESAR); solutions for optimising the satellite band; processing systems for earth observation SAR data; flexible payloads for military telecommunications applications; studies on landing systems for planetary exploration, on technologies for orbiting structures and life-support systems.

The **workforce** at 31 March 2011 came to 4,062, for an increase of 411 employees from the 3,651 reported at 31 December 2010, mainly as a result of the change in the scope of the *satellite services* segment due to the transfer of business activity from the Defence and Security Electronics division.

DEFENCE SYSTEMS

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	119	234	1.111
Order backlog	3,640	4,013	3,797
Revenues	260	231	1,210
Adjusted EBITA	12	14	107
ROS	4.6%	6.1%	8.8%
R&D	59	45	260
Workforce (no.)	4,098	4,043	4,112

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

New orders at 31 March 2011 came to €mil. 119, down compared with the €mil. 234 posted at 31 March 2010, due mainly to *missile systems,* where significant new orders from the UK Ministry of Defence were reported during the same period of the previous year, in part offset by higher new orders in *underwater systems.*

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

- in the *missile systems* segment: various orders for customer support activities;
- in the *land, sea and air weapons systems* segment: order for Hitfist turrets kits for Poland and logistics orders from various customers;
- in *underwater systems:* the order for 27 upgrade kits for the A244 light torpedo and for C303 counter-measure systems from a foreign customer.

The **order backlog** at 31 March 2011 came to €mil. 3,640 (€mil. 3,797 at 31 December 2010), of which about 60% related to *missile systems*.

Revenues at 31 March 2011 came to €mil. 260, up 13% from 31 March 2010 (€mil.231), due mainly to the increases reported in the *land, sea and air weapons systems* segment.

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

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

Adjusted EBITA at 31 March 2011 totalled €mil. 12, a slight decrease from the figure reported for 31 March 2010 (€mil. 14). As a result of a less profitable mix, **ROS** amounted to 4.6% at 31 March 2011 (6.1% at 31 March 2010).

Research and development costs at 31 March 2011 totalled €mil. 59, compared with €mil. 45 at 31 March 2010. Some of the key activities included those for the MEADS air defence programme and the development programme for the UK Ministry of Defence, and the continuation of development of the Meteor air-to-air missile in the *missile systems* segment; activities for guided munitions programmes and for the development of the 127/64 LW cannon in the *land, sea and air weapons systems* segment; and activities relating to the Black Shark heavy torpedo in the *underwater systems* segment.

The **workforce** at 31 March 2011 came to 4,098, in line with the figure reported at 31 December 2010 (4,112).

ENERGY

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	730	178	1,403
Order backlog	3,763	3,211	3,305
Revenues	266	337	1,413
Adjusted EBITA	21	31	145
ROS	7.9%	9.2%	10.3%
R&D	6	7	38
Workforce (no.)	3,370	3,440	3,418

Finmeccanica is active in the Energy division through Ansaldo Energia and its subsidiaries. The company specialises in providing *plants and components* for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), *post-sale services* and *nuclear* activities (plant engineering, services, waste and decommissioning) and services related to power generation from *renewable resources*. The division also includes Ansaldo Nucleare SpA, Ansaldo Fuel Cells SpA, Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen group.

New orders in the first quarter of 2011 amounted to €mil. 730, up €mil. 552 from the same period of 2010 (€mil. 178) due to the important new order from Gebze in Turkey (worth €mil. 638) for an 800 MW combined-cycle plant and related scheduled maintenance. The most significant new orders for the period include:

- in the *plants and components* segment*:* the mentioned order from Gebze in Turkey for an 800 MW combined-cycle plant mentioned above.
- in the *service* segment: long-term service agreement (LTSA) from Turkey (Gebze); new solution contracts (changing parts of the turbine) and spare parts contracts;

- in the *nuclear* segment: as regards the power station side, new engineering contracts from Argentina (for the Embalse power station turbine); on the service-related side, the new Superphoenix reactor support contract for the Creyes Malville power station in France;
- in the *renewable energy* segment*:* orders for the construction of a photovoltaic plant in Matera (Stigliano).

The **order backlog** at 31 March 2011 came to €mil. 3,763, compared with €mil. 3,305 at 31 December 2010. The composition of the backlog is attributable for around 41.7% to *plants and components,* 53.3% to *service* activities (80% of which LTSA scheduled maintenance contracts), 2.4% to the *nuclear* segment, and the remaining 2.6% to *renewable energy*.

Revenues at 31 March 2011 amounted to €mil. 266, a decrease of €mil. 71 from the €mil. 337 reported for the first quarter of 2010, attributable to lower production volumes in the *plants and components* segment.
This is a result of a decline in component sub-supply contracts for foreign "sites".

Revenues were mainly generated by the following activities:

- *plants and components:* orders from Italy (Aprilia, Turano, San Severo and Torino Nord), Tunisia (Sousse) and Egypt (El Sabtia - Cairo);
- *services:* LTSAs for Italy (Sparanise and Vado Ligure), maintenance for Enipower (various sites in Italy) and gas turbine spare parts order from India (Valuthur).
- *nuclear:* as to power plants, activities continued on the Sanmen project in China with Westinghouse and engineering on the Mochovce power station in Slovakia; as to services, activity involved the Embalse (Argentina) and Creys Malville (France) plants; and in waste and decommissioning, work involved resin treatment at Vercelli (Trino);
- *renewable energy:* the Matera (Stigliano) and Syracuse (Francofonte) orders for the construction of two photovoltaic plants.

Adjusted EBITA at 31 March 2011 came to €mil. 21, down €mil. 10 from the first quarter of the previous year, due mainly to lower revenues (€mil.7). **ROS** at 31 March 2011stood at 7.9%, compared with 9.2% for the first quarter of 2010.

Research and development costs at 31 March 2011 totalled €mil. 6, essentially in line with the same period of 2009. Activities primarily focused on the development of large-scale gas and steam turbines and continued work on the new air-cooled generator.

The **workforce** stood at 3,370 at 31 March 2011, compared with 3,418 at 31 December 2009, for a decrease of 48 employees.

TRANSPORTATION

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	639	330	3.228
Order backlog	7,459	5,900	7,303
Revenues	458	445	1,962
Adjusted EBITA	22	20	97
ROS	4.8%	4.5%	4.9%
R&D	13	10	69
Workforce (no.)	7,078	7,293	7,093

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

New orders at 31 March 2011 came to €mil. 639, up €mil. 309 from the same period of 2010 (€mil. 330), due mainly to increased new orders in the signalling and transportation solutions segment.

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

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

- in the *bus* segment: various orders for a total of 11 buses.

At 31 March 2011 the **order backlog** amounted to €mil. 7,459, up €mil. 156 over 31 December 2010 (€mil. 7,303). The order backlog breaks down as follows: 63% for signalling and transportation solutions, 36% for vehicles and 1% buses.

Revenues at 31 March 2011 were equal to €mil. 458, up €mil. 13 over the same period of 2010 (€mil. 445), essentially due to growth in the signalling and transportation solutions segment.
Major orders include:

- in the *signalling and transportation solutions* segment:
  - in *signalling:* high-speed train orders and orders for automated train control systems (SCMT) for Italy; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; orders for ARTC in Australia; the Cambrian Line in the UK; the Rhin-Rhone high-speed train line in France; the order for the interlocking system for the Lexington Avenue and Fifth Avenue stops in New York; various orders for components;
  - in *transportation solutions:* the metro systems of Naples Line 6, Rome Line C, Copenhagen, Riyadh and Brescia;
- in the *vehicles* segment: trains for the Dutch and Belgian railways; trains for the Danish railways; trains for the Milan, Rome Line C and Riyadh metros; various Sirio tram orders and service orders;
- in the *bus* segment: various orders for buses (87% of revenues for the segment) and for post-sales services.

Adjusted EBITA stood at €mil. 22 at 31 March 2011, an increase of €mil. 2 compared with the first quarter of the previous year (€mil. 20), mainly attributable to the signalling and transportation solutions segment. **ROS** for the division came to 4.8%, compared with 4.5% at 31 March 2010.

Research and development costs at 31 March 2011 were equal to €mil. 13 (€mil. 10 at 31 March 2010) and mainly regarded projects in the signalling and transportation solutions segment.

The **workforce** stood at 7,078 at 31 March 2011, a 15 employee decrease from 7,093 reported at 31 December 2010.

OTHER ACTIVITIES

€ million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
New orders	15	13	105
Order backlog	107	139	113
Revenues	49	58	243
Adjusted EBITA	(23)	(30)	(152)
ROS	n.s	n.s.	n.s.
R&D	-	-	7
Workforce (no.)	865	798	906

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

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

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

From a commercial standpoint, Fata received **new orders** totalling €mil. 15 at 31 March 2011, down €mil. 2 compared with the first quarter of 2010 (€mil.13).
Fata's **revenues** at 31 March 2011 came to €mil. 20, down €mil. 26 from the previous year (€mil. 46).

Fata's **workforce** at 31 March 2011 totalled 305 employees, compared with 300 employees at 31 December 2010.

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

Significant events and events subsequent to closure of the accounts for the quarter

Industrial transactions

On 28 March 2011, the Board of Directors of Finmeccanica authorised the merger between **Elsag Datamat** and **SELEX Communications**.

The transaction - in line with the Group's plan, launched in 2010, to upgrade its industrial assets in the Defence and Security Electronics division, involving certain lines of business belonging to SELEX Sistemi Integrati, SELEX Galileo, Elsag Datamat and Telespazio - is aimed at creating a centre of expertise at the Group level in the Information and Communication Technology (ICT) and the Security and Automation sectors, to enable Finmeccanica to fulfil the rising demand for complete and integrated ICT solutions and secure network management services.

The first part of the transactions was essentially completed by 1 July 2010. The reorganisation of the Space division, which involved the acquisition of the space-related business of Elsag Datamat and SELEX Sistemi Integrati (the latter concentrated mainly in the Vega group) by Telespazio went into effect from 1 January 2011. Elsag Datamat also acquired Vega Deutschland's IT/SAP services from SELEX Sistemi Integrati on that date.

The merger process should be completed by the end of the first half of 2011 and represents the final step in the reorganisation of the Defence and Security Electronics division, achieved by concentrating its activities into three centres of expertise (SELEX Sistemi Integrati for major defence and homeland security systems and surface radar systems, SELEX Galileo for avionics and electro-optical imaging, and a new company that will be responsible for ICT, security and automation). This should enable the operating companies to better focus on their missions and successfully satisfy the demands of their customers while achieving cost optimisation.

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

On 9 March 2011, Finmeccanica signed an agreement with First Reserve Corporation, a US investment fund that specialises in the **Energy** sector, for the sale of a 45% stake in Ansaldo Energia.
This transaction (which is subject to certain antitrust approvals, which should be received by the end of the first half of 2011), along with the capital increase carried out in 2008 and the debt restructuring performed in 2010, marks the completion of the actions undertaken by Finmeccanica following its acquisition of DRS Technologies.

Financial transactions

In the first quarter of 2011, the Finmeccanica Group did not engage in important new transactions to obtain funds in the bond markets and in the banking market.

Below is a list of bonds outstanding at 31 March 2011 which shows, respectively, the euro-denominated bonds issues by Finmeccanica and by the subsidiary Finmeccanica Finance, the pound sterling-denominated bond issue by Finmeccanica Finance, the remaining amounts of the dollar-denominated bond issues by DRS, as well as the new 10-year and 30-year bonds issued by Meccanica Holdings USA for the US market. As more fully described in the footnotes on the individual bond issues reported below, a series of rate transactions have been undertaken to convert a portion of the interest rate exposure from fixed-rate to floating rate, thereby making it possible to minimise the total cost of the debt.

Issuer		Year of issue	Maturity	Nominal Amount (€mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (10)
Finmeccanica Finance SA	(1)	2003	2018	500	5.75%	European institutional	505
Finmeccanica Spa	(2)	2005	2025	500	4.875%	European institutional	496
Finmeccanica Finance SA	(3)	2008	2013	1,000	8.125%	European institutional	1,028
Finmeccanica Finance SA	(4)	2009	2022	600	5.25%	European institutional	598

Issuer		Year of issue	Maturity	Nominal Amount (GBPmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (10)
Finmeccanica Finance SA	(5)	2009	2019	400	8.00%	European institutional	457

Issuer		Year of issue	Maturity	Nominal Amount (US$mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (10)
DRS Technologies Inc	(6)	2006	2016	12	6.625%	American institutional	9
DRS Technologies Inc	(6)	2006	2018	5	7.625%	American institutional	4
Meccanica Holdings USA Inc	(7)	2009	2019	500	6.25%	American institutional Rule 144A/Reg. S	352
Meccanica Holdings USA Inc	(8)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	209
Meccanica Holdings USA Inc	(9)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	352

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

Rate derivative transactions were made on these bonds and led to benefits throughout 2005 from low floating rates with an effective cost of some 3.25%. During 2006, the effective cost of the loan returned to a fixed rate equal to an average value of some 5.6%.

(2) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange. The amount of €mil. 250 of this issue was converted to a floating rate to hedge against increases in the interest rate.

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

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

(5) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and were completely used to partially repay the Senior Loan Facility. In the first quarter of 2011, GBPmil. 100 of this was converted into a floating-rate bond. An analogous transaction was performed in 2010 on a total of GBPmil. 400, which generated revenues of around €mil. 37, for a profit of around €mil. 24. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.

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

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

(8) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds of this issue, as well as of that referred to in footnote (7), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.

(9) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (8). No rate transactions on the issue were made.

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

All the bond issues of Finmeccanica Finance, DRS and Meccanica Holdings, are, as mentioned, irrevocably and unconditionally secured by Finmeccanica, and are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service, Standard and Poor's and Fitch. It should be noted that, in December 2010, while Standard and Poor’s confirmed its BBB rating for Finmeccanica’s medium/long-term debt, it gave it a negative outlook. More specifically, at the date of this report, these credit ratings were: A3 (Moody’s), BBB+ (Fitch) and BBB with negative outlook (Standard and Poor’s).

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

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

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

With regard to the financial aspects of the partial sale of Ansaldo Energia, Finmeccanica will sell the company for €mil. 1,073 to an Italian company, Ansaldo Electric Drives (AED), 45% held by First Reserve Corporation and 55% held by Finmeccanica. Moreover, Finmeccanica will receive around €mil. 95 from Ansaldo Energia for use of the “Ansaldo” trademark for 25 years, as well as a dividend payment up to €mil. 65.

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

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

Banca Imi SpA, BNP Paribas and Unicredit SpA have provided financial support for the transaction, underwriting financing (loans and revolving lines of credit) for a total of €mil. 650 over a 5-year term. These loans are in the process of being syndicated to a pool of leading Italian and international financial institutions.

Outlook

At 31 March 2011, the Group's rate of performance differed from that for the same period of 2010, although it still surpassed expectations.

In 2010, the world economy continued to recover from the recession that was triggered mainly by the financial crises of August 2007 and September 2008. However, current projections suggest a slowdown in growth for the first few months of 2011 since expansion of the world economy, still dependent upon crisis-fighting policies, has been halted in response to unfavourable labour market conditions (in terms of employment) and to recurring financial crises in certain euro area countries and recent events in the Middle East and North Africa (MENA area).

Given this, the Finmeccanica Group companies must be prepared to face an increasingly challenging competitive environment.

To address this situation, Finmeccanica believes that "integration" (largely in the Aeronautics and Defence and Security Electronics divisions) offers significant opportunities for achieving further efficiency.

Moreover, the Group companies have undertaken a number of actions to improve efficiency, such as: rationalisation of production sites, thanks to the recent concentration of real estate holdings in Finmeccanica Group Real Estate; reorganisation of the workforce through special agreements with the unions; containment of general and administrative expenses, particularly consulting fees and the costs of external services and revision of the product portfolio by prioritising the employment of resources.

This will allow us to make a significant cut in production costs, monies that can be used, in part, to make the Group more competitive, thereby improving its chances of winning contracts in emerging countries, or in new markets in general, and, in part, to generate an incremental cash flow.

Finally, new orders in the first quarter of 2011 further reinforced the order backlog (which stands at over €bil. 48), guaranteeing coverage of a considerable portion of revenues (more than 90%) over the next nine months.

There are currently no circumstances that have led us to change our expectations, which have been arrived at using a conservative approach given the present difficult situation. As a result, Group revenues are expected to be between €bil. 18.3 and €bil. 19 and adjusted EBITA between €mil. 1,530 and €mil. 1,600.

Finally, we expect FOCF to generate a cash surplus of between €mil. 400 and €mil. 500, given the investment in the development of products that, as in 2010, will focus on the Aeronautics, Helicopters and Defence and Security Electronics divisions in particular.

Analysis of the financial statements at 31 March 2011

Income Statement

(€ million)	Note	For the three months ended 31 March 2011	of which with related parties	For the three months ended 31 March 2010	of which with related parties
Revenue		3,855	*269*	4,039	*272*
Raw materials and consumables used and personnel costs	*24*	(3,510)	*(22)*	(3,649)	*(17)*
Amortisation, depreciation and impairment	*25*	(162)		(156)	
Other operating income (expenses)	*23*	(2)	-	(6)	*1*
		181		**228**	
Finance income (costs)	*26*	(111)	*(2)*	(63)	*(2)*
Share of profit (loss) of equity accounted investments		(8)		2	
Profit before taxes and the effect of discontinued operations		**62**		**167**	
Income taxes	*27*	(55)		(76)	
(Loss) Profit from discontinued operations		-		-	
Net profit		**7**		**91**	
. equity holders of the Company		-		*82*	
. minority interests		*7*		*9*	
Earnings per Share	*29*				
Basic		-		*0.141*	
Diluted		-		*0.141*	

Statement of Comprehensive Income

€ million	*For the three months ended 31 March*			
	2011		***2010***	
Profit (loss) for the period		**7**		**91**
Reserves of income (expense) recognised in equity				
- Actuarial gains (losses) on defined-benefit plans:		37		(23)
. plan measurement	*33*		*(21)*	
. exchange gains (losses)	*4*		*(2)*	
- Changes in cash-flow hedges:		130		(92)
. fair value adjustment	*137*		*(103)*	
. transferred to income statement	*(7)*		*11*	
. exchange gains (losses)	*-*		*-*	
- Translation differences		(225)		212
Tax on expense (income) recognised in equity		(43)		31
. fair value adjustment/measurement	*(39)*		*29*	
. transferred to income statement	*(3)*		*1*	
. exchange gains (losses)	*(1)*		*1*	
Income (expense) recognised in equity		(101)		128
Total comprehensive income (expense) for the period		**(94)**		**219**
Attributable to:				
- Equity holders of the Company		(92)		203
- Minority interests		(2)		16

Balance Sheet

(€ million)	*Note*	***31 Mar. 2011***	*of which with related parties*	***31 Dec. 2010***	*of which with related parties*
Non-current assets					
Intangible assets	*9*	8,685		8,931	
Property, plant and equipment	*10*	3,205		3,272	
Financial assets at fair value		-		-	
Deferred tax assets		620		656	
Other assets	*12*	817	*13*	782	*10*
		13,327		**13,641**	
Current assets					
Inventories		4,587		4,426	
Trade receivables, including net contract work in progress	*13*	9,336	*550*	9,242	*539*
Financial receivables		830	*51*	813	*34*
Derivatives	*14*	332		219	
Other assets	*15*	1,003	*35*	886	*9*
Cash and cash equivalents		769		1,854	
		16,857		**17,440**	
Non-current assets held for sale		1		1	
Total assets		**30,185**		**31,082**	
Shareholders' equity					
Share capital	*16*	2,517		2,517	
Other reserves		4,203		4,297	
Capital and reserves attributable to equity holders of the Company		**6,720**		**6,814**	
Minority interests in equity		283		284	
Total shareholders' equity		**7,003**		**7,098**	
Non-current liabilities					
Borrowings	*17*	4,446		4,543	
Employee liabilities	*19*	951		1,041	
Provisions for risks and charges	*18*	387		393	
Deferred tax liabilities		502		496	
Other liabilities	*20*	639		653	
		6,925		**7,126**	
Current liabilities					
Trade payables, including net advances from customers	*21*	12,534	*107*	12,996	*116*
Borrowings	*17*	1,230	*795*	1,258	*714*
Income tax payables		78		56	
Provisions for risks and charges	*18*	669		762	
Derivatives	*14*	159		131	
Other liabilities	*20*	1,587	*20*	1,655	*24*
		16,257		**16,858**	
Liabilities directly correlated with assets held for sale		-		-	
Total liabilities		**23,182**		**23,984**	
Total liabilities and shareholders' equity		**30,185**		**31,082**	

Statement of Cash Flows

(€million)		*For the three months ended 31 March*			
	Note	***2011***	*of which with related parties*	***2010***	*of which with related parties*
Cash flow from operating activities:					
Gross cash flow from operating activities	*28*	373		432	
Changes in working capital	*28*	(811)	*(22)*	(984)	*(20)*
Changes in other operating assets and liabilities, taxes, finance costs and provisions for risks		(372)	*(75)*	(334)	*(29)*
Net cash used in operating activities		**(810)**		**(886)**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	*11*	(4)		(87)	
Purchase of property, plant and equipment and intangible assets		(194)		(225)	
Proceeds from sale of property, plant and equipment and intangible assets		6		5	
Other investing activities		6		12	
Net cash used in investing activities		**(186)**		**(295)**	
Cash flow from financing activities:					
Net change in other borrowings		(75)	*61*	(830)	*(9)*
Net cash used in financing activities		**(75)**		**(830)**	
Net increase (decrease) in cash and cash equivalents		(1,071)		(2,011)	
Exchange gains/losses		(14)		17	
Cash and cash equivalents at 1 January		1,854		2,630	
Cash and cash equivalents at 31 March		**769**		**636**	

Statement of changes in shareholders' equity

	Share capital	Retained earnings and consolidation reserve	Cash-flow hedge reserve	Reserve for stock-option and stock-grant plans	Reserve for actuarial gains (losses) posted to shareholders' equity	Translation reserve	Total capital and reserves attributable to equity holders of the Company	Minority interests in equity
1 January 2010	2,512	4,605	60	24	(81)	(769)	6,351	198
Dividends paid							-	-
Capital increases							-	-
Profit/Loss for the period		82					82	9
Other comprehensive income (expense)			(67)		(18)	206	121	7
Stock options/grant plans: - *services rendered*				10			10	-
Other changes		(3)					(3)	
31 March 2010	2,512	4,684	(7)	34	(99)	(563)	6,561	214
1 January 2011	2,517	4,870	16	43	(96)	(536)	6,814	284
Dividends paid							-	(1)
Capital increases							-	1
Profit/Loss for the period							-	7
Other comprehensive income (expense)			95		31	(218)	(92)	(9)
Stock options/grant plans: - *services rendered*							-	1
Other changes		(2)					(2)	-
31 March 2011	2,517	4,868	111	43	(65)	(754)	6,720	283

1. GENERAL INFORMATION

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

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

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 31 March 2011 was prepared in accordance with Article 154-ter, paragraph 5 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended, and was prepared in accordance with IAS 34 - *Interim financial reporting*, issued by the International Accounting Standards Board (IASB).

In accordance with IAS 34, these notes are presented in a condensed form and do not include all the information required to be disclosed in the annual financial statements because they relate only to those items whose amount, breakdown or changes are key to the understanding of the financial condition of the Group. Therefore, this report must be read in conjunction with the 2010 consolidated financial statements.

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

The accounting principles and basis of accounting that have been used in the preparation of this interim financial report are the same as those used in the preparation of the consolidated financial statements at 31 December 2010 and the interim report on operations at 31 March 2010, with the exception of minor changes that, save as indicated below (Note 4), had no significant effect on this interim financial report.

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

This consolidated interim financial report has not been subject to a statutory audit.

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

Treatment of income taxes

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

Cash flows relating to operations

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

4. EFFECT OF CHANGES IN ACCOUNTING POLICIES ADOPTED

The application of new accounting standards and interpretations applicable as from 1 January 2011 had no effect on this interim financial report.

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

6. SCOPE OF CONSOLIDATION

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)		100	100
ABS TECHNOLOGY SPA	Florence		60	60
ADVANCED AOUSTIC CONCEPTS LLC ex DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.A.S. SA	Grace Hollogne (Belgium)		100	100
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AMERICA LLC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (Australia)		100	100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)		100	100
AGUSTAWESTLAND ESPANA SL	Madrid (Spain)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND INC	New Castle,Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (U.K.)		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 POLITECNICO ADVANCED ROTORCRAFT CENTER S.C.A R.L.	Milan		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (U.K.)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		99.999	99.999
ALENIA AERONAUTICA SPA	Pomigliano D'Arco (Naples)	100		100
ALENIA IMPROVEMENT SPA	Pomigliano D'Arco (Naples)		100	100
ALENIA NORTH AMERICA INC	New Castle,Wilmington, Delaware (USA)		100	100
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO ESG AG	Wurenlingen (Switzerland)		100	100
ANSALDO FUEL CELLS SPA	Genoa		99.515	99.515
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)		100	40.0656
ANSALDO STS AUSTRALIA PTY LTD	Birsbane (Australia)		100	40.0656
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0525
ANSALDO STS CANADA INC.	Kingstone, Ontario (Canada)		100	40.0656
ANSALDO STS DEUTSCHLAND GMBH	Munich of di Bavaria (Germany)		100	40.0656
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.0656
ANSALDO STS FINLAND OY	Helsinki (Finland)		100	40.0656
ANSALDO STS FRANCE SAS	Les Ulis (France)		100	40.0656
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0656
ANSALDO STS IRELAND LTD	CO KERRY (Ireland)		100	40.0656
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0656
ANSALDO STS SOUTH AFRICA (PTY) LTD	Sandton (ZA - South Africa)		100	40.0656
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana - Africa)		100	40.0656
ANSALDO STS SWEDEN AB	Solna (Sweden)		100	40.0656
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	Bangalore (India)		100	40.0656
ANSALDO STS UK LTD	Barbican (U.K.)		100	40.0656
ANSALDO STS SPA	Genoa	40.0656		40.0656
ANSALDO STS USA INC	Wilmington, Delaware (USA)		100	40.0656
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.0656
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.0656
ANSALDO THOMASSEN BV	Rheden (the Netherlands)		100	100
ANSALDO THOMASSEN GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	100
ANSALDOBREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDOBREDA FRANCE SAS	Marseille (France)		100	100
ANSALDOBREDA INC	Pittsburg, California (USA)		100	100
ANSALDOBREDA SPA	Naples	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	Les Ulis (France)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
CISDEG SPA	Rome		87.5	87.5
DIGINT SRL	Milan		49	49
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS CENGEN LLC ex DRS CONDOR HOLDCO LLC	Wilmington, Delaware (USA)		100	100
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)		100	100

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS ICAS LLC	Wilmington, Delaware (USA)		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
DRS RSTA INC	Wilmington, Delaware (USA)		100	100
DRS SENSORS & TARGETING SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS SONETICOM INC	Tallahassee, Florida (USA)		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS TACTICAL SYSTEMS GLOBAL SERVICES INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden, Wurttemberg (Germany)		100	100
DRS TECHNICAL SERVICES INC	Baltimora, Maryland (USA)		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)		100	100
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden, Wurttemberg (Germany)		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS TEST & ENERGY MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Plantation, Florida (USA)		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
ED CONTACT SRL	Rome		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG NORTH AMERICA LLC	Madison, North Carolina (USA)		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED ELECTRIC COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED SUPPORT SYSTEMS INC	Clayton, Missouri (USA)		100	100
E-SECURITY SRL	Montesilvano (Pescara)		79.688	79.688
ESSI RESOURCES LLC	Louisville, Kentucky (USA)		100	100
FATA ENGINEERING SPA	Pianezza (Turin)		100	100
FATA HUNTER INC	Riverside, California (USA)		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)		100	100
FATA SPA	Pianezza (Turin)	100		100
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	100		100
FINMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FINMECCANICA GROUP SERVICES SPA	Rome	100		100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	51.000
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
LASERTEL INC	Tucson, Arizona (USA)		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)		80	80
MECCANICA HOLDINGS USA INC	Wilmington, Delaware (USA)	100		100
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)		100	100
MSSC COMPANY	Philadelphia, Pennsylvania (USA)		51	51
NET SERVICE SRL	Bologna		70	70
NIGHT VISION SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
ORANGEE SRL	Rome		70	70
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)		100	100
OTO MELARA NORTH AMERICA INC	Dover, Delaware (USA)		100	100
OTO MELARA SPA	La Spezia	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)		100	100
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)		100	100
PRZEDSIEBIORSTWO USLUG TRANSPORTOWYCH "SWIDTRANS" SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	93.8748
PZL INWEST SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	93.8748
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		72.0588	67.64505
SEICOS SPA	Rome	100		100

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (UK)		100	100
SELEX COMMUNICATIONS INC	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS LTD	Chelmsford, Essex (UK)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucarest (Romania)		99.976	99.976
SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX GALILEO INC	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (UK)	100		100
SELEX GALILEO SPA	Campi Bisenzio (Florence)	100		100
SELEX KOMUNIKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SELEX SYSTEMS INTEGRATION GMBH	Neuss (Germany)		100	100
SELEX SYSTEMS INTEGRATION INC	Delaware (USA)		100	100
SELEX SYSTEMS INTEGRATION LTD	Portsmouth, Hampshire (UK)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Geona		92.794	92.794
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA (IN LIQ.)	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
T - S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM LLC	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC	Wilmington, Delaware (USA)		100	40.0656
UNIVERSAL POWER SYSTEMS INC	Wilmington, Delaware (USA)		100	100
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)		100	100
WESTLAND HELICOPTERS INC	Wilmington, Delaware (USA)		100	100
WESTLAND HELICOPTERS LTD	Yeovil, Somerset (UK)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)		100	100
WHITEHEAD ALENIA SIST. SUBACQUEI SPA	Livorno	100		100
WING NED BV	Rotterdam (the Netherlands)		100	100
WORLD'S WING SA	Geneva (Switzerland)		94.944	94.944
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-SWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)		93.8748	93.8748
ZAKLAD NARZEDZIOWY W SWIDNIKU SP.ZO.O.	Narzedziowa 16 - U1, Swidnik (Poland)		51.65785	48.4937
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Swidnik (Poland)		100	93.8748
ZAKLAD REMONTOWY SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		100	93.8748
ZAKLAD UTRZYMANIA RUCHU SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	93.8748

List of companies consolidated using the proportionate method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
THALES DEUTSCHLAND	Stuttgart (Germania)		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
SPACEOPAL GMBH	Munich (Germany)		50	33.5
VEGA SPACE GMBH	Darmstadt (Germany)		100	100
VEGA SPACE LTD	Welwyn Garden City, Herts (UK)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (France)		100	100
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E - GEOS SPA	Matera		80	53.6
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	53.6
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.774	66.1786
TELESPAZIO NORTH AMERICA INC	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucarest (Romania)		61.061	40.911
FILEAS SA	Paris (France)		100	67
AURENSIS SL	Barcelona (Spain)		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (U.K.)		100	25
MBDA FRANCE SAS	Paris (France)		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		100	25
MBDA INTERNATIONAL LTD	UK		100	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		99.99	25
MBDA UAE LTD	London (U.K.)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		99.99	25
MBDA REINSURANCE LTD	(Dublin) Ireland		100	25
MBDA SERVICES SA	Paris (France)		99.68	24.92
LFK-LENKFLUGKORPERSYSTEME GMBH	UnterschleiBheim (Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (U.K.)		50	50
ROTORSIM SRL	Sesto Calende (Varese)		50	50
CONSORZIO ATR GIE e SPE	Toulouse (France)		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262
KAZAKHASTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)		49	19.632

List of companies consolidated using the equity method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
A4ESSOR SAS	Neuilly Sur Seine (Francia)		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 SPA	Turin		51	16.83
ALENIA HELLAS SA (IN LIQ.)	Kolonaki, Athens (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)		100	100
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.993	99.993
ANSALDO ELECTRIC DRIVES SPA	Genoa	55		55
ANSALDO – E.M.I.T. SCRL	Genoa		50	50
ANSALDO ENERGY INC	Wilmington, Delaware (USA)		100	100
ANSALDO STS SISTEMAS DE TRANSORTE E SINALIZACAO LTDA	Rio De Janeiro (Brazil)		100	40.0656
ANSERV SRL	Bucarest (Romania)		100	100
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)		40	40
BELL AGUSTA AEROSPACE COMPANY LLC	Wilmington, Delaware (USA)		40	40
BRITISH HELICOPTERS LTD	Yeovil, Somerset (U.K.)		100	100
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basildon, Essex (U.K.)		100	100
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		43.96	43.96
CONTACT SRL	Naples		30	30
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi		24	24
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
ECOSEN CA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)		100	100
ELSACOM SPA (IN LIQ.)	Rome		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukrain)		49	49
EURISS NV	Leiden (the Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERNATIONAL LTD	London (U.K.)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EURO PATROL AIRCRAFT GMBH (IN LIQ.)	Munich (Germany)		50	50
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH SPA	Amaro (Udine)	11.08		11.08
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	99.999		99.999
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	100		100
FINMECCANICA UK LTD	London (U.K.)	100		100
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)		100	67
IAMCO SCRL	Mestre (Venice)		20	20
ICARUS SCPA	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Va)		100	100
IMMOBILIARE FONTEVERDE SRL (IN LIQ.)	Rome		60	48
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL METRO SERVICE SRL	Milan		49	19.63
I.M. INTERMETRO SPA (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 (Russian Federation)		25.0001	25.0001
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Lybia)	25	25	50
LMATTS LLC	Georgia (USA)		100	100
MACCHI HUREL DUBOIS SAS	Plaisir (France)		50	49.99
METRO 5 SPA	Milan		32.74	17.608
MUSINET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32

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

Company name	*Registered office*	*% Group ownership*		*Totale Attivo*
		Direct	*Indirect*	
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyon (France)		40	40
NOVACOM SERVICES SA	Toulouse (France)		39.73	26.62
ORIZZONTE – SISTEMI NAVALI SPA	Genoa		49	49
PEGASO SCRL	Roma		46.87	18.778
POLARIS SRL	Genoa		49	49
QUADRICS LTD (IN LIQ.)	Bristol (U.K.)		100	100
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO MUAS SPA	Rome		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Saudi Arabia)		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (U.K.)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	Saint Petersburg (Russia)		35	35
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
TRADE FATA BV	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (U.K.)		100	100
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)		99.99	99.99
WITG L.P. INC	Kent, Dover, Delaware (USA)		24	24
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	20
XAIT SRL	Ariccia (Rome)		100	100
YENIAEN INSAAT ANONIM SIRKETI	Istanbul (Turkey)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

List of companies valued at fair value

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

List of subsidiaries and associates valued at cost

Company name	*Registered office*	*% Group ownership*		*Totale Attivo*
		Direct	*Indirect*	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	100
COREAT S.C. A R.L.	Rieti		30	30
CCRT SISTEMI SPA (IN BANKRUPTCY)	Milan		30.34	30.34
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.939	25.189
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ.)	Bruxelles (Belgium)	18.939	18.939	25.189
IND. AER. E MECC. R. PIAGGIO SPA (EXTRAORDINARY ADMINISTRATION)	Genoa	30.982		30.982
SAITECH SPA (IN BANKRUPTCY)	Passignano sul Trasimeno (Perugia)		40	40
SCUOLA ICT SRL (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
U.V.T. SPA (IN BANKRUPTCY)	San Giorgio Jonico (Taranto)		50.614	50.614

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

- on 1 April 2010, ISAF Srl was merged into Telespazio SpA;
- on 12 April 2010, Groupment Immobilier Aeronautique SA, consolidated until 31 December 2009 using the equity method, was deconsolidated upon sale to third parties;
- on 13 April 2010, the company Win Bluewater Services Private Limited entered the scope of consolidation and is consolidated using the equity method;
- on 1 June 2010, Finmeccanica Do Brasil Ltda entered the scope of consolidation and is consolidated using the equity method;
- on 8 June 2010, Mecfint (Jersey) SA was removed from the Company Register and deconsolidated accordingly;
- on 21 June 2010, Fata DTS Spa (in liquidation) was removed from the Company Register and deconsolidated accordingly;
- on 22 June 2010, Finmeccanica Finance SA was merged with Aeromeccanica SA which changed its corporate name becoming Finmeccanica Finance SA;
- on 30 June 2010, the companies Vedecon GmbH, Vega Deutschland Management GmbH and Vega Deutschland GmbH & Co. KG were merged into Vega Deutschland Holding GmbH. At the same time Vega Deutschland Holding GmbH changed its corporate name becoming Vega Deutschland GmbH;
- on 13 July 2010, Selenia Marine Company Limited (in liquidation) was removed from the Company Register and deconsolidated accordingly;
- on 11 August 2010, Thomassen Service Australia PTY Ltd was removed from the Company Register and deconsolidated accordingly;
- on 27 September 2010, DRS Condor Holdco LLC was formed and is consolidated on a line-by-line basis;
- on 6 October 2010, the company Vega Space GmbH was acquired and is consolidated on a line-by-line basis;
- on 27 October 2010, Vega Space Ltd was acquired and is consolidated on a line-by-line basis;
- on 27 October 2010, Yeni Aen Insaat Anonim Sirketi was acquired and is consolidated using the equity method;
- on 23 November 2010, SELEX Communications Secure Systems Ltd (in liquidation), SELEX Communications International Ltd (in liquidation), Davies Industrial Communications Ltd (in liquidation) and Ote Mobile Technologies Ltd (in liquidation) were removed from the Company Register and deconsolidated accordingly;

- on 30 December 2010, Advanced Acoustic Concepts Inc. was acquired and was consolidated on a line-by-line basis. On 3 January 2011, the company was merged into DRS Sonar Systems LLC;
- on 31 December 2010, DRS Mobile Environmental Systems Co was merged into DRS Environmental Systems Inc;
- on 31 December 2010, Selenia Mobile SpA was merged into SELEX Communications SpA.
- on 1 January 2011, Nahuelsat SA (in liquidation), consolidated until 31 December 2010 using the equity method was deconsolidated after its closure;
- on 1 January 2011, Vega Deutschland GmbH was sold by SELEX Systems Integration Ltd to Elsag Datamat SpA;
- on 1 January 2011, Eurimage SpA was merged into E-Geos SpA;
- on 3 January 2011, following the reorganisation of the Defence and Security Electronics division, Vega Space Ltd, Vega Consulting & Technology SL, Vega Technologies SAS and Vega Space GmbH were transferred from SELEX Systems Integration Ltd to Telespazio SpA and are consolidated on a proportional basis from that date;
- on 14 February 2011, Ansaldo Electric Drives SpA was transferred by Ansaldo Energia SpA to Finmeccanica Spa and 45% of the company was sold to third parties.

During the first quarter of 2011, DRS Condor Holdco LLC changed its name to DRS CENGEN LLC.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first three months of 2010 were again marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 31 March 2011 and the average exchange rates for the period showed, for the main currencies, these changes from 2010: final exchange rates for the period (euro/US dollar +6.32% and euro/sterling pound +2.67%); average exchange rates for the period (euro/US dollar -1.25% and euro/sterling pound -3.78%).

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

	At 31 March 2011		At 31 December 2010	At 31 March 2010	
	average exchange rate for the period	final exchange rate for the period	final exchange rate for the year	average exchange rate for the period	final exchange rate for the period
US dollar	1.36693	1.42070	1.33620	1.38430	1.34790
Pound sterling	0.85333	0.88370	0.86075	0.88687	0.88980

8. SEGMENT INFORMATION

In accordance with the compliance model followed, Management has adopted operating segments that correspond to the business sectors in which the Group operates: Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy, Transportation and Other Activities.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the interim report on operations.

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

The results for each segment at 31 March 2011, as compared with those of the same period of the previous year, are as follows:

	Helicopters	**Defence and Security Electronics**	**Aeronautics**	**Space**	**Defence Systems**	**Energy**	**Transportation**	**Other activities**	**Eliminations**	**Total**
For the three months ended 31 Mar. 2011										
Revenues	815	1,343	567	219	260	266	458	49	(122)	**3,855**
of which from other segments	*14*	*159*	*138*	*7*	*32*	*-*	*6*	*35*	*(122)*	***269***
Adjusted EBITA	81	98	4	-	12	21	22	(23)	-	**215**
Investments	39	35	50	6	8	6	4	2	-	**150**

	Helicopters	**Defence and Security Electronics**	**Aeronautics**	**Space**	**Defence Systems**	**Energy**	**Transportation**	**Other activities**	**Eliminations**	**Total**
For the three months ended 31 March 2010										
Revenues	837	1,452	592	194	231	337	445	58	(107)	**4,039**
of which from other segments	*23*	*144*	*146*	*6*	*27*		*19*	*14*	*(107)*	***272***
Adjusted EBITA	75	107	34		14	31	20	(30)		**251**
Investments	31	45	75	9	7	9	4	1		**181**

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

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
31 Mar. 2011										
Fixed assets	2,343	5,444	1,749	532	573	177	251	821	-	**11,890**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
31 Dec. 2010										
Fixed assets	2,361	5,746	1,743	508	574	177	254	840	-	**12,203**

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

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Total
For the three months ended 31 Mar. 2011									
Adjusted EBITA	**81**	**98**	**4**	**-**	**12**	**21**	**22**	**(23)**	**215**
Impairment									
Amortisation of intangible assets acquired through a business combination	(2)	(18)	-	-	(1)	-	-	-	**(21)**
Restructuring costs	-	(3)	(8)	-	(1)	-	(1)	-	**(13)**
EBIT	**79**	**77**	**(4)**	**-**	**10**	**21**	**21**	**(23)**	**181**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Total
For the three months ended 31 March 2010									
Adjusted EBITA	**75**	**107**	**34**		**14**	**31**	**20**	**(30)**	**251**
Impairment									
Amortisation of intangible assets acquired through a business combination	(2)	(18)			(1)				**(21)**
Restructuring costs		1		1					**2**
EBIT	**73**	**88**	**34**	**(1)**	**13**	**31**	**20**	**(30)**	**228**

9. INTANGIBLE ASSETS

Below is a breakdown of intangible assets:

	31 Mar. 2011	*31 Dec. 2010*
Goodwill	5,959	6,177
Development costs	678	673
Non-recurring costs	739	710
Concession of licences and trademarks	111	113
Acquired through business combinations	886	942
Other	312	316
Total intangible assets	**8,685**	**8,931**

In particular, the most significant changes were as follows:

- net decrease in goodwill (€mil. 218) mainly due to the business combinations in Note 11 and to the negative translation differences on goodwill arising on assets denominated in pounds sterling and US dollar;
- amortisation of €mil. 62 (€mil. 55 at 31 March 2010) (Note 25);
- investments in the overall amount of €mil. 73 (€mil. 78 at 31 March 2010), broken down as follows:

	For the three months ended 31 March	
	2011	*2010*
Development costs	18	22
Non-recurring costs	35	40
Concession of licences and trademarks	2	1
Other	18	15
Total intangible assets	**73**	**78**

Purchase commitments of intangible assets are recorded in the amount of €mil. 20 (€mil. 23 at 31 December 2010).

10. PROPERTY, PLANT AND EQUIPMENT

Below is a breakdown of property, plant and equipment:

	31 Mar. 2011	*31 Dec. 2010*
Land and buildings	1,231	1,257
Plant and machinery	660	668
Equipment	684	688
Other	630	659
Total property, plant and equipment	**3,205**	**3,272**

In addition to the negative translation differences arising on assets denominated in pounds sterling and US dollar (€mil 34), the most significant changes were as follows:

- depreciation of €mil. 94 (€mil. 98 at 31 March 2010);
- investments in the overall amount of €mil. 77 (€mil. 103 at 31 March 2010), broken down as follows:

	For the three months ended 31 March	
	2011	***2010***
Land and buildings	2	3
Plant and machinery	11	8
Equipment	16	13
Other	48	79
Total property, plant and equipment	**77**	**103**

Property, plant and equipment includes €mil. 63 (€mil. 64 at 31 December 2010) of assets held under contracts that can be qualified as finance leases, and "other assets" includes €mil. 55 (€mil. 64 at 31 December 2010) for aircraft owned by the GIE ATR group as well as for those that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, to recognise the sale, despite the fact that sales contracts have been concluded with external customers, and €mil. 31 (€mil. 24 at 31 December 2010) for helicopters owned by the AgustaWestland group.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 64 (€mil. 78 at 31 December 2010).

11. BUSINESS COMBINATIONS

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

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

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

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

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 Mar. 2011	*31 Dec. 2010*
Third-party financing	57	64
Security deposits	22	22
Receivables for finance leases	4	5
Deferred receivables under Law 808/85	57	58
Net assets of defined-benefit retirement plans (Note 19)	30	32
Financial receivables from related parties (Note 22)	11	9
Other	35	32
Non-current receivables	**216**	**222**
Deferred expenses	23	19
Equity investments	307	316
Non-recurring costs awaiting interventions under Law 808/1985	269	224
Other receivables from related parties (Note 22)	2	1
Non-current assets	**601**	**560**
Total receivables and other non-current assets	**817**	**782**

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

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

Equity investments fell due to the writedown of joint stock company Sukhoi Aircraft (€mil 9), the negative translation differences for companies denominated in foreign currencies (€mil. 7) and the capital increase for Metro 5 SpA (€mil. 8).

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	31 Mar. 2011	*31 Dec. 2010*
Receivables	4,630	4,889
Impairment	(214)	(216)
Receivables from related parties (Note 22)	550	539
	4,966	5,212
Work in progress (gross)	8,568	7,794
Advances from customers	(4,198)	(3,764)
Work in progress (net)	4,370	4,030
Total trade receivables and net contract work in progress	**9,336**	**9,242**

Trade receivables from related parties refer specifically to the non-eliminated portion of receivables from joint ventures and associated companies, lead companies or consortiums of major programmes in which the Group participates. The most important of these relate to the Eurofighter (EFA programme) totalling €mil. 166 (€mil. 172 at 31 December 2010) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Iveco/Oto Melara consortium amounting to €mil. 62 (€mil. 41 at 31 December 2010) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on the orders MAV, Freccia, Siccona and the PZH2000 self-propelled vehicle for the Italian Army); receivables from Metro 5 amounting to €mil. 27 (€mil. 41 at 31 December 2010) for the designing, construction and operation of the new line 5 of the Milan metro; receivables from NH Industries amounting to €mil. 33 (€mil. 34 at 31 December 2010), for transactions for the final sale of the NH90 helicopter; from Abruzzo Engineering amounting to €mil. 22 (€mil. 22 at 31 December 2010), for the project to build regional infrastructures to address the digital divide, commissioned by the Region of Abruzzo; and from the Saturno Consortium amounting to €mil. 19 (€mil. 23 at 31 December 2010), for work on the high-speed train lines.

14. DERIVATIVES

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

	31 Mar. 2011		*31 Dec. 2010*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	248	152	105	111
Forex options	-	-	-	-
Embedded derivatives	41	-	41	-
Interest rate swaps	43	7	60	7
Other equity derivatives	-	-	13	13
	332	**159**	**219**	**131**

The change in the fair value of forward instruments is mainly due to the volatility of the US dollar against the euro: the exchange rate went from 1.3362 at 31 December 2010 to 1.4207 at 31 March 2011.

The interest rate swaps with a total notional value of €mil. 1,301 were placed into effect to hedge a portion of the bonds issued. The change in the fair value was mainly affected by the current unfavourable spreads between long-term fixed rates and short-term floating rates.

Options classified as “other equity derivatives”, relating to the earn-out mechanism under the agreement for the sale of STM shares in 2009, expired during the quarter.

15. OTHER CURRENT ASSETS

		31 Mar. 2011		*31 Dec. 2010*
Income tax receivables		208		221
Assets available for sale		26		1
Other current assets:		769		664
Accrued income - current portion	*104*		*124*	
Equity investments	*1*		*1*	
Receivables for contributions	*73*		*68*	
Receivables from employees and social security	*47*		*44*	
Indirect tax receivables	*281*		*213*	
Deferred receivables under Law 808/85	*15*		*14*	
Other receivables from related parties (Note 22)	*35*		*9*	
Other assets	*213*		*191*	
Total other current assets		**1,003**		**886**

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

Other assets include, among others, receivables from Bombardier Transportation for €mil 26 (€mil. 26 at 31 December 2010), sundry advances in the amount of €mil. 16 (€mil. 9 at 31 December 2010) and receivables for disputes for €mil. 5 (unchanged from 31 December 2010).

16. SHAREHOLDERS' EQUITY

	Number of ordinary shares	Par value €mil.	Treasury shares €mil.	Costs incurred net of tax effect €mil.	Total €mil.
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(712,515)	-	(8)	-	(8)
31 December 2010	577,437,880	2,544	(8)	(19)	2,517
Repurchase of treasury shares, less shares sold	-	-	-	-	-
31 March 2011	577,437,880	2,544	(8)	(19)	2,517
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(712,515)	-	(8)	-	(8)
	577,437,880	2,544	(8)	(19)	2,517

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

At 31 March 2011, the Ministry for Economy and Finance held 30.2040% of the shares, BlackRock Inc. held 2.2400% of the shares, Tradewinds Global Investors, LLC held 2.0260% of the shares and the Libyan Investment Authority held 2.0100% of the shares.

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

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

	Group			*Minority interests*		
	Amount before taxes	Tax effect	Amount net of tax effect	Amount before taxes	Tax effect	Amount net of tax effect
Actuarial gains (losses) on defined-benefit plans	36	(5)	31	1	-	1
Changes in cash-flow hedges	134	(39)	95	(4)	1	(3)
Exchange gains/losses	(218)		(218)	(7)		(7)
Total	**(48)**	**(44)**	**(92)**	**(10)**	**1**	**(9)**

17. BORROWINGS

	31 Mar. 2011	*31 Dec. 2010*
Bonds	4,010	4,110
Bank borrowings	684	783
Finance leases	3	4
Borrowings from related parties (Note 22)	795	714
Other borrowings	184	190
Total borrowings	**5,676**	**5,801**
Of which:		
Current	1,230	1,258
Non-current	4,446	4,543

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

The decrease in bank borrowings is a consequence of the repayments made during the period.

Borrowings from related parties of €mil. 795 (€mil. 714 at 31 December 2010) include payables of €mil. 714 (€mil. 673 at 31 December 2010) of the Group companies to MBDA and Thales Alenia Space joint ventures, for the unconsolidated portion, and payables of €mil. 78 (€mil. 27 at 31 December 2010) to Eurofighter, held by Alenia

Aeronautica (21%), which, under to the cash pooling agreement, distributed the cash surplus available at 31 March 2011 to its shareholders.

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

€ millions	***31 Mar. 2011***	***31 Dec. 2010***
Cash and cash equivalents	(769)	(1,854)
Securities held for trading	(26)	(1)
LIQUIDITY	**(795)**	**(1,855)**
CURRENT FINANCIAL RECEIVABLES	**(830)**	**(813)**
Current bank payables	85	182
Current portion of non-current borrowings	262	274
Other current borrowings	883	802
CURRENT NET FINANCIAL DEBT	**1,230**	**1,258**
CURRENT NET FINANCIAL DEBT (CASH)	**(395)**	**(1,410)**
Non-current bank payables	599	601
Bonds issued	3,748	3,836
Other non-current payables	99	106
NON-CURRENT NET FINANCIAL DEBT	**4,446**	**4,543**
NET FINANCIAL DEBT	**4,051**	**3,133**

18. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	31 March 2011		***31 December 2010***	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	16	33	36	34
Restructuring	8	62	9	58
Penalties	61	20	62	21
Product guarantees	111	129	95	136
Other	191	425	191	513
	387	**669**	**393**	**762**

Other provisions for risks and charges came to a total of €mil. 616 (€mil. 704 at 31 December 2010) and specifically include:

- the provision for risks on the business of GIE ATR in the amount of €mil. 68 (unchanged from 31 December 2010);
- the provision for risks and contractual charges in the amount of €mil. 108 (€mil. 110 at 31 December 2010) related, in particular, to business in the Defence and Security Electronics, Space, Defence Systems and Other Activities divisions;
- the provision for losses related to shares of €mil. 17 (€mil. 21 at 31 December 2010). The change is due to the use of the provision for Nahuelsat SA;
- the provision for taxes in the amount of €mil. 94 (unchanged from 31 December 2010);
- the provision for litigation with employees and former employees in the amount of €mil. 30 (unchanged from 31 December 2010);
- the provision for pending litigation in the amount of €mil. 101 (€mil. 104 at 31 December 2010);
- the provisions for risk on contract-related losses in the amount of €mil. 24 (€mil. 25 at 31 December 2010);
- other provisions in the amount of €mil. 174 (€mil. 252 at 31 December 2010).

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

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

In relation to the aforementioned disputes, there have been no changes since the preparation of the 2010 financial statements, which the reader should consult for further information.

19. EMPLOYEE LIABILITIES

	31 Mar. 2011			***31 Dec. 2010***		
	Liabilities	***Assets***	***Net***	***Liabilities***	***Assets***	***Net***
Severance obligations	562	-	562	610	-	610
Defined-benefit plans	307	30	277	341	32	309
Share of MBDA joint venture pension obligation	62	-	62	64	-	64
Other employee funds	20	-	20	26	-	26
	951	**30**	**921**	**1,041**	**32**	**1,009**

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

	31 Mar. 2011	***31 Dec. 2010***	***31 Dec. 2009***	***31 Dec. 2008***	***31 Dec. 2007***
Present value of obligations	1,529	1,567	1,409	1,055	1,038
Fair value of plan assets	(1,252)	(1,258)	(1,038)	(846)	(886)
Plan excess (deficit)	**(277)**	**(309)**	**(371)**	**(209)**	**(152)**
of which related to:					
- net liabilities	(307)	(341)	(382)	(248)	(152)
- net assets	30	32	11	39	-

The decrease in the total net deficit is essentially attributable to the AgustaWestland plan for €mil. 28.

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

	For the three months ended 31 March	
	2011	***2010***
Costs of current services	15	13
Total "personnel costs"	15	13
Interest expense	30	25
Expected return on plan assets	(24)	(17)
Costs booked as "finance costs"	6	8
	21	**21**

20. OTHER LIABILITIES

	Non-current		**Current**	
	31 Mar. 2011	***31 Dec. 2010***	***31 Mar. 2011***	***31 Dec. 2010***
Employee obligations	53	55	498	474
Deferred income	33	28	87	89
Social security payable	6	6	277	295
Payable to MED Law 808/85	268	268	64	64
Payable to MED for monopoly rights Law 808/85	100	96	35	35
Other liabilities Law 808/85	113	109	-	-
Indirect tax payables	-	-	147	202
Other payables to related parties (Note 22)	-	-	20	24
Other payables	66	91	459	472
	639	**653**	**1,587**	**1,655**

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

Other liabilities Law 808/85 includes the difference between the monopoly rights charged for the programmes of national security and the effective payable accrued based on the established reimbursement ratio.

Other payables include:

- the payable to Bell Helicopters of €mil. 49 (€mil. 70 at 31 December 2010), of which €mil. 29 carried as a non-current liability (€mil. 52 at 31 December 2010), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW139, previously owned by Bell Helicopters;
- the payable to EADS NV due from GIE ATR (50/50 consortium owned by Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 22 (€mil. 4 at 31 December 2010);
- the payable for customer deposits in the amount of €mil. 41 (€mil. 44 at 31 December 2010);
- the payable for contractual penalties in the amount of €mil. 33 (€mil. 37 at 31 December 2010);
- royalties due in the amount of €mil. 25 (€mil. 21 at 31 December 2010);
- the payable for contractual penalties in the amount of €mil. 14 (€mil. 16 at 31 December 2010);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 7 (€mil. 7 at 31 December 2010);
- payables for insurance in the amount of €mil. 5 (€mil. 7 at 31 December 2010).

21. TRADE PAYABLES, INCLUDING NET ADVANCES FROM CUSTOMERS

	31 Mar. 2011	*31 Dec. 2010*
Trade payables	4,224	4,614
Trade payables to related parties (Note 22)	107	116
	4,331	4,730
Advances from customers (gross)		
Work in progress	17,836	18,008
Advances from customers (net)	(9,633)	(9,742)
	8,203	8,266
Total trade payables	**12,534**	**12,996**

Trade payables to related parties mainly refer to the non-eliminated portion of payables to joint ventures and to the Start Consortium for €mil. 30 (€mil. 22 at 31 December 2010) for the supply of software for defence and security systems.

22. TRANSACTIONS WITH RELATED PARTIES

In general, commercial relations with related parties are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. The following table summarises the impact on the balance sheet and income statement. The impact of transactions with related parties on cash flows is reported directly in the statement of cash flows.

(millions of euros) ***RECEIVABLES AT 31 MARCH 2011***	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Elsacom NV					8	8
Other companies with unit amount lower than €mil. 5			13	5		18
Associates						
Eurofighter Jagdflugzeug GmbH				166		166
Iveco - Oto Melara Scarl				62		62
NH Industries Sarl				33		33
Metro 5 SpA		2		27		29
Abruzzo Engineering Scpa (in liq.)				22		22
Joint Stock Company Sukhoi Aircraft				12		12
Orizzonte - Sistemi Navali SpA				10		10
Macchi Hurel Dubois SAS				7		7
Euromids SAS				6		6
Eurosysnav SAS				5		5
Other companies with unit amount lower than €mil. 5				20	1	21
Joint ventures (*)						
MBDA SAS				77		77
Thales Alenia Space SAS	3		7	15		25
GIE ATR				15	23	38
Telespazio SpA	4		23	1		28
Superjet International SpA			6	5		11
Other companies with unit amount lower than €mil. 5	4		1	4	1	10
Consortiums (**)						
Saturno				19	1	20
Ferroviario Vesuviano				14		14
Trevi - Treno Veloce Italiano				5		5
S3Log				5		5
Other consortiums with unit amount lower than €mil. 5			1	15	1	17
Total	**11**	**2**	**51**	**550**	**35**	**649**
% incidence on the total for the period	***15.3***	***5.3***	***6.1***	***11.1***	***0.2***	

(millions of euros) *PAYABLES AT 31 MARCH 2011*	**Non-current borrowings**	**Other non-current payables**	**Current borrowingss**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Elsacom SpA (in liq.)					5	5	
Other companies with unit amount lower than €mil. 5			1	17		18	
Associates							
Eurofighter Jagdflugzeug Gmbh			78	9		87	
Consorzio Start SpA				30		30	
Iveco Oto Melara Scarl				1	7	8	
Contact Srl.				3		3	
Other companies with unit amount lower than €mil. 5			2	7		9	
Joint ventures (*)							
MBDA SAS			600	10	1	611	116
Thales Alenia Space SAS			114	10		124	1
Telespazio SpA							207
Other companies with unit amount lower than €mil. 5				8	7	15	
Consortiums (**) and Other							
Consorzi e altre società di importo unitario inferiore a €mil.5				12		12	
Total	**-**	**-**	**795**	**107**	**20**	**922**	**324**
% incidence on the total for the period	***-***	***-***	***64.6***	***0.9***	***1.3***		

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

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

(€ millions) **_RECEIVABLES AT 31 DECEMBER 2010_**	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Subsidiaries						
Alifana Due Scrl				5		5
Other companies with unit amount lower than €mil. 5			9	2		11
Associates						
Eurofighter Jagdflugzeug GmbH				172		172
Iveco - Oto Melara Scarl				41		41
Metro 5 SpA		1		41		42
NH Industries Sarl				34		34
Abruzzo Engineering Scpa				22		22
Joint Stock Company Sukhoi Aircraft				11		11
Orizzonte - Sistemi Navali SpA				8		8
Macchi Hrel Dubois SAS				7		7
Euromids SAS				5		5
Eurosysnav SAS				5		5
Other companies with unit amount lower than €mil. 5	2			19	1	22
Joint ventures (*)						
MBDA SAS				66		66
Thales Alenia Space SAS	3		7	15		25
GIE ATR				13	4	17
Telespazio SpA			17	2	1	20
Superject International SpA				5		5
Other companies with unit amount lower than €mil. 5	4		1	1	1	7
Consortiums (**)						
Saturno				23	1	24
Ferroviario Vesuviano				14		14
Trevi - Treno Veloce Italiano				9		9
S3Log				6		6
Other consortiums with unit amount lower than €mil. 5				13	1	14
Total	**9**	**1**	**34**	**539**	**9**	**592**
% incidence on the total for the period	***11.7***	***3.0***	***4.2***	***10.4***	***0.1***	

(€ millions) ***PAYABLES AT 31 DECEMBER 2010***	**Non-current borrowings**	**Other non-current payables**	**Current borro-wings**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
<u>Subsidiaries</u>							
Alifana Due Scrl				6		6	
Other companies with unit amount lower than €mil. 5				13	1	14	
<u>Associates</u>							
Eurofighter Jagdflugzeug Gmbh			27	9		36	
Consorzio Start SpA				34		34	
Iveco - Oto Melara Scarl					6	6	
Contact Srl				6		6	
Orizzonte-Sistemi Navali SpA							
Other companies with unit amount lower than €mil. 5			3	9		12	
<u>Joint ventures (*)</u>							
MBDA SAS			588	12	6	606	90
Thales Alenia Space SAS			85	8		93	1
Telespazio SpA			10	2	1	13	207
Superject International SpA				1	5	6	
Other companies with unit amount lower than €mil. 5			1	9		10	
<u>Consortiums</u> *(**)*							
Trevi (in liq.) - Treno Veloce Italiano					5	5	
Other consortiums with unit amount lower than €mil. 5				7		7	
Total	**-**	**-**	**714**	**116**	**24**	**854**	**298**
% incidence on the total for the period	***-***	***-***	***56.7***	***2.5***	***1.5***		

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

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

For the three months ended 31 March 2011 ***(millions of euros)***	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Other companies with unit amount lower than €mil. 5	1		8			
Associates						
Eurofighter Jagdflugzeug Gmbh	133					
Orizzonte Sistemi Navali SpA	22		1			
Iveco - Oto Melara Scarl.	21		1			
NH Industries Sarl	15					
Consorzio Start SpA			6			
Other companies with unit amount lower than €mil. 5	18		1	1		
Joint ventures (*)						
GIE ATR	21					
MBDA SAS	26					1
Other companies with unit amount lower than €mil. 5	8	1	4			1
Consortiums (**)						
Other consortiums with unit amount lower than €mil. 5	4		1			
Total	**269**	**1**	**22**	**1**	**-**	**2**
% incidence on the total for the period	***7.0***	***0.9***	***1***	***0.9***	***-***	***0.7***

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

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

For the three months ended 31 March 2010 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Other companies with unit amount lower than €mil. 5	3		5			
Associates						
Eurofighter Jagdflugzeug Gmbh	132					
NH Industries Sarl	26					
Orizzonte Sistemi Navali SpA	19					
Iveco - Oto Melara Scarl.	16					1
Eurofighter Simulation Sistems GmbH	5					
Other companies with unit amount lower than €mil. 5	13		7			
Joint ventures (*)						
GIE ATR	16					1
MBDA SAS	21					
Thales Alenia Space SAS	6					
Other companies with unit amount lower than €mil. 5	1	1	3			
Consortiums (**)						
Saturno	11		1			
Other consortiums with unit amount lower than €mil. 5	3		1			
Total	**272**	**1**	**17**			**2**
% incidence on the total for the period	***6.7***	***0.8***	***0.1***			***0.7***

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

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

23. OTHER OPERATING INCOME (EXPENSES)

These regard:

	For the three months ended 31 March					
	20011			***2010***		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Grants for research and development	13	-	13	23	-	23
Exchange rate difference on operating items	53	(59)	(6)	65	(59)	6
Indirect taxes	-	(11)	(11)	-	(11)	(11)
Gains/losses on sales of assets	1	-	1	-	-	-
Insurance reimbursements	4	-	4	3	-	3
Reversal of impairment of receivables	3	-	3	3	-	3
Gains/losses on operating receivables	-	-	-	-	-	-
Restructuring costs	-	-	-	-	-	-
Reversals of/Accruals to provisions	25	(20)	5	21	(44)	(23)
Other operating income (expenses)	14	(25)	(11)	12	(20)	(8)
Other operating income (expenses) attributable to related parties	1	(1)	-	1	-	1
Total	**114**	**(116)**	**(2)**	128	(134)	(6)

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

24. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

In particular, these include:

	For the three months ended 31 March			
	2011		2010	
Raw materials and consumables used		1,266		1,361
Purchase of services		1,234		1,232
Costs to related parties (Note 22)		22		17
Personnel costs		1,223		1,194
Wages, salaries and contributions	*1,123*		*1,083*	
Cost of stock grant plans	*1*		*12*	
Costs related to defined-benefit plans	*15*		*13*	
Costs related to defined-contribution plans	*36*		*35*	
Restructuring costs	*13*		*2*	
Other personnel costs	*35*		*49*	
Changes in inventories of work in progress, finished and semi-finished products		(128)		(49)
Work performed by the Group and capitalised		(107)		(106)
Total raw materials and consumables used and personnel costs		**3,510**		**3,649**

Regarding personnel, the average workforce went from 76,082 in the first three months of 2010 to 73,678 in the same period of the current year, for a net decrease of 2,404 due mainly to the company reorganisation and restructuring process begun last year, particularly in the Aeronautics, Helicopters, Defence and Security Electronics and Transportation divisions.

The workforce at 31 March 2011 came to 74,497, down a net of 700 employees from the 75,197 reported at 31 December 2010.

Personnel costs came to €mil. 1,223 in the first three months of 2011 as compared with €mil. 1,194 in the same period of 2010, for a net increase of €mil. 29, which essentially reflects the rise in restructuring costs and other early-retirement incentives.

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

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

Purchase of services include, among other things, the cost of acquisition of satellite capacity of the Telespazio joint venture, which was more than offset by revenue from sales (€mil. 15, compared with €mil. 17 at 31 March 2010) and costs of rents, operating leases and hires (€mil. 53, compared with €mil. 52 at 31 March 2010).

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	For the three months ended 31 March			
	2011		***2010***	
Depreciation and amortisation:				
• Amortisation of intangible assets (Note 9)		62		55
Development costs	*14*		*9*	
Non-recurring costs	*6*		*6*	
Acquired through a business combination	*21*		*21*	
Other	*21*		*19*	
• Depreciation of property, plant and equipment		94		98
Impairment:				
• non-current assets and investment properties		-		-
• goodwill		-		-
• operating receivables		6		3
Total amortisation, depreciation and impairment		**162**		**156**

26. FINANCE INCOME AND COSTS

Below is a breakdown of finance income and costs:

	For the three months ended 31 March					
	2011			***2010***		
	Income	**Cost**	**Net**	**Income**	**Cost**	**Net**
Dividends	-	-	-	1	-	1
Discounting of receivables, payables and provisions	1	(1)	-	1	(2)	(1)
Interests	5	(73)	(68)	5	(82)	(77)
Premiums (paid) received on IRS	8	-	8	8	(5)	3
Commissions (including commissions on non-recourse items)	-	(8)	(8)	-	(8)	(8)
Fair value adjustments through profit or loss	26	(84)	(58)	46	(36)	10
Premiums (paid) received on forwards	1	(1)	-	3	(1)	2
Exchange-rate differences	94	(75)	19	149	(135)	14
Value adjustments to equity investments	2	-	2	-	-	-
Interest cost on defined-benefit plans (less expected returns on plan assets) (Note 19)	-	(6)	(6)	-	(8)	(8)
Finance income/costs - related parties (Note 22)	-	(2)	(2)	-	(2)	(2)
Other finance income and costs	25	(23)	2	3	-	3
	162	**(273)**	**(111)**	**216**	**(279)**	**(63)**

During the period the Group reported a significant increase in net finance costs as compared with the first three months of 2010, mainly due to the application of the fair value method.

This is broken down as follows:

- net interest costs of €mil. 68 (€mil. 77 in costs at 31 March 2010). Specifically, the figure reported for the first three months of 2011 includes €mil. 66 (€mil. 71 at 31 March 2010) of interest on bonds. The amount of the interest on bonds benefitted from the extinguishing of the exchangeable bond in the second half of 2010;
- net costs arising from the application of fair value to the income statement of €mil. 58 (€mil. 10 of net income in the same period of 2010), as detailed below:

	For the three months ended 31 March					
	2011			*2010*		
	Income	**Cost**	**Net**	**Income**	**Cost**	**Net**
Foreign-currency swaps	6	(33)	(27)	4	(27)	(23)
Forex options	-	-	-	1	(5)	(4)
Interest rate swaps	4	(21)	(17)	39	-	39
Ineffective component of hedging on swaps (premium points)	3	(17)	(14)	2	(4)	(2)
Embedded derivatives	-	-	-	-	-	-
Other equity derivatives	13	(13)	-	-	-	-
	26	**(84)**	**(58)**	**46**	**(36)**	**10**

- net costs on foreign-currency swaps include the effects of trading derivative instruments or instruments which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness. Specifically the costs arising from the calculation of fair value of hedges on payables and receivables in foreign currencies were offset by income (amounting to €mil. 29) from the realignment of the exchange rates for such hedged payables and receivables at period-end, classified under "Exchange-rate differences";
- costs from the fair value measurement of interest rate swaps, caused by the reduction in the expected benefits of the swap of fixed rates for floating rates as a result of the increase in the short-term portion of the interest rate curve. More specifically, the cost of €mil.17 relates to the spread between the measurement of the interest rates hedging portfolio at 31 December 2010 (positive €mil. 53) and the analogous measurement at 31 March 2011 (positive €mil. 36). As stated, the effect during the quarter reflects a measurement spread and represents an absolute value, dependent only upon changes in the interest rate curves, and, therefore, the "proportion" attributable to the year cannot be calculated;

- net costs from the ineffective components of hedging on swaps, amounting to €mil. 14, resulting from the fair value measurement of premium points (forwards) on transactions to hedge exchange-rate risk. This item it only a "theoretical" measurement of the possible effects if all the hedging derivatives were to be suddenly closed prior to their nature maturities;
- during the first three months of the year, the earn-out mechanism under the contract for the sale of options on STM shares signed in at the end of 2009 with Cassa Depositi e Prestiti resulted in the recognition of a cost of €mil.13. In order to neutralise any further change in the value of the item, income of €mil.13, arising from the recognition of the expiration of the option sold to third parties, was also recognised;

- net income on exchange-rate differences came to €mil. 19 (€mil. 14 in net income for the corresponding period of 2010). This figure reflects income from the realignment of the exchange rates for such hedged payables and receivables at period-end (€mil. 29), as described above. Excluding this, there would have been a net cost of €mil. 10 for the first quarter;
- other net finance income, amounting to €mil. 2 (€mil. 3 of net income for the same period of 2010), mainly includes the positive and negative effects of the commissions received and paid on the earn-out mechanism and the option mirroring the earn-out mechanism related to the sale of STM.

27. INCOME TAXES

Income tax expense can be broken down as follows:

	For the three months ended 31 March	
	2011	***2010***
Corporate income tax (IRES)	33	47
Regional tax on productive activities (IRAP)	24	24
Benefit under consolidated tax mechanism	(27)	(15)
Other income taxes	22	29
Tax related to previous periods	(1)	(6)
Provisions for tax disputes	1	1
Deferred tax liabilities (assets) - net	3	(4)
	55	**76**

28. CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities	*For the three months ended 31 March*	
	2011	***2010***
Net result	7	91
Depreciation, amortisation and impairment	162	156
Share of profit (loss) of equity accounted investments	8	(2)
Income taxes	55	76
Costs of pension and stock grant plans	16	27
Net finance costs (income)	111	63
Other non-monetary items	14	21
	373	**432**

Costs of pension and stock grant plans include the portion of costs relating to defined benefit pension plans that is recognised as a personnel cost (the portion of costs relating to interest is carried among net finance costs). They also include the cash outlays relating to the stock grant plan classified among "cost of services" (€mil. 2).

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and exchange gains/losses, are as follows:

	For the three months ended 31 March	
	2011	***2010***
Inventories	(219)	(135)
Contract work in progress and advances received	(436)	(658)
Trade receivables and payables	(156)	(191)
Changes in working capital	**(811)**	**(984)**

29. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

Basic EPS	***For the three months ended 31 March***	
	2011	***2010***
Average number of shares for the period (in thousands)	577,438	577,006
Net result (not including minority interests) (€mil.)	-	82
Result of continuing operations (not including minority interests) (€mil.)	-	82
Basic EPS	-	0.141
Basic EPS from continuing operations	-	0.141

Diluted EPS	***For the three months ended 31 March***	
	2011	***2010***
Average number of shares for the period (in thousands)	578,097	577,665
Adjusted result (not including minority interests) (€mil.)	-	82
Adjusted result of continuing operations (not including minority interests) (€mil.)	-	82
Diluted EPS	-	0.141
Diluted EPS from continuing operations	-	0.141

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

Declaration of the officer responsible for the interim financial report at 31 March 2011 pursuant to art. 154-bis, paragraph 2 of Legislative Decree 58/98, as amended

I, Alessandro Pansa, as joint General Manager for Finmeccanica Spa and the officer in charge of preparing the company's accounting documents, hereby declare, in accordance with the provisions of Article 154-*bis*, paragraph 2, of Legislative Decree 58/98, that the interim financial report for the period ended 31 March 2011 corresponds to the related accounting records, books and supporting documentation.

Rome, 28 April 2011

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