SUSTAINABILITY REPORT

2011

SUSTAINABILITY REPORT 2011
OF THE FINMECCANICA GROUP

CONTENTS

Letter

from the Chairman and Chief Executive Officer

Giuseppe Orsi
Chairman and Chief Executive Officer

For the second consecutive year, Finmeccanica has published a Certified Sustainability Report for our stakeholders. There are several reasons for which this event is even more important than in the past. The first of these is the “globally” exceptional nature of the last year. Any way we look at it, 2011 was a year that will certainly be remembered as one of the most challenging both politically and economically in Italy, throughout Europe and around the world. For this reason, the year was also an extremely difficult one for the industry in which the Finmeccanica Group operates.

On the one hand, economies virtually everywhere stagnated or experienced severe recessions, such as in many countries of the western hemisphere. On the other, in the wake of a difficult 2010, the international political situation saw many countries – particularly in the Mediterranean and the Middle East – continue to struggle in the quest for lasting democratic solutions that would enable them to overcome often endemic crises and violent civil wars.

A second reason is more closely related to our Group. It has certainly been a difficult year for Finmeccanica. The strategy that we pursued during the year, having decided to deal immediately with the structural and financial problems engendered by a number of choices made in the recent past, prompted us to design a reorganisation plan for the Group aimed at laying the groundwork for increasing our competitiveness in the marketplace in order to rapidly boost profitability. This is a duty, not only towards our shareholders, but also towards all of the Group's stakeholders, such that our actions can make a return to lasting growth even more credible in their eyes. Moreover, in 2011 we have had to deal with and responsibly manage the adverse impact of circumstances that had little or nothing to do with the commitment, dedication and daily efforts of the over 70,000 people who work here at Finmeccanica.
The difficult circumstances in which we have found ourselves, and under which we continue to operate, could lead one to think that these challenges have consumed all of our energies and that, as a result, less attention has been paid to the promotion and dissemination of the sustainable, socially responsible conduct that is already a part of Finmeccanica's industrial and cultural heritage. But as this Report shows, that has not been the case.

Here at Finmeccanica, we are as convinced as ever that, in such difficult times, we will – and must – play a significant role, pursuing a strategy that goes well beyond just meeting the expectations of our shareholders and other stakeholders. The Group must not, therefore, be a passive player, a burden on the system, but rather must take an active part in and be a driving force for change and social and economic development, thanks to our ability to do business in an ethical, sustainable manner.
And how does Finmeccanica intend to translate this vision into strategies and daily action? First and foremost, by recognising that the principles of sustainable development are increasingly a key part of the competitive landscape and are driving new needs and opportunities in our most important markets, both old and new. Thus, it is both necessary and advisable to view the world of the future from a new perspective.

It will be a change in direction and in culture of great importance, indeed a change of almost radical proportions.
Finmeccanica must become a true world leader in high technology, able to find new room for growth in the civilian segment, thanks to the development of advanced technologies, technologies that originated as defence systems and are able to meet dual needs in new areas of growth in the civilian sector, providing solutions to needs that are constantly evolving in today's society in which technology has become an integral part.
Therefore, we want to redefine Finmeccanica as a high-tech leader, one with a clear focus on sustainability.

In order to succeed, we will need to innovate and constantly reinvent ourselves. Indeed, the future challenges of the market will be faced, above all, through our ability to take advantage of both existing opportunities and those that will present themselves in order to implement “dual-purpose” technologies and solutions, i.e. solutions that were designed for defence and security and which can be adapted to provide real solutions to problems related to population growth, hyper-urbanisation and climate change. These are just a few of the social and environmental challenges that Finmeccanica can help to manage and overcome by continuing to invest in technological research and development and in the talent of our people, especially our younger resources.

Sustainability comes, secondarily, from our ability to manage the many risks inherent in the strategies and operations of an international industrial group such as ours, which operates in sensitive markets and industries, so as to preserve not only our economic value, but also, and above all, our corporate image and reputation, which are our most important intangible assets.

Finmeccanica’s recently approved Charter of Values seeks to take us precisely in this direction by promoting both best practices in corporate governance and the best organisational procedures and other measures aimed at guiding our operations, with a particular emphasis on business ethics, human rights, and responsibility towards the environment, health and safety.

Finally, Finmeccanica must reassert and further promote our “corporate citizenship” through a virtuous relationship with the public at large. This means being able, at all times and in all situations, to play a positive role in a union between business competitiveness and community development, acting, above all, through our ability to transmit the Group’s corporate culture to the communities in which we operate – a culture of “know-how”, a culture of the “workshop” that has always characterised the Group, with a view towards sharing and transmitting our wealth of skills and experience, forging a presence in countries such as Italy, the United Kingdom and the United States, which are at the cutting edge of sustainable growth for society.

This year’s Certified Sustainability Report sustains this vision and drives us to reflect on the progress made thus far, despite the difficulties of the overall environment, as well as on the projects and other efforts for improvement that have led to that progress. More important still, it gives us an opportunity to communicate with our stakeholders so that they can see the Group in the right light in terms of our ethical, sustainable and responsible conduct, which is the result of the multitude of good practices throughout all of our companies.

This is the challenge before us. We must be able to overcome it through the responsible development of our business, respecting all that is around us, in order to provide future generations with a better world than we have today.

Giuseppe Orsi
Chairman and Chief Executive Officer

SUSTAINABILITY STRATEGY

The Finmeccanica Group has gradually supplemented the goal of creating value for our stakeholders with that of achieving economically, socially and environmentally sustainable growth over the long term. In this way, Finmeccanica intends to provide a return on the financial capital provided by our shareholders as well as on all other forms of capital – i.e. social capital, environmental capital and human capital – that enable us to remain competitive and sustainable.

In 2011, with the pace of growth in the more advanced nations declining and given the uncertainty of the emerging markets and of recovery in the more traditional markets, we have seen a gradual reassessment of expectations for a rapid recovery in the global economy. The high levels of public debt in many western nations, including in the United States and the United Kingdom, have put increasing pressure on public spending budgets and have led to a reduction in defence spending. Conversely, emerging nations such as Brazil, India, Saudi Arabia and the United Arab Emirates have, for a number of years now, been dedicating enormous resources to strengthening their strategic/military positions, thereby offering new opportunities for companies operating in the aeronautics, defence and space industries.

In such a context, Finmeccanica has further increased efforts to implement strategies that would enable us to increasingly become a global, sustainable group and a leader in high-tech industries able to serve the markets in which we operate in a structured, coordinated manner. In order to face this challenge, Finmeccanica is gradually focusing on businesses (e.g., Helicopters, Aeronautics, and Defence and Security Electronics) that take best advantage of our distinctive technological skills and that ensure sustainable levels of value creation for our stakeholders.

The need to shift our commercial focus to emerging markets requires greater flexibility in our business model in order to handle the growing need to transfer the technologies required to operate in these nations. In order to transfer these technologies without threatening our competitive advantage, Finmeccanica has been pursuing an ongoing strategy of cutting-edge technology development in our core businesses with an increasing emphasis on taking advantage of potential “dual uses” of technologies developed in adjacent industry segments. Furthermore, Finmeccanica is continuing to pursue strategies of growth and value creation in industry segments that are key to more sustainable growth worldwide, such as in the physical and cybernetic security of critical infrastructures, smart cities, smart grids, sustainable mobility and infomobility.

PRESENTATION OF THE CERTIFIED SUSTAINABILITY REPORT 2011

This edition of the Certified Sustainability Report (the second of this "certified" version of the report) represents an evolution in Finmeccanica's commitment to providing an increasingly clear and thorough report on the impact, risks and, above all, opportunities of sustainable development in the Group's various areas of business.

In order to achieve this goal, we have altered the document compared to the previous edition and have dedicated specific sections to more detailed information regarding our strategic vision and the Group's sustainability assets, as well as to the key issues of business ethics and governance, all of which Finmeccanica believes are of critical importance to sustainable growth and which are issues for which the Group – and indeed the aerospace and defence industries as a whole – is ever more frequently called upon to be accountable in the eyes of the public, the financial markets and all stakeholders generally.

The 2011 Report has also been enhanced with performance indicators and other qualitative content regarding operating processes that are of particular importance to sustainability in an effort to concretely express Finmeccanica's commitment to making our operations increasingly measurable and transparent.

Various components and aspects from the previous version have also been included to provide some continuity from last year. This includes the fact that the document is divided into a consolidated section, which features the sustainability issues and indicators managed at the Group level, and a section dedicated to more detailed information for each area of business.
For each area of business, we provide the specific indicators regarding both financial and environment, health and safety (EHS) performance, as well as information on technology research and development and how it is applied to products and solutions and on the best practices adopted by each of the various companies in accordance with the Group's operational guidelines.

The document has been prepared in accordance with the standards of the Global Reporting Initiative (GRI), which is the main source of guidelines we will be using to continue improving our reporting and publishing methods.

In this 2011 Report, we have also included the significant events that have occurred in the first part of 2012.

For the first time, there is also an interactive version of the Finmeccanica Certified Sustainability Report 2011, which is available at www.sustainabilityreport2011.finmeccanica.it

SUSTAINABILITY MANAGEMENT AND COMMUNICATION

Again this year, the Sustainability Report has been made possible by the invaluable contribution of a corporate community of over 300 people, all coordinated by the Sustainability Working Group.
This working group reports to the Parent Company's Communication & Image Unit, in cooperation with the Investor Relations Unit, and all of the contact people within all of the other units of the Parent Company and the sustainability managers of the various Group companies report to the working group.
The entire process of preparing and publishing the report is overseen by the Sustainability Committee, which is chaired by the Chairman and CEO of Finmeccanica and is supported by an advisory group comprising the top levels of the various units of the Parent Company. From an operational point of view, the Administration, Finance & Control Unit, which reports to the General Manager, ensures the uniform application of reporting instructions and verifies the consistency of the financial information gathered for the report.
The procedures for gathering data and information are designed to create an integrated platform that can make the wealth of information usable by all of the Company units involved in relations with the Group's various stakeholders regarding issues of sustainability. The Investor Relations Unit is one of the units that is most involved in this process, given that it is responsible for managing inclusion of Finmeccanica's stock in the sustainability indexes and for responding to the many queries of the ratings agencies and various investors, including socially responsible investors (SRIs).

Sustainability online

The Certified Sustainability Report is the main means of disclosing the non-financial information that is used by the Group to present our operations to the public. The use of the Internet to this end is also growing and is providing businesses with an important channel for communication and interacting with stakeholders and with the public at large.
For this reason, and in addition to the interactive version of the report available for the first time this year, Finmeccanica is gradually developing online channels for communicating about sustainability, beginning with dedicated sections of the web sites of the Parent Company and of certain other Group companies (i.e., DRS Technologies and Ansaldo STS) and extending to the use of social media and other Web 2.0 tools.

Finmeccanica web pages regarding sustainability (available in both English and Italian):
www.finmeccanica.com/Corporate/IT/Corporate/Sostenibilita/index.sdo
www.finmeccanica.com/Corporate/EN/Corporate/Sostenibilita/index.sdo

Finmeccanica UK and Finmeccanica North America:
www.finmeccanica.co.uk/about_us/corporate_responsibility_strat/environment_and_sustainability.aspx
www.finmeccanicausa.com/Responsibility/index.aspx

Finmeccanica is also on:

The Ara Pacis Museum, backdrop for the presentation of the first Certified Sustainability Report

Finmeccanica chose the Ara Pacis Museum, an important testimony to Augustan art and a symbol of the peace and prosperity achieved with the *Pax Romana*, as the site for the official presentation of the first edition of the Certified Sustainability Report for 2010.
The event was held on 5 July 2011 and centered around a roundtable discussion featuring: Cardinal Gianfranco Ravasi, chairman of the Pontifical Council for Culture; Corrado Clini, director general of the Ministry for the Environment; and Alessandro Pansa, General Manager of Finmeccanica.
Pier Francesco Guarguaglini, Company Chairman, and Giuseppe Orsi, CEO, opened and closed, respectively, the days' proceedings, both reiterating the commitment of the organization's leaders to ensure that the Group's activities are increasingly centered around sustainable development and based on the strictest principles of business ethics.
Many representatives of government all contributed to the discussion, including: the mayor of Rome, Gianni Alemanno, who showed his appreciation of the Group's efforts; and Hon. Davide Bordoni, councilman responsible for Industry and Trade for the City of Rome.

SUSTAINABILITY INDEXES

In September 2011, Finmeccanica's stock was, for the second year in a row, included in the Dow Jones Sustainability Indexes (DJSI), both World and Europe.
The DJSIs are stock market indexes managed by the investment boutique Sustainable Asset Management (SAM) in Zurich in collaboration with the Dow Jones Indexes in New York. Since 1999, they have been the main benchmark for evaluating companies' annual performance and maintaining their commitments to economic, social and environmental sustainability.
This success refers to the 2011 campaign and comes on the back of our previous inclusion for 2010, when Finmeccanica was ultimately included among the "Gold Class" for the aerospace and defence industry and was named a "sector mover". "Gold Class" is awarded within each industry to the companies that are within 5% of the score achieved by the sector leader, whereas "Silver Class" and "Bronze Class" are awarded to companies posting lower scores.

Dow Jones Sustainability Indexes
Member 2011/12

sam 2012 gold class

THREE YEARS OF DJSIS

	2011	2010	2009 (*)
Total score (out of 100)	**77**	75	64
Score in each dimension:			
economic dimension	**84**	84	-
social dimension	**72**	69	-
environmental dimension	**77**	75	-

(*) In 2009, our stock was not admitted even though we achieved the same score as another organization already included in the index.

Finmeccanica is also included in the ECPI indexes and is involved in the Carbon Disclosure Project.

CARBON DISCLOSURE PROJECT

ECPI Sense in sustainability

the Finmeccanica Group

GROUP PROFILE

Finmeccanica is the Italian leader in high tech and among the top ten players worldwide in aerospace, defence and security. Our shareholders include the Italian Ministry for the Economy and Finance as well as institutional and private investors, and we have been publicly listed on the Italian stock exchange since 1992.

The Group operates through subsidiaries of the Parent Company, with the Parent Company providing for strategic and industrial guidance and control. We are excellently positioned in the three key sectors of Helicopters, Defence and Security Electronics, and Aeronautics, and we have a longstanding presence in the Space and Defence Systems industries. We also have operations in the Energy and Transportation industries.

The Group companies develop and manufacture products and systems both for defence and for public and private-sector clients in the civilian sector, and they play important roles in some of the most important international programs in the aerospace industry, such as the Eurofighter and B787 Dreamliner projects for the Aeronautics Division.

In such a highly competitive and technological international marketplace, Finmeccanica invests more than 11% of our revenues in research and development, an area which employs nearly one-third of our workforce. A significant portion of this investment goes to “dual-use” technologies, which are originally created for military use and then migrate to applications that benefit the public at large.

Finmeccanica has a global presence with over 400 offices and production facilities. After Italy, where over 40,000 of our 70,000 employees work, the main countries where we work are the United Kingdom and the United States, whereas in the rest of Europe our most significant presence can be found in France, Germany and Poland. The Group is also building a network of technological, industrial and commercial partners in emerging markets.

FINANCIAL AND OPERATING HIGHLIGHTS (€ MILLIONS)	2011	2010	%
Revenues	**17,318**	18,695	(7%)
Adjusted EBITA (*)	**(216)**	1,589	n.a.
Research and Development (**)	**2,020**	2,030	insig.
New orders	**17,434**	22,453	(22%)
Order backlog (***)	**46,005**	48,668	(5%)
Workforce at 31 December (no. of employees)	**70,474**	75,197	(6.3%)

(*) For a definition of “adjusted EBITA”, see the consolidated financial statements.

(**) These figures include a portion of investments financed by customers.

(***) The figure for order backlog is shown net of work in progress.

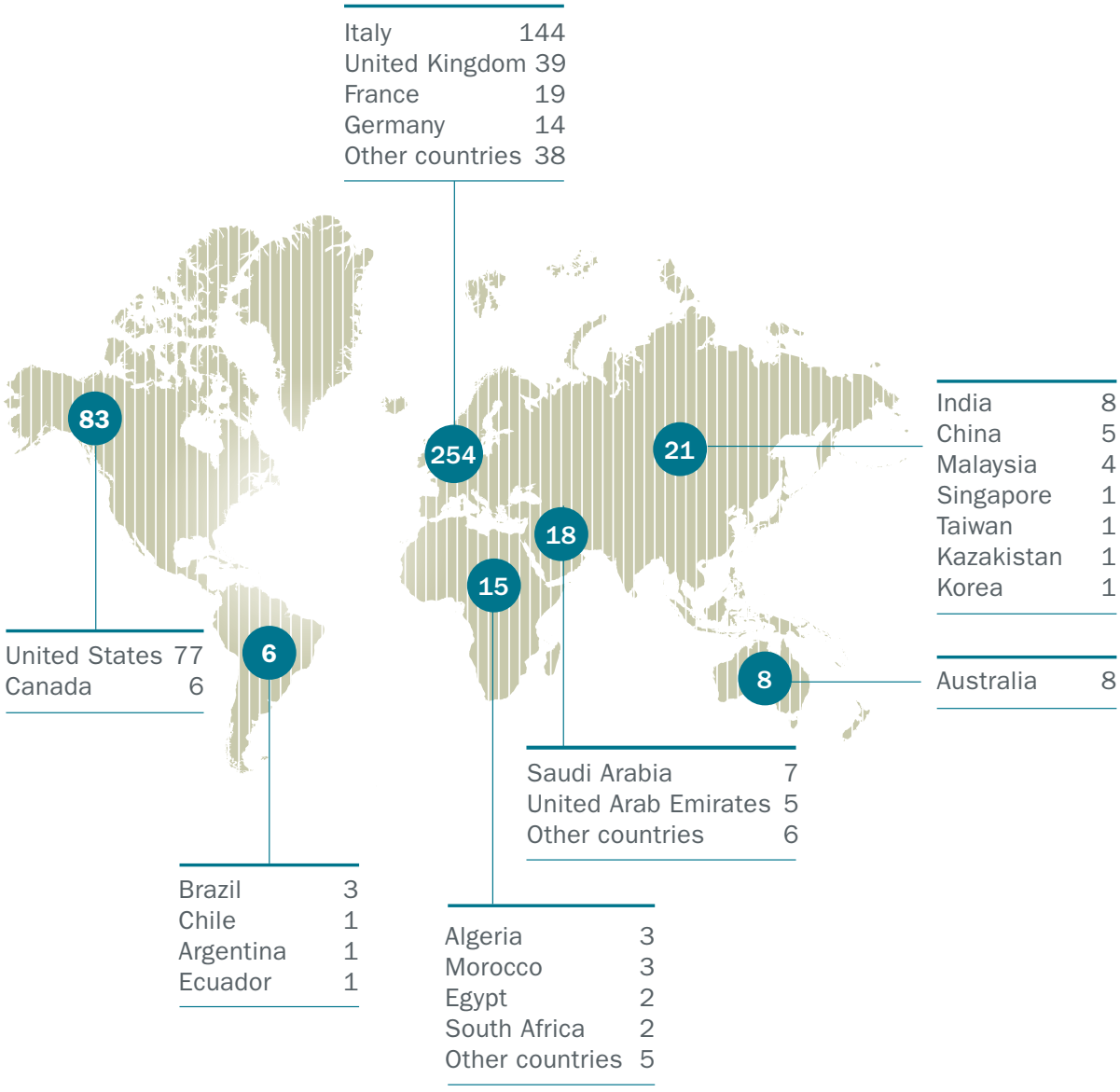
n.a. = not applicable.

insig. = insignificant.

FINMECCANICA IN ITALY AND THE WORLD

By the end of 2011, Finmeccanica's organization was made up of 405 facilities, 261 of which outside of Italy (64% of the total) and 144 in Italy.
Of the international sites, 77 are in the US, 39 in the UK, 19 in France, 14 in Germany and 8 in India and Australia. Of the total facilities, 185 (46%) are what we refer to as "operational" facilities (i.e. sites that are primarily dedicated to production), 75 of which are in Italy.

GEOGRAPHICAL DISTRIBUTION OF FINMECCANICA SITES



Highlights 2011

January

Finmeccanica reorganizes the Space sector, transferring the space activities of Vega and Elsag Datamat to Telespazio.

February

Ceremony to present the 2010 Innovation Awards (7th ed.) at the Teatro San Carlo in Naples.

March

Finmeccanica's Board of Directors begins the process of reorganizing the Defence and Security Electronics sector by authorizing the merger of Elsag Datamat and SELEX Communications into SELEX Elsag.

Finmeccanica is certified as a "Top Employer 2011" by the CRF Institute for its "excellence" in human resource training, development and management.

May

Finmeccanica's shareholders appoint a new Board of Directors to a three-year term (2011-2013).

June

Finmeccanica signs an agreement with First Reserve Corporation, a private equity firm specializing in the energy and natural resources sector, for the sale of 45% of Ansaldo Energia.

July

Finmeccanica presents our first Certified Sustainability Report at the Ara Pacis in Rome.

September

For the second year in a row, Finmeccanica is admitted to the Dow Jones Sustainability Europe and World Indexes.

The B787 Dreamliner program, in which Finmeccanica has participated since it began in 2004, delivered its first aircraft to All Nippon Airways.

October

Telespazio celebrates 50 years of being in business.

November

Finmeccanica launches **mobile.finmeccanica.com**, our new website that has been optimized for use with mobile devices, PDAs and cell phones.

December

The cornerstone was laid for the new Thales Alenia Space plant being built in L'Aquila.

GROUP STRUCTURES AND SECTORS

FINANCIAL AND OPERATIONAL HIGHLIGHTS (€ MILLIONS)

HELICOPTERS		2011	2010
 AgustaWestland	Revenues	**3,915**	3,644
AgustaWestland Tilt-Rotor Company	New orders	**3,963**	5,982
NHIndustries	Order backlog	**12,121**	12,162
	R&D investment	**472**	409
	Workforce (no.)	**13,303**	13,573

DEFENCE AND SECURITY ELECTRONICS		2011	2010
 DRS Technologies	Revenues	**6,035**	7,137
SELEX Elsag	New orders	**4,917**	6,783
Selex Service Management	Order backlog	**9,591**	11,747
SELEX Galileo	R&D investment	**823**	810
SELEX Sistemi Integrati	Workforce (no.)	**27,314**	29,840

AERONAUTICS		2011	2010
 Alenia Aermacchi (*)	Revenues	**2,670**	2,809
SuperJet International	New orders	**2,919**	2,539
ATR	Order backlog	**8,656**	8,638
Eurofighter GmbH	R&D investment	**326**	369
	Workforce (no.)	**11,993**	12,604

SPACE		2011	2010
 Telespazio	Revenues	**1,001**	925
Thales Alenia Space	New orders	**919**	1,912
	Order backlog	**2,465**	2,568
	R&D investment	**77**	68
	Workforce (no.)	**4,139**	3,651

DEFENCE SYSTEMS		2011	2010
 Oto Melara	Revenues	**1,223**	1,210
WASS	New orders	**1,044**	1,111
MBDA	Order backlog	**3,656**	3,797
	R&D investment	**247**	260
	Workforce (no.)	**4,066**	4,112

ENERGY		2011	2010
 Ansaldo Energia (**)	Revenues	**981**	1,413
	New orders	**1,258**	1,403
	Order backlog	**1,939**	3,305
	R&D	**23**	38
	Workforce (no.)	**1,872**	3,418

TRANSPORTATION		2011	2010
 AnsaldoBreda	Revenues	**1,877**	1,962
Ansaldo STS	New orders	**2,723**	3,228
BredaMenarinibus	Order backlog	**8,317**	7,303
	R&D	**46**	69
	Workforce (no.)	**6,876**	7,093

(*) Operational since 1 January 2012, this company is the result of a merger between Alenia Aeronautica, Alenia Aermacchi and Alenia SIA.

(**) Figures for the Energy sector for 2011 were affected by the sale of a 45% stake in the company (recognized on a proportionate basis given the share held, which was applied as of the date on which the transaction was completed).

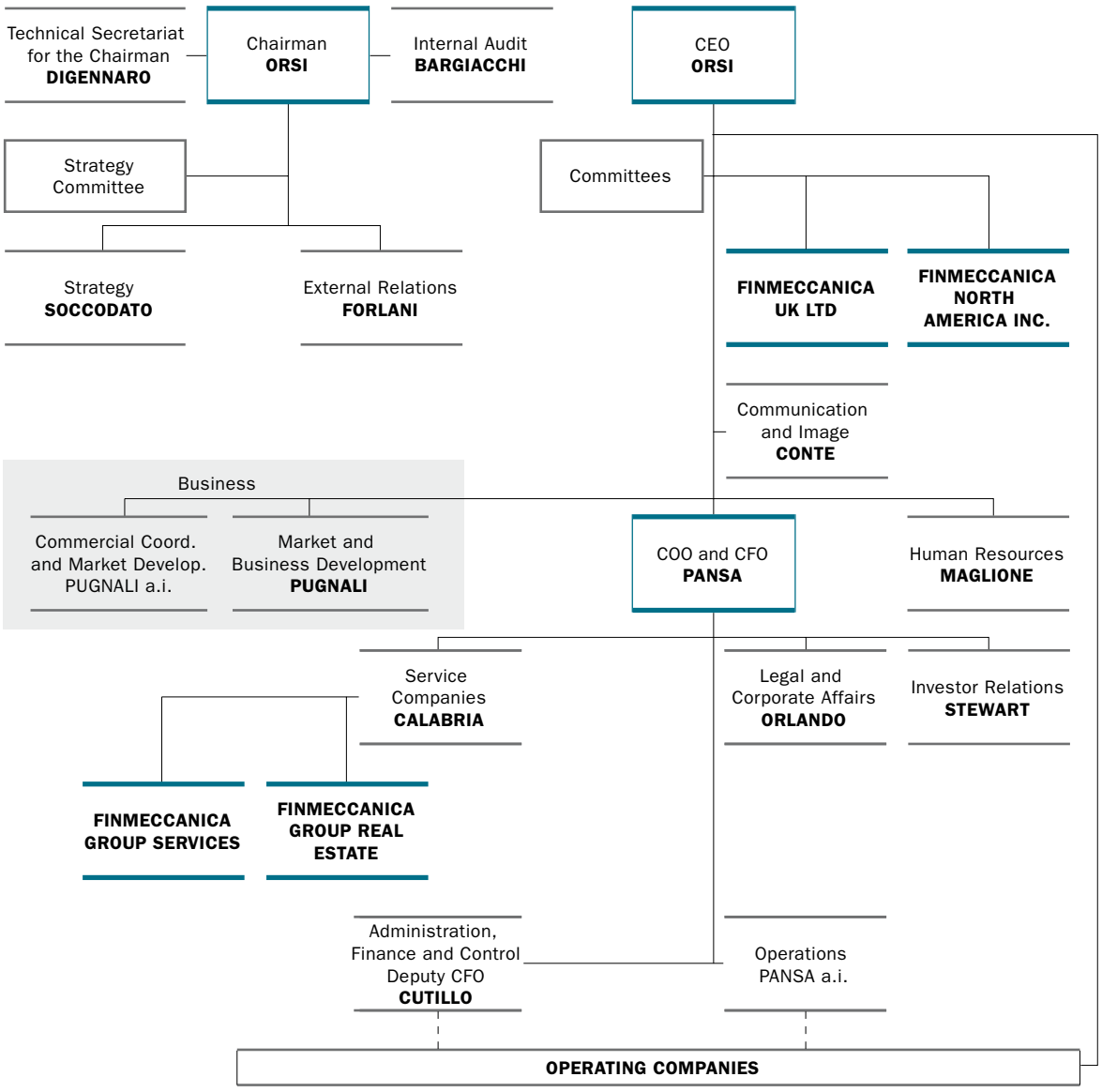
Owned Company *Joint venture*

The companies that operate in the various sectors are under the control of the Parent Company, Finmeccanica SpA, as are the companies that provide commercial coordination and other services to the rest of the Group, and namely:

- Finmeccanica Group Services (FGS), which organizes and provides non-business-critical services (i.e. Group ICT, energy services, Group procurements, global services, logistics) to the other Group companies;
- Finmeccanica Group Real Estate (FGRE), which handles facility, property and asset management and coordinates the implementation of environment, health and safety policies;
- Finmeccanica UK Ltd and Finmeccanica North America Inc., which were established in order to coordinate Group activities in these two key markets.

Finmeccanica SpA is organized into units that provide strategic guidance and control for the various business sectors, as well as general corporate functions.

FINMECCANICA SPA ORGANIZATION CHART



The holding structures garantee the functional coordination of the corresponding structures within the operating companies

The organization chart for the Group may be found online:
www.finmeccanica.com/Corporate/EN/Corporate/Il_Gruppo/Organigramma_del_Gruppo/index.sdo

Believe

in the values that guide our approach to acting, operating and doing business.

principles and values

In 2011, Finmeccanica prepared a Charter of Values, serving as both a single point of reference for all companies of the Group and the foundation for the code of ethics and conduct for directors, employees, suppliers and other partners and for anyone else who operates in the interests of the Group.

In particular, beginning in September 2011, the Sustainability Working Group, in collaboration with Legal and Corporate Affairs, Internal Audit, Human Resources, and Investor Relations, developed a corporate "sandbox" on the matter, which resulted in the definitive Charter of Values for the Finmeccanica Group as approved by Finmeccanica SpA's Board of Directors in March 2012.
When preparing the Charter of Values, we also took account of the UN Global Compact's Ten Principles (an initiative which Finmeccanica intends to formally adhere to in the future) and the following international industry association documents (which Finmeccanica has already signed and actively supports as a member of the related ethics committees):

- "Common Industry Standards for European Aerospace and Defence" (issued by the Aerospace and Defence Industries Association of Europe, or "ASD"); and
- "Global Principles of Business Ethics for the Aerospace and Defence Industries" (issued by the ASD and by the American Aerospace Industries Association, or "AIA", within the scope of the "International Forum for Business Ethical Conduct (IFBEC)").

The Finmeccanica Group requires and promotes observance of the Charter of Values with the goal of strengthening the relationship of trust we maintain with all stakeholders. In 2012, the Charter of Values is to be included in the Codes of Ethics of Finmeccanica SpA and of all the Group companies.

Charter of Values

Finmeccanica is an international Group operating worldwide in sectors that promote the safety of people and communities, creating innovative solutions in the strategic areas of Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation. The Finmeccanica Group designs, builds and markets helicopters, aircraft and integrated systems capable of enhancing and protecting transport networks, infrastructures, national land, maritime and air borders, and everyday life.

In the pursuit of its mission, Finmeccanica has adopted this Charter of Values which provides the principles that guide the Group's strategy and the daily activities of all those who work and collaborate with the Group itself. **Ethics and Respect, Expertise and Merit, Innovation and Excellence, Internationality and Multiculturalism, Rights and Sustainability** are the values that shape the Finmeccanica Group's way of doing business.

The Finmeccanica Group demands and promotes compliance with the Charter of Values with the aim of consolidating its relationship of trust with all its stakeholders: employees, shareholders, customers, suppliers, partners, local communities.

1/ ethics and respect

We work in an honest, loyal and reliable manner, in full compliance with the rules.

The Finmeccanica Group promotes and implements a corporate culture inspired by responsibility, fairness and ethics in carrying out its daily activities, paying the utmost attention to the professional conduct of its Directors, employees, partners, suppliers and of all those who operate for the Group.

Our actions and communication are inspired by the principle of transparency, ensuring the Group is accountable for its choices and guaranteeing the truthfulness, accuracy and completeness of business information both within and outside the Group, in abidance by adequate levels of protection of confidential or inside information.

We ensure the efficient management of corporate risks by implementing the highest standards established for companies operating in regulated markets and in strategic sectors, by means of organizational structures and operating procedures which are constantly and continuously monitored and improved.

We operate in accordance with local, national and international regulations, implementing policies to counteract all forms of illegal activity and demanding full compliance with the rules of conduct by our Directors, employees, partners and suppliers, as the indispensable basis for their work.

In this Report
Ethics and corporate responsibility

2/ expertise and merit

We support the professional growth of our people and reward those who seek and foster the success of Finmeccanica.

The Finmeccanica Group encourages people to do their best and we reward professionalism and responsibility and promote cooperation and team spirit at all organizational levels.

We support our human resources by means of a training and career development system aimed at focusing on key skills and facilitating the sharing of knowledge and of best practices, using communication as a tool to support constant improvement.

In this Report
Human resources training and development

3/ innovation and excellence

We aim for continuous technological progress, through the creation and implementation of cutting edge solutions.

The Finmeccanica Group is committed to continuous innovation, essential to the high technology sectors in which the Group operates.

We invest in research and development and promote a corporate culture aimed towards constant innovation, both through the enhancement of our technological assets and the participation of our people in the creation of new ideas and the testing of new applications.

We provide competitive solutions throughout the world and in many sectors open to global competition, aiming to be ahead of our competitors through our ability to meet customers' demands, building a relationship of trust over time with governments and organizations of prime importance and, thanks to our technological capability, contributing to the security and development of the countries in which we operate.

In this Report
Innovation, research and development / Solutions and technologies for sustainable development / Detailed review by sector

4/ internationality and multiculturalism

We operate worldwide and we respect the culture of every country.

The Finmeccanica Group's leadership in international markets is founded on its expertise and the constant evolution of its products and services, with the aim of becoming a point of reference for technology worldwide.

We promote a multicultural working environment that respects and enhances the characteristics and unique nature of every individual, providing our employees in the various countries in which we operate with the ability to use their talents effectively for the achievement of their company's objectives.

In this Report
Group profile / Innovation, research and development / Human resources training and development

5/ rights and sustainability

We do business in a sustainable manner, with a continued commitment to economic and social development and the protection of human health and the environment.

The Finmeccanica Group upholds and promotes human rights in every context in which it operates, by creating equal opportunities for its people and fair treatment for all – regardless of race, nationality, political creed, religion, gender, age, diverse ability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and of each employee; among other things we promote the inclusion of minorities, ensure freedom of assembly and abide by the absolute prohibition of illegal labor.

We ensure safe and healthy workplaces and manage our production processes with the least possible environmental impact, striving to apply a precautionary approach to the protection of human health and the environment.

We contribute to the social and economic development of the communities and regions in which we operate, also by transferring our technologies and expertise and disseminating our know-how.

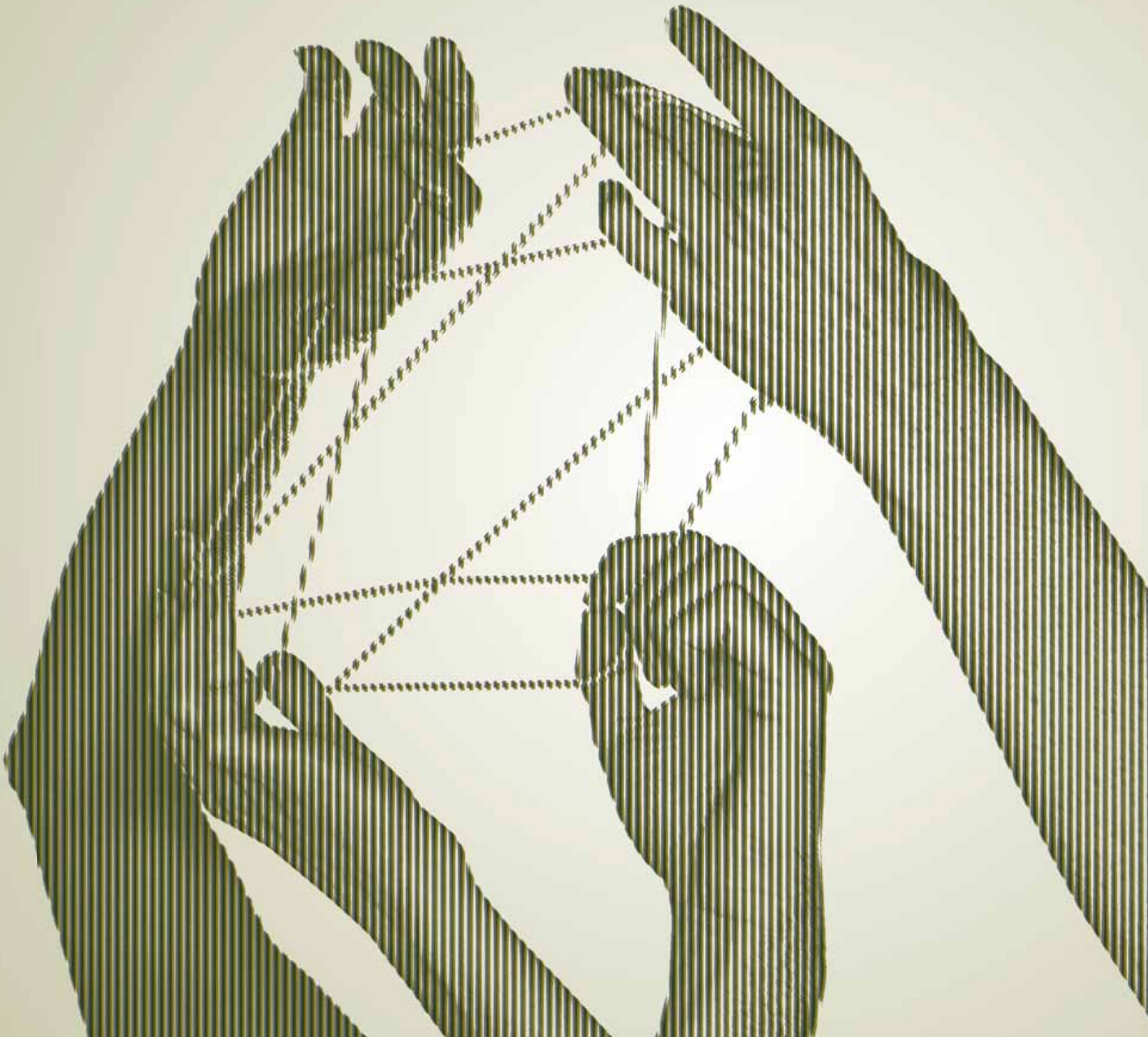
We strive to promote and consolidate a culture of sustainability by developing the awareness of environmental risks and encouraging responsible behavior from all our stakeholders.

In this Report
Business ethics / Health and safety / Competitiveness and the territory

Act

responsibly at all times, dialoguing with all our stakeholders. Govern a major industrial group, accurately assessing the opportunities and risks of new businesses and new markets.

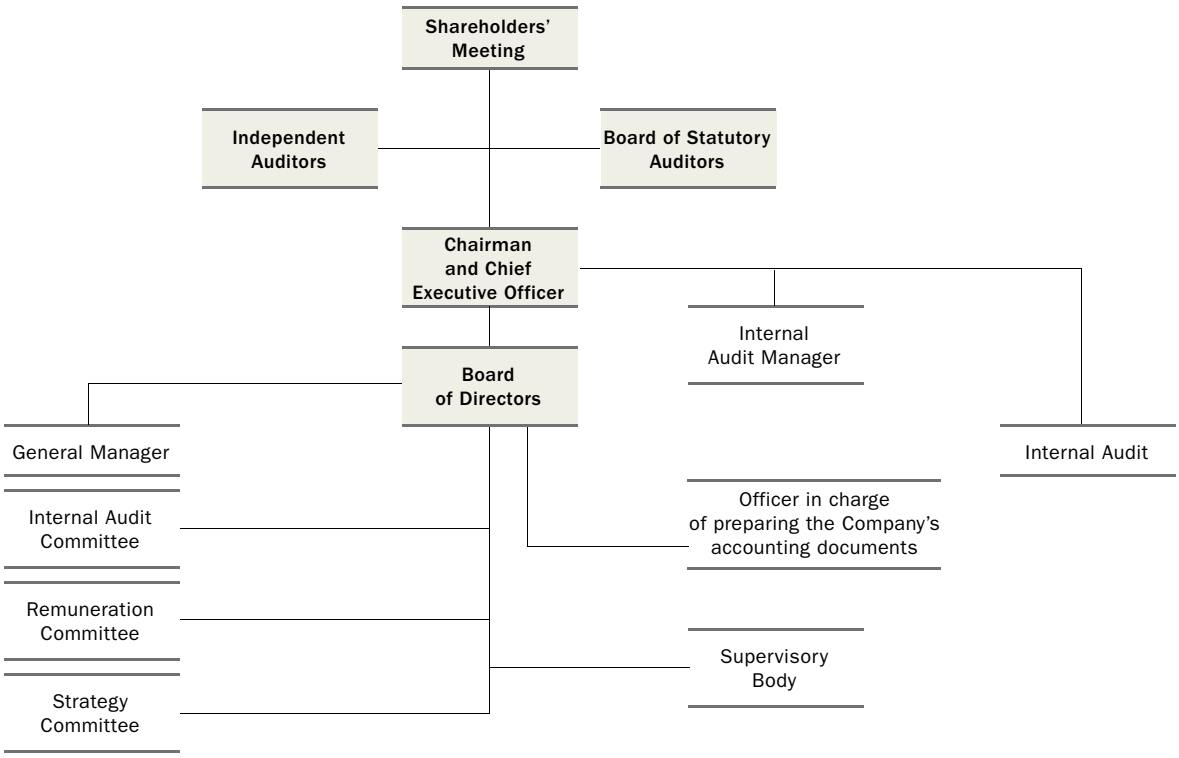
ethics and corporate responsibility



CORPORATE GOVERNANCE

Finmeccanica has adopted a corporate governance system that aspires to the highest standards of transparency and correctness in business management. This system satisfies the requirements of law and of CONSOB and Borsa Italiana SpA regulations and is also in line with the contents of the Corporate Governance Code for Listed Companies and the best international practices.

FINMECCANICA'S GOVERNANCE SYSTEM



The model aims to maximize value for shareholders (particularly small shareholders), control enterprise risk and interact transparently with the market. More generally, Finmeccanica's corporate governance system seeks to ensure that decision-making processes are conducted with integrity and correctly and that the managerial autonomy of the companies is protected.
The Ministry for the Economy and Finance holds a 30.2% stake in the share capital of Finmeccanica. The State's participation is governed by the terms of the Prime Minister's Decree of 28 September 1999, which states that the publicly owned stake may not fall below a minimum threshold of 30% of the Company's share capital, a requirement confirmed by Art. 59 of Law 133 of 6 August 2008.
The Ministry for the Economy and Finance, jointly with the Ministry for Economic Development, holds special powers (the so-called "golden share") in a number of State-owned companies, including Finmeccanica, that include the rights:

- to oppose the acquisition of material shareholdings (at least 3%) in the Company;
- to oppose the signing of agreements or contracts in which at least 3% of the share capital is represented;
- to veto, if duly justified in view of the harm that would be done to State interests, decisions to wind up the Company, sell the Company, conduct mergers or demergers, relocate the Company's registered office to a different country or change its business purpose;
- to appoint a Director without voting rights.

The golden share in the decree to liberalize the defence and national security industry

With the Decree-Law 1 of 24 January 2012, transposed into Law 27 of 24 March 2012, regarding the special powers of the government in companies in the defence and national security, energy, transportation and communications industries, Italy conforms to the legal framework set out in EU legislation, giving the executive branch powers to intervene to protect key legitimate and strategic interests of the nation.

For the defence and national security industry, three special powers may be exercised in the event of a real threat of serious harm to key defence and security interests:
a) the imposition of specific conditions on the acquisition, in whatever form, of equity interests in companies engaged in activities of strategic importance for the defence and national security system;
b) the power to veto decisions of shareholders' meetings or management bodies of a company in that industry that would alter the corporate structure, change the corporate purpose, wind up the company, transfer property rights or the right to use property, plant, equipment or intangible assets or adopt restrictions on their use;
c) opposition to the acquisition, in whatever form, of equity interests in a company that engages in activities of strategic importance for the defence and national security system by a party other than the Italian State or by Italian public entities if the purchaser would obtain a direct or indirect stake in the share capital with voting rights such that it could jeopardize, in that specific case, defence and national security interests.

Boards and committees

Finmeccanica's corporate governance is provided by its main boards and bodies:

- Shareholders' Meeting, which has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the Bylaws;
- Board of Directors, which is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfillment of the Company's business purpose, except for those acts reserved to the Shareholders' Meeting by law or by the Bylaws;
- Board of Statutory Auditors, which has the task of monitoring: a) compliance with the law and Bylaws and observance of the principles of proper business administration; b) the adequacy of the Company's organizational structure, internal control system and administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; c) the adequacy of the Company's instructions to subsidiaries with regard to disclosures.

Other essential components of the corporate governance system as required for listed companies are:

- Independent Auditors, charged with performing the statutory audit of the accounts. The Independent Auditor is appointed by the Shareholders' Meeting, upon the recommendation of the Board of Statutory Auditors;
- Officer in charge of preparing the Company's accounting documents, who performs the following functions: a) certifies in writing that the corporate acts and communications relating to financial reporting and released to the market correspond to the entries in the books and accounting records; b) establishes appropriate administrative and accounting procedures for preparing the individual financial statements, the consolidated financial statements, as well as other financial communications; c) provides the statement required by Art. 154-bis(2) of the Consolidated Law on Financial Intermediation and, jointly with the Chairman and Chief Executive Officer, provides the certification required by Art. 154-bis(5) of the Consolidated Law on Financial Intermediation, concerning the separate financial statements, the consolidated financial statements and the condensed half-year financial statements;

  Art. 25 of Finmeccanica SpA's Bylaws provides that the Board of Directors should appoint, in consultation with the Board of Statutory Auditors, an Officer in charge of preparing the Company's accounting documents whose term of office expires at the same time as that of the Board of Directors that appointed him.

The Shareholders' Meeting of 4 May 2011 set the number of the members of the new Board of Directors at 11. They will serve until the approval of the financial statements for the 2013 financial year. In addition to the 11 members of the Board of Directors appointed by the shareholders, in accordance with Art. 5.1-ter(d) of the Bylaws, a Director without voting rights selected by the Ministry for the Economy and Finance, jointly with the Ministry for Economic Development, was appointed. He may exercise the "special powers" specified by Law 474/94 as amended, and will remain in office until the end of the term of the present Board of Directors.

Therefore, the Board is composed of 12 Directors, of which 9 are non-executive and 2 are executive (the Chairman/CEO and the Director/General Manager), and the Director without voting rights. Each year the Board assesses the independence of its members based on information obtained from them. The current Board assessed and confirmed that the 8 Directors who declared themselves to be independent met the requirements for independence. The Directors' *curriculum vitae* can be found on the Company's Internet site.

Following the resignation of Chairman Pier Francesco Guarguaglini on 1 December 2011, on the same date the Company's Board of Directors appointed Giuseppe Orsi, who had already been appointed as Chief Executive Officer on 4 May 2011, as Chairman of the Board of Directors. The Board itself also resolved to appoint Alessandro Pansa as Director pursuant to Art. 2386 of the Italian Civil Code, confirming the powers and duties already conferred upon him when he was appointed General Manager, CFO and Officer in charge of preparing the Company's accounting documents on 4 May 2011.

The amalgamation of the two offices, both held by Mr. Orsi, reflects the need to ensure strong leadership to direct the current phase of consolidation of the Group's operations and assets. The Chairman and CEO works with the Lead Independent Director, who represents the interests of the non-executive Directors. The Board of Directors has established three internal committees to better carry out its duties:

- the Internal Audit Committee, which also acts as the Committee for Transactions with Related Parties, composed of 4 independent, non-executive Directors;
- the Remuneration Committee, composed of 4 non-executive Directors, the majority of whom are independent;
- the Strategy Committee.

The first two of these committees are envisaged by the Corporate Governance Code and operate at the instructions and under the regulations thereof, while the Strategy Committee is in charge of the preliminary assessment of strategic options for enhancing the value of the Group and the relevant business plans, drawn up by the Chairman and CEO for approval by the Board of Directors.

For more information, please refer to the "Corporate Governance Report and Shareholder Structure" in the consolidated financial statements.

COMPOSITION AND FUNCTIONING OF THE CORPORATE BODIES AND COMMITTEES

BOARD OF DIRECTORS	2011	2010	2009	NOTE
Number of members	**12**	12	12	8 Directors resigned in 2011.
of which non-executive	**10**	11	11	All except the Chairman, CEO and General Manager.
of which independent	**8**	9	9	Defined as independent based on the Corporate Governance Code and the Consolidated Law on Financial Intermediation.
of which non-voting	**1**	1	1	Appointed by the Italian Ministry for the Economy and Finance.
of which nominated from minority lists	**4**	4	4	
Meetings held	**15**	13	10	
Level of attendance (*)	**97%**	96%	98%	
Meetings held by the group of independent Directors	**3**	3	3	

INTERNAL AUDIT COMMITTEE	2011	2010	2009	NOTE
Number of members	**4**	4	4	All independent Directors were replaced in 2011.
Meetings held	**15**	8	8	
Level of attendance (*)	**94%**	94%	90%	

STRATEGY COMMITTEE	2011	2010	2009	NOTE
Number of members	**6**	8	8	All members except for two were replaced in 2011.
Meetings held	**2**	3	2	
Level of attendance (*)	**93%**	100%	100%	

REMUNERATION COMMITTEE	2011	2010	2009	NOTE
Number of members	**4**	5	5	In 2011, two members were rotated, including the chairman.
Meetings held	**7**	5	6	
Level of attendance (*)	**100%**	100%	93%	

BOARD OF STATUTORY AUDITORS	2011	2010	2009	NOTE
Number of regular members	**5**	5	5	The term of the Board of Auditors is for the 2009-2011 period and includes two alternate auditors.
of which nominated from minority lists	**2**	2	2	
Meetings held	**39**	27	22	
Level of attendance (*)	**88%**	94%	94%	

(*) Calculated as the number of members actually present/number of meetings called.

Internal control system

Finmeccanica's internal control system involves a number of participants:

› Board of Directors;

› Executive Director in charge of the internal control system;

› Internal Audit Committee;

› Internal Audit Manager;

› Administrative body to which powers have been delegated pursuant to Law 262/05;

› Officer in charge of preparing the Company's accounting documents pursuant to Law 262/05;

› Supervisory Body formed pursuant to Legislative Decree 231 of 8 June 2001;

› Board of Statutory Auditors.

With the help of the Internal Audit Committee and through the executive Director so appointed, the Board of Directors lays down guidelines for the internal control system so that the main risks involving the Finmeccanica Group and its subsidiaries are correctly identified and satisfactorily measured, managed and monitored, while also defining criteria for the compatibility of these risks with the sound and proper management of the Company.

The Internal Audit Committee plays a fundamental role, advising and putting forth proposals to the Board of Directors within the course of its work. The Committee is, in particular, responsible for verifying the functioning and adequacy of the internal control system as well as observance of internal procedures, so as to ensure both the sound, effective management of various risks and their prevention as far as is possible.

In order to ensure that all those who act on behalf of or in the interests of the Company always conduct themselves in accordance with the principles of fairness and transparency in engaging in business and corporate activities, Finmeccanica has adopted an organizational, management and control model (the "Compliance Model") under Legislative Decree 231/01 and the guidelines issued by Confindustria, of which the Code of Ethics is an integral part, and a Supervisory Body, which will oversee the application of the Compliance Model.
The Italian Group companies have adopted their own Compliance Models and Codes of Ethics, utilizing the principles set out in the corresponding documents of Finmeccanica SpA, and have also independently established their own Supervisory Bodies. The Compliance Model and the Code of Ethics of Finmeccanica SpA can be found on its website (Investor Relations/Corporate Governance section).

There were 8 reports at the Group level of violations of the Code of Ethics and 3 of possible violations of the Compliance Model of SELEX Sistemi Integrati SpA made to the Supervisory Bodies in 2011. Analysis of the reports led, in some cases, to the imposition of sanctions.

In 2011, 120 audits were conducted at the Group level, relating to all the major corporate management areas:

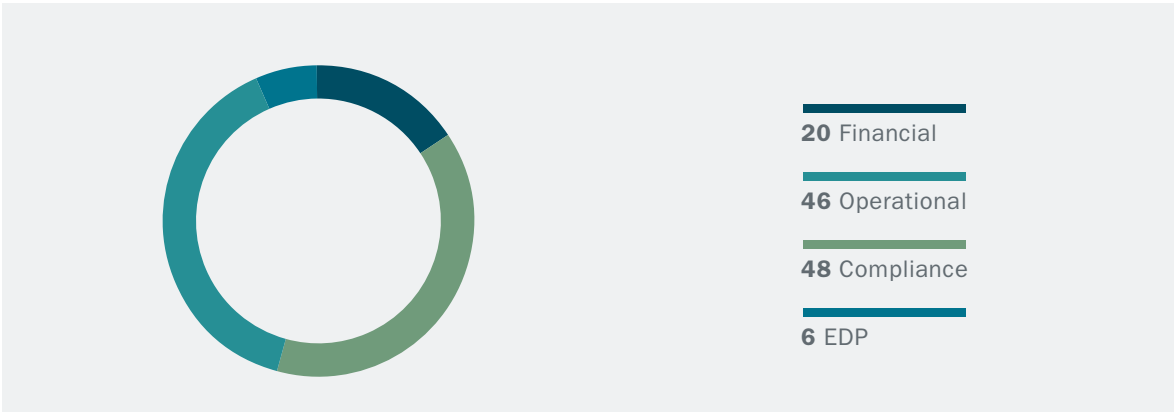
› administration and finance;

› operations – particularly managing orders, procurement of goods and services, and human resources;

› compliance – especially export authorization procedures;

› computer systems.

AUDITS PERFORMED IN 2011 BY MANAGEMENT AREA



These audit activities and the control activities concluded by the Independent Auditor uncovered a number of cases of non- or partial application of existing Directives/Procedures (although limited in number), with particular reference to the area of purchasing procedures, the preparation of commercial bids and the management of consultancy contracts. Faced with these circumstances, the Parent Company Finmeccanica SpA asked the subsidiaries to step up all actions aimed at guaranteeing strict compliance with internal regulations and Group Directives.
A more thorough assessment of the efficacy and adequacy of the internal control system was also performed with regard to widespread news reports about the investigation of Group companies being conducted by judicial authorities. To that end, the Internal Audit Committee and the Supervisory Body, together with the Board of Statutory Auditors and with the help of the appropriate Finmeccanica SpA units, performed their own investigation into these matters through meetings with the top management of Finmeccanica SpA and the Group companies involved and with representatives of the Independent Auditors, among other methods. The Board of Statutory Auditors also carried out an independent audit through meetings with the boards of statutory auditors of the Group companies involved.
Please refer to the "Corporate Governance Report and Shareholder Structure" in the consolidated financial statements for a more complete description of the investigations involving the Finmeccanica Group and the measures taken in response by the internal audit bodies.

Compliance with Law 262/05

Law 262 of 28 December 2005 containing "provisions for the protection of investors and the governance of financial markets" and introducing the procedures for appointing the Officer in charge of preparing the Company's accounting documents of listed companies, also introduced legislative changes aimed at improving the corporate governance of companies listed on Italian regulated markets and ensuring that the financial information reported to the market is reliable, complete and timely.
Therefore, transparent disclosure by listed companies of their results and outlook is a key element of maintaining a relationship between companies and those they interact with, particularly investors. Therefore, reporting by companies must be supported by an effective internal control system, which they should strive to continually improve and adapt to normal developments in business activities, and any changes in the underlying regulatory framework.
Finmeccanica has therefore developed – making use of a special structure within the Administration and Tax Unit, under the Administration, Finance & Control Unit – a specific internal control system governing the financial reporting process (International Control Financial Reporting - ICFR), that has been defined in accordance with the generally accepted frameworks issued by the Committee of Sponsoring Organizations (CoSO) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT).
This ICFR system is, among others, composed of a comprehensive and complete set of procedures that clearly define the business processes that directly or indirectly impact financial statements and other financial communications. To this end, starting in 2007, specific administrative and accounting procedures (narratives) have been issued describing the activities, roles, responsibilities, document exchange and computer systems used, as well as specific controls.
Starting from 2008, the ICFR system also contains specific provisions for managing the segregation of roles with the aim of ensuring that the tasks assigned to the various members of an organization are appropriately distributed in order to reduce possible errors and/or fraud.
Moreover, to comply with Law 262/05, within the major companies of the Group the boards of directors are required to appoint financial reporting managers (FRMs) responsible for the financial information provided to the Parent Company and for supporting the Officer in charge of preparing the Company's accounting documents.

As such, the FRMs have the following responsibilities:

- developing specific narratives for each Group company that ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim financial statements and is in line with the actual operations of the company concerned;
- defining and implementing any plans for improvement;
- attesting, with respect to the Officer in charge of preparing the Company's accounting documents of Finmeccanica, together with the Delegated Governing Body of the company, to what is requested by the Parent Company in relation to the internal control system for the governance of the financial reporting process and the preparation of accounting documents.

In order to verify and ensure the functioning of the ICFR system, specific monitoring activities have been defined for both the process owners and for parties outside the process itself (Internal Audit Unit) in relation to process functioning (annual and/or semi-annual tests).
In an effort to continually improve the ICFR system, a specific component for the management of fraud risks was developed and integrated with it. This work, which began in the fourth quarter of 2010, was developed further in 2011. A list of fraud schemes (fraud library) has been identified which classifies them by process and risk macro-category (fraudulent misrepresentation of financial statements, misappropriation of corporate assets, corruption) in accordance with the Uniform Occupational Fraud Classification System developed by the Association of Certified Fraud Examiners (ACFE).
The fraud risks included in the fraud library are those defined as "internal" cases, i.e. cases of fraudulent acts that assume the participation or the involvement of at least one person belonging to the company. Therefore, on the basis of the results of a fraud risk assessment (by which the level of inherent riskiness is assessed for each fraud scheme applicable to the companies), work began on integrating the checks based on the cases found in the fraud library with existing controls.

The management of fraud risks provides for the following control components:

- checks aimed at detecting frauds (if any) perpetrated to the detriment of the company and/or significant weaknesses at the level of the internal control system ("Detection Audit");
- checks at process level ("Transaction Level Control");
- elements of the control environment at the entity level that are relevant for anti-fraud purposes ("Entity Level Control"/"IT General Control").

The monitoring plan (test) for the anti-fraud control components will be initiated in the first half of 2012 with specific checks (so-called Detection Audit) that will be coordinated, at central level, by the Internal Audit Unit of Finmeccanica so as to ensure a uniform approach by the companies to comply with Law 262/05.
The 2012 action plan provides for the issue of a special Manual for the management of compliance with Law 262/05, including the component related to the management of fraud risks; its objective is to strengthen the internal control model on financial reporting within the Group and to ensure it is managed with development in mind.

New Directives and Procedures

From an implementation standpoint, promoting ethics and social responsibility by the company takes the form of effectively preparing and actually observing the principles, systems, procedures and controls designed to ensure the Company's integrity and compliance with the rules by managers, other employees and all those who contribute to the business, while stimulating the development of the skills and value of personnel, on the one hand, and improving the efficiency and technological excellence of processes on the other.
Based on this premise, Finmeccanica has put in place a continuous improvement process that consists of developing a platform of protections, inspired by international best practices, in those areas in which the Group is potentially exposed to risks.
The improvement actions led to the issue of new Group Directives and Procedures, as well as changes to the Compliance Model, bringing it in line with the most recent legislative changes regarding crimes against the environment introduced by Legislative Decree 121/11 *(see The Group's commitment to EHS)*.

DIRECTIVE/PROCEDURE	DATE OF ISSUE	SUBJECT MATTER/CONTENT
Directive on the *"Execution and management of contracts in support of commercial activities with public administrations, institutional clients and state-owned companies"*; supplemented by the guidelines for *"Consultants and Business Promoters"*	**8 FEBRUARY 2011** **11 JANUARY 2012**	Firstly, it defines the organizational context both in Finmeccanica and in the subsidiary companies, with the roles and responsibilities of the various units, and secondly, it sets the rules for the establishment and management of relations with consultants and business promoters (*see Business ethics*).
Directive on the *"Formation and running of the Boards of Directors and Boards of Statutory Auditors of Subsidiary Companies"*	**15 NOVEMBER 2011**	An update of a similar Directive that was issued in 2007 and that takes into account the changed organization structure of Finmeccanica SpA.
Directive on the *"Management of Transactions with Related Parties carried out through and by Subsidiary Companies"*	**13 DECEMBER 2011**	Defines the scope of application, the roles and responsibilities assigned within Finmeccanica and within the subsidiary companies for the performance of activities relating to the management of transactions with related parties that are carried out through and by subsidiary companies (within the scope of the Directive) or directly by Finmeccanica SpA (under the Procedure), in implementation of CONSOB Regulation 17221 of 12 March 2010, as amended by CONSOB Resolution 17389 of 23 June 2010.
Directive on the *"Enhancement, management and protection of the intellectual property of the Finmeccanica Group"*	**15 FEBRUARY 2012**	Governing the adoption of a combined and coordinated system for the enhancement, management and protection of the intellectual property of Finmeccanica SpA and its subsidiary companies (*see Innovation, research and development*).
"*Trade Compliance*" Directive	**9 MARCH 2012**	Governs two particularly important areas: • the import/export of equipment for military, dual or commercial use which is subject to specific regulatory requirements; • sanctions or other restrictive measures that affect countries or persons considered sensitive by the competent national and international authorities (*see Business ethics*).

BUSINESS ETHICS

The evolution of the economies of the major industrialized countries and the financial difficulties encountered by them in recent years and in 2011 have gradually shifted the interest and activities of the aerospace and defence and security industries from more mature markets towards markets with higher growth prospects.

This trend exposes the Finmeccanica Group, as well as all its competitors in these industries, to close scrutiny by various categories of stakeholders: most of all by institutions, investors and non-governmental organizations. Their concern is that the Group may potentially become involved, even indirectly, in controversial environments or situations that may have a negative impact on business and on the reputations of the Group or its subsidiaries and associates.

The Finmeccanica Group has implemented a series of compliance policies aimed at avoiding risks faced in conducting its activities. Some of the areas of particular concern to stakeholders and to which Finmeccanica pays special attention are:

› relationships with sensitive countries;

› controversial arms;

› the risk of corruption in conducting business;

› human rights and workers' rights.

Specifically, the compliance policies aim to prevent events that could lead to liability on the part of the Company, in the various forms (including cumulative) in which the risk may manifest.

The Finmeccanica Group's compliance policies

Within the context of risk management as a whole, especially by listed groups operating in more than one sector on a global scale, like the Finmeccanica Group, the practice of using specialized support tools to protect against all risks, i.e. structures for the development, management and adjustment of business tools, has become common and these are designed to avoid or reduce the risk of liability for breach of regulations, measures or governance codes *(see Risk management)*.

Given the vastness of the relevant rules and risk-generating situations, prevention activities relating to compliance support the management of the Parent Company in two basic ways:

› by implementing a consistent, standard policy in areas in which situations could arise having significant legal consequences for the Group as a whole;

› by pursuing general compliance objectives assigned to the individual Group companies in terms of results.

As regards compliance policies, special emphasis was placed on the national laws of the major markets in which the Group operates (Italy, United Kingdom and the United States of America), as well as European and international laws.

Some of the priority areas for compliance

Administrative liability of legal persons (Legislative Decree 231/01; Confindustria Guidelines)

Environmental protection (Legislative Decree 152/06 - Environmental Code)

Workplace health and safety (Legislative Decree 81/08)

Rules governing listed companies (Legislative Decree 58/98 - Consolidated Law on Financial Intermediation)

Anti-corruption policies (Legislative Decree 231/01; US Foreign Corrupt Practices Act, UK Bribery Act)

Defending national security (US DSS - Defense Security Service)

Subsidized financing and funding for national security (Law 808/85)

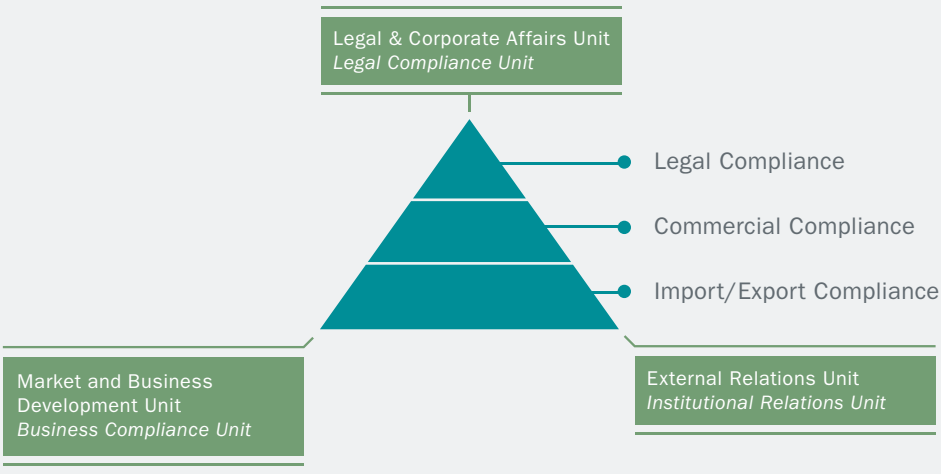
Import/export of military equipment and dual-use goods (Law 185/90; EU Regulations; US ITAR - International Traffic in Arms Regulations, EAR - Export Administration Regulations)

Sanctions and restrictive measures (UN Security Council; EU Council; US OFAC - Office of Foreign Assets Control)

Concessions and tendering rules (Legislative Decree 163/06 - Public Contracts Code; EU Defence Directives)

Internal market, competition and State aid (Treaty, Regulations and EU Directives)

The primary ways in which Finmeccanica ensures compliance can be represented thusly:



Regulatory compliance in the conduct of business with sensitive countries

The primary applicable legislation in Italy is Law 185/90, which places tight restrictions on the export, import and transit of armament materials. This law, which is internationally considered one of the most restrictive of its kind, specifically prohibits trade with embargoed countries, those engaged in armed conflict and countries whose governments have been responsible for serious violations of international conventions on human rights. This law also highlights the oversight role played by the government which, in respecting an important principle of transparency, is required to report annually to the Parliament on the number and type of transactions authorized.

References to countries subject to sanctions or restrictive measures

www.esteri.it/MAE/IT/Politica_Europea/Misure_Deroghe/

www.mincomes.it/embarghi/embarghi.htm

www.exportstrategico.org/embarghisanzioni.htm

www.pmddtc.state.gov/embargoed_countries/index.html

www.eeas.europa.eu/cfsp/sanctions/index_en.htm

There are also specific European regulations, directives and decisions which subject the direct or indirect import and/or export of dual-use goods and technologies that could be used for internal repression, or for uses which are not permitted, to stringent conditions and bans.

The Finmeccanica Group is also subject to the legislation of other countries in which it operates, including the United States and the United Kingdom, both of which deserve mention due to the importance of productive activities carried out there and of their national legislation, which impose high standards in the field of controls on exports, import and the transfer of armament materials and dual-use goods, as well as those for certain commercial uses that are considered sensitive.

Against this background, Finmeccanica has issued a new Directive establishing a comprehensive “Trade Compliance Program” for the entire Group, which governs two particularly important areas:

- the import/export of materials for military, commercial or dual use that is subject to specific regulatory requirements (especially with regard to US ITAR, EAR and OFAC, EU Council regulations and laws applicable in the United Kingdom and Italy);
- sanctions or restrictive measures that affect individuals or countries considered sensitive (especially by the relevant US, European, British and Italian authorities, and pursuant to resolutions of the UN Security Council).

The Directive in question aims to establish a trade compliance system for the Group, whereby the operating companies engaged in import/export that even potentially fall within the scope of the regulations and programs mentioned above must adopt appropriate organizational safeguards and specific management and control procedures. The system provides, among other things, certain minimum standards for company programs for monitoring activities, training staff and reporting of critical issues.

Commitment to not manufacture or sell controversial arms

The manufacture and sale of products, technologies and systems for the defence and security sector represents a sensitive area, both in terms of State interests and of protecting society, and is strictly regulated by various national laws and international treaties and conventions.

Finmeccanica operates in full compliance with the regulatory framework and does not manufacture or sell small arms (rifles, pistols and the like) or controversial arms (mines, land mines, cluster bombs, biological, chemical and nuclear weapons) and contributes, along with other European industries, to the transparency and safe movement of products.

Regarding the ASMPA missile, developed by MBDA in a joint venture with BAE Systems and EADS, of which Finmeccanica holds a 25% minority stake, it should be noted that MBDA France only manufactures the rocket, while the nuclear warhead is produced and subsequently installed by the French Alternative Energies and Atomic Energy Commission (Commissariat à l'énergie atomique et aux énergies alternatives - CEA, www.defense.gouv.fr/dga/equipement/dissuasion/le-missile-asmpa), the sole repository for the necessary technology and as such subject to State secrecy as required by French law.

Preventing the risk of corruption in business activities

Finmeccanica maintains a stable presence in around 50 countries throughout the world, across all continents, and sells its products in almost 100 jurisdictions. Countries with emerging markets, in particular, sometimes have less stringent governance rules and the level of corruption in the public sector is seen as higher than in those countries where the Group's business is more consolidated. Given its growing presence in these markets, Finmeccanica is prepared to compete in a more efficient and ethically responsible way, adopting organizational measures and procedures aimed at raising awareness and adequately preparing all the company structures involved in the most critical aspects of its business.

These programs were given a significant boost following Finmeccanica's decision, in 2011, to adhere to the "Global Principles of Business Ethics for the Aerospace and Defense Industry" issued by a joint working group formed by ASD and AIA, the two largest aerospace and defence industry associations, European and American, respectively, in the context of the International Forum for Business Ethical Conduct (IFBEC).
The Global Principles summarize the best practices recognized internationally in the industry, particularly those contained in the "Common Industry Standards for European Aerospace and Defense" issued by ASD, and in the "Defense Industry Initiative on Ethics and Business Conduct" sponsored by AIA. These principles not only promote a policy of "zero tolerance for corruption", but also provide guidelines for the use of agents, consultants and intermediaries, and for the management of conflicts of interest and for the respect of proprietary information.

From an operational standpoint, on 8 February 2011, Finmeccanica issued the Group Directive, which became immediately effective, on the "Execution and management of contracts in support of commercial activities with public administrations, institutional clients and state-owned companies"; subsequently, on 11 January 2012, the related "Consultants and Business Promoters" Guidelines were issued.

The Directive:

- firstly defines the organizational context both in Finmeccanica and in the subsidiary companies, with the roles and responsibilities of the various units, and secondly, the rules for the establishment and management of relations with consultants and business promoters. In this regard it provides that, on the one hand, Finmeccanica has the task of drawing up the general rules for the Group, as well as monitoring the implementation and providing support for the drafting and updating of these; on the other hand, the companies have the duty to abide by said rules, in compliance with organizational models, codes of ethics and national, foreign and international regulations as applicable;
- sets out a series of requirements that must be carried out before entering into a contract and complied with during its implementation, in particular with regard to the verification of the prerequisites that consultants and business promoters must meet. In practice, it provides for the performance of due diligence for each individual relationship, using specifically mentioned tools such as statements, disclosures and other documents, to be acquired both from the persons directly concerned (written statements and questionnaires certifying in detail their integrity and good conduct) and from independent sources (legal opinions from outside firms and corporate and financial information obtained from public registers).

The Guidelines have subsequently regulated certain important aspects of implementation, including:

- defining consultancy and business promotion contracts, as well as contracts with government entities, institutional clients and publicly-owned companies;
- allowing only very limited exceptions for companies in following the implementation procedures for the Directive issued by Finmeccanica in response to specific local or sectoral requirements;
- formulating a standard contract with the drawing up of a model contract;
- identifying the main risk factors (so-called "red flags") for which evaluation and traceability are obligatory (e.g., personal or family relationships, countries with a high risk of corruption);

- with respect to countries with favorable tax systems: reference to the black list of national systems and definition of general rules of conduct, with a ban on executing a contract if the consultant or business promoter is resident in a tax haven country (unless it is the country of the job order);
- preparing a document which summarizes the relationship with detailed instructions concerning the restrictions and requirements in signing and executing the contract (e.g., rules on payments, reporting on activities);
- coordination by the Parent Company of the legal opinions on the operating conditions in various countries, with an evaluation of the specific task that is carried out by the companies;
- preparing a questionnaire to ensure that the companies acquire key information about the consultant/ business promoter, including using external sources for verification.

To ensure that such Directive and Guidelines have been correctly applied, a Business Compliance Unit has been established within the Market and Business Development Unit of the Parent Company to work on these issues in cooperation with the Legal and Corporate Affairs Unit, particularly the Compliance and Regulation Unit. Each Group company is required to send the Parent Company, on a six-monthly basis, a statement that attests to the adoption and application of the Directive, especially on the tracking of the decision-making process underlying the adoption of any exceptions expressly contemplated and permitted by the Directive itself.

For the purpose of aligning those contracts entered into before the issue of the Directive and the related Guidelines and that are still in effect, the Guidelines provide that such contracts be amended according to the Directive and the abovementioned Guidelines when they are renewed or extended (if applicable). Such amendments must be made by 30 June 2012.

Human rights and workers' rights

The operational activities managed directly by Finmeccanica are mainly in its major markets (Italy, United Kingdom, United States of America) and in other countries having advanced labor laws. However, it is not uncommon for operations to be initiated and managed in other countries, including in relation to specific offset agreements.
The risk of possible disputes arising from failure to observe the economic, labor, and health and safety rights of workers is therefore deemed minimal. Finmeccanica complies with regulations governing labor relations in each country and operates in accordance with advanced human resource management and industrial relations policies *(see Labor organization and labor relations)*. It also promotes the adoption of workplace health and safety management systems in all its operating environments, as evidenced by the continually growing number of sites certified as meeting OHSAS 18001 standards *(see The Group's commitment to EHS)*. However, where the regulatory protection for those rights is low, Finmeccanica shall, in any case, use those standards applied in its major markets.
Finmeccanica also promotes respect for human rights and the principles of business ethics with its suppliers. Finmeccanica Group Services *(see Group structures and sectors)* is particularly active on this front, having established itself over time as skilled at managing suppliers and making procurement decisions in a way that combines the objectives of quality and efficiency with attention to environmental sustainability and social responsibility.

The best practices introduced by Finmeccanica Group Services in this area in 2011 include:

- the introduction of ethical and social responsibility principles with regard to equal opportunities, promoting the hiring of those entering the workforce for the first time, fighting against child labor and off-the-books employment and promoting the integrated management of workplace safety in the self-certification questionnaires that foreign suppliers must submit for qualification;
- the introduction of parameters for assessing the Delinquency Score (based on the Dun & Bradstreet Report), which measures the delays companies experienced in making payments to their employees, associated and suppliers.

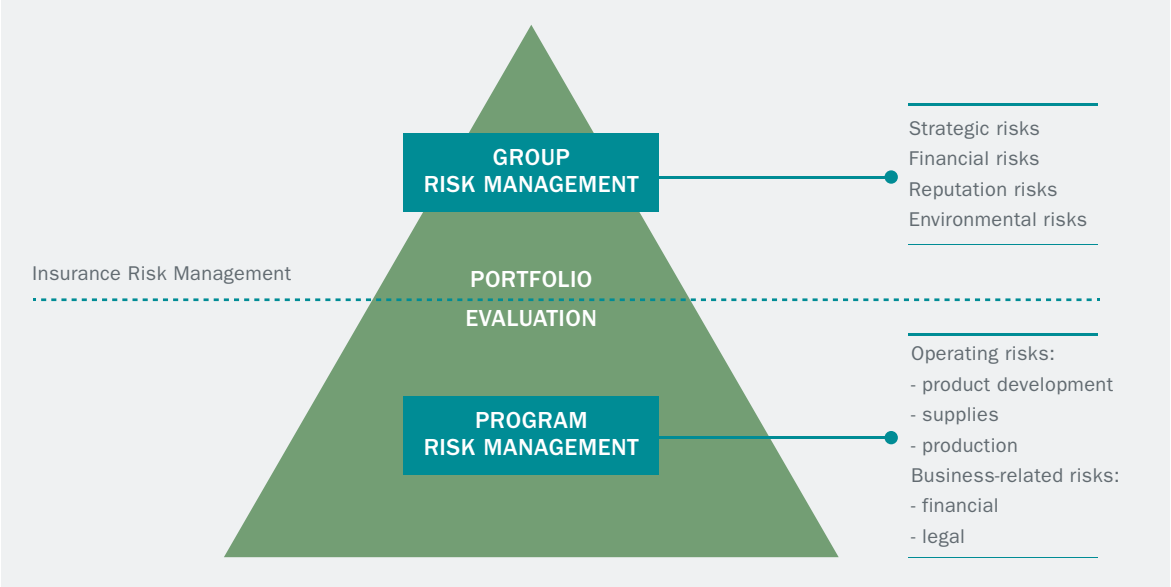
It is also a common practice for the companies to attach the Code of Ethics as an integral part of their contracts.

RISK MANAGEMENT

To Finmeccanica, the proper management of all risks inherent in the conduct of business activities is a cornerstone to maintaining, over the long term, the creation of economic value and protecting the tangible and intangible assets of interest to stakeholders. The financial decisions taken in 2011 are examples of the proper and responsible application of the risk management procedures *(see Performance and financial results)*.

In protecting against risks, Finmeccanica takes an integrated top-down and bottom-up approach between the Parent and operating companies, in which specific responsibilities are determined by the type of risks faced at various levels.

RISK MANAGEMENT MODEL



Strategic risks and financial risks

Strategic risks and financial risks are assessed, reduced and monitored directly by the Parent Company. The strategic risks include both those deriving from management of the business as a whole and the risk to its reputation, which is associated with business ethics issues specifically (see above) and with the quality of relations with the Group's strategic stakeholders (Group Risk Management) in general.

Operating risks

Technological/operating risks deriving from contracts are generally identified, assessed and mitigated directly by the subsidiaries, each for its own specific business environment, who provide appropriate information to the Parent Company. When dealing with more critical risks, the Parent Company's management is involved directly, and also provides operational support (Program Risk Management).

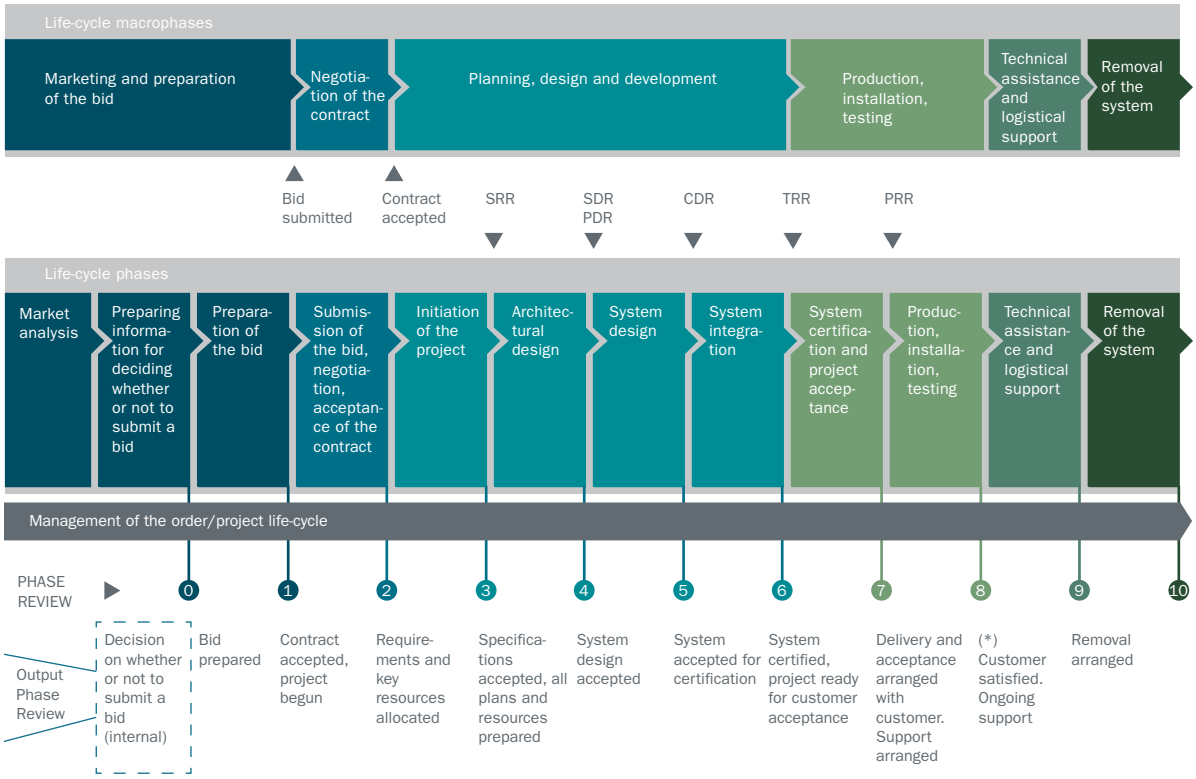
In this context, the operating companies act according to internal procedures laid down in line with the guidelines contained in the Parent Company Directive on "Risk Management for Orders". This Directive, which in turn implements the requirements contained in the Group Guidelines on "Life Cycle Management and Project Control", defines roles, responsibilities and operating procedures for the process by which management and control of the provisioning/project/program is undertaken based on determination of a "life cycle".
The "life cycle" is the flow of activities into which the execution of the provisioning/project that is part of a business area breaks down. It starts with the preliminary phases of marketing and bidding, up through the final phases of warranty and post-sale service. Each stage identifies a portion of the execution process and concludes with a significant event that gives rise to the Phase Review.

Basically, the Phase Review, which uses objective indicators like the Cost Performance Index (CPI) and the Schedule Performance Index (SPI), measures to what extent the objectives for each completed phase

have been reached and the appropriateness of the plans in place to execute the subsequent phases and proper risk management.

The risk management process starts right from the bidding phase, with an identification of the risks and their causes. This is followed by an assessment of them that takes into account possible mitigating actions and their potential impact. The assessment process is a prerequisite for identifying the proper level of contingency to be allocated against the identified risks.
Analysis of technological/operating risks involved in individual programs, combined with analysis of commercial risks associated with the programs themselves, are aggregated at the company level, and subsequently at the Group level, in order to assess the inherent business risk as a whole. This risk is monitored and, if necessary, reduced, in order to guarantee that the targeted returns on investment and business portfolio value creation remain in line with expectations (Portfolio Evaluation).

PHASE REVIEW SCHEME



(*) Phase review to be repeated at least once a year until system removal.

Risks that can be insured against, once they have been identified and suitably reduced through specific loss prevention plans, are transferred to the insurance market in order to reduce Group exposure further, particularly with respect to potential catastrophic events. Management of these risks has been centralized by the Parent Company, both as regards risks that are common to the operating companies, for which specific Group insurance plans have been drawn up, such as those for fire, natural events, pollution, product liability, and as regards technological risks inherent to individual programs. Accident management also takes place under the co-ordination and supervision of the Parent Company (Insurance Risk Management).

For more detailed information on identifying and managing various types of risk, please see the consolidated financial statements.

PRODUCT STEWARDSHIP

Finmeccanica, as an industrial and technological world leader in our sector, is fully aware that we must be involved in the entire life cycle of our products, continually safeguarding, among other things, human, technological and environmental resources.
That is why the Group monitors the various locations in which we operate, developing and applying cutting-edge solutions for the most significant problems we encounter.
For example, in the aerospace industry, one of the most important problems presently and increasingly so going forward is related to managing the end of life of products. Less-modern civilian and military aircraft are taken to special areas with climates suitable for protecting their structures from slow decay, where they are dismantled for their components to be sold on the spare parts market worldwide.
As to objects orbiting in space, this is a new frontier that several international bodies are only beginning to address.

Environmental matters, as well as issues related to health and safety, are at the heart of the issue of product stewardship as extended to all phases of the product life cycle, based on the Life Cycle Assessment (LCA) approach. This approach is relatively new in the aerospace industry and is still based on guidelines set at the intra-sectoral level (www.afraassociation.org), while, in other industries, it is already regulated by legislation.
Over the last ten year, the European Union has issued a series of directives that have a direct impact on product stewardship as it relates to the processes for the production, use and disposal of products. The most important of these are the Waste Electrical and Electronic Equipment (WEEE) and the Restriction of Hazardous Substances (RoHS) directives and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation *(see The Group's commitment to EHS)*.
Added to these is the End of Life Vehicles (ELV) directive, which sets the levels of recyclability for the individual parts that make up the product. For now, this directive, introduced in 2007, applies only to the automotive industry, which has a much more significant quantitative impact than other industries, but in the near future may be extended to aircraft structures.

In this area, which is of growing importance as a factor to being competitive in the marketplace, Finmeccanica is working:

- in the early phases of the life cycle, through the operational development of the eco-design approach;
- in the production phases, through compliance with the relevant regulations and responsible management of the environmental impact of production processes *(see The Group's commitment to EHS)*;
- in managing the end of life, by participating in study groups in cooperation with other industry players to find workable solutions.

Eco-design

Finmeccanica has launched programs to raise awareness about eco-design and to modernize operations along this line within the technical and engineering structures of the Group companies. A Group eco-design initiative targeted at human resources was the creation of the Eco-Design Focus Group, which joins the Advanced Materials & Enabling Technologies Community, introduced under the MindSh@re® umbrella *(see Innovation, research and development)*. In 2011, the focus group focused on producing the first edition of the "Eco-design to develop" course attended by 21 people selected from among all the Group companies, which was coordinated by AnsaldoBreda and developed in collaboration with the Polytechnic of Turin and the University of Rome "Tor Vergata".

In various Group segments, operational projects to research and develop products and solutions that implement the eco-design and LCA approaches are already in place. Among these, railway mobility leads the way with AnsaldoBreda having received the very first environmental product declaration (EPD) in the world in 2010 for a rail and tram product for the Brescia Metrobus. It repeated this feat in 2011 with the receipt of a second EPD for the new Rome Metro Line C.
Also in the rail transport segment, Ansaldo STS and AnsaldoBreda are among the major partners of the SITRAM project, which draws together 23 companies, universities and research centers located in Campania, Emilia Romagna, Liguria, Lombardy and Tuscany. It is one of the projects of "excellence" supported by the Ministry for Economic Development through the INDUSTRY 2015 - Sustainable Mobility program.
The project, launched in 2007, entered the testing phase in late 2011, with production of innovative tram systems for the domestic and international markets expected to start in 2014. Eco-design, particularly

as it relates to the study and choice of plastic matrix composite structural materials for use in the tram chassis, is one of the strengths of the new system.

Under the aeronautical "Clean Sky" program, Alenia Aermacchi and AgustaWestland are part of the working group started in 2011 that will focus on eco-compatible design. The project is divided into two areas:

- Eco-Design for Airframes (EDA), which aims to decrease the material intensity input in terms of raw material used, energy and water, and output in terms of solid waste and liquid effluents at the time of removal from service;
- Eco-Design for Systems (EDS), which aims to eliminate hazardous and non-renewable fluids and materials, especially those used in hydraulic systems during operation and maintenance, and the development of methodologies for designing systems that reduce the need for hardware tests.

Finally, a variety of examples of designs inspired by eco-compatibility principles have been developed in the Defence and Security Electronics sector.

The Air Vehicle Life Cycle Environmental Balance

Alenia Aermacchi has proposed and supports, along with the other major European aeronautics companies participating in the ECATA consortium, the study entitled "The Air Vehicle Life Cycle Environmental Balance". The following are sponsors of these specific portions of the study:

- Dassault Aviation for "Eco design: comparison of current technology A/C with a future technology A/C";
- Alenia Aermacchi for "Eco-Friendly Manufacturing Processes, Materials and Technologies";
- Safran for "The environmental impact of air operations";
- Airbus for "Air vehicle recycling – an overall status and how to master the challenge to recycle equipment".

The work done in groups by delegates remains the industrial property of the sponsoring companies and the universities taking part in the consortium: Cranfield (UK), Pisa (Italy), Madrid (Spain), Munich (Germany), Stockholm (Sweden) and ISAE (France).

THE GROUP'S COMMITMENT TO EHS

Governance and investment in EHS

The Group's Environmental Policy emphasizes the strategic importance of integrating environmental considerations with business objectives in order to maintain levels of sustainability, profitability and competitiveness over the long term. Since 2006, Finmeccanica has reported its performance relating to environmental and health and safety issues in the Group Environmental Report, which has become an integral part of the Group Sustainability Report starting from 2010.

The function of setting policy, coordinating and controlling the actions of the various companies in this area is carried out for the Parent Company by Finmeccanica Group Real Estate (FGRE) *(see Group structures and sectors)*, which analyzes and defines the most appropriate governance strategies for maintaining the excellence and efficiency of management policies implemented at the sites.
Each operating company is then responsible for tailoring the environmental policy recommendations to their own situations based on their specific production processes and for managing the environmental impact these have.

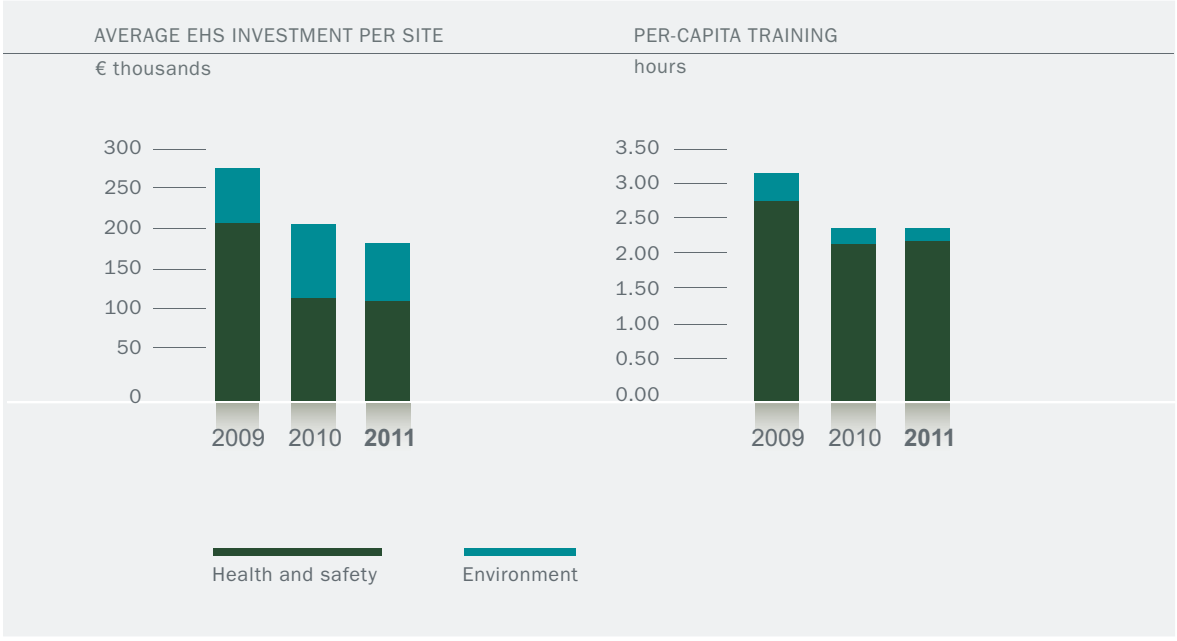
The centralized monitoring of environmental and health and safety performance of sites, companies and the Group is done through the Environmental Reporting System, which makes it possible to develop improvement programs that aim for a more efficient and rational use of resources by adopting, on the one hand, cutting-edge technological solutions, and on the other, implementing targeted management plans involving and seeking to increase the awareness of all Group resources at all corporate levels.

Finmeccanica and environmental risk management *(see Corporate governance)*

In 2011 preparations were made for the launch of Risk Gate, the environmental risk mathematical model conceived, developed and tested by Finmeccanica Group Real Estate for assessing environmental risk at Group industrial sites, considering the environmental sensitivity of the area where these sites are located, all the environmental factors and the site-specific risk factors, the socio-economic sensitivity of the context in which they are found and compliance with applicable environmental regulations, thereby making it possible to reduce the discretion on the part of the evaluator to a minimum.
Four Group sites in Italy took part in the pilot testing in 2011. The model will make it possible to conduct the first environmental risk assessment survey at over 50% of the Italian sites in 2012.

In 2011, the reporting system was further bolstered by the implementation and activation of a new web-based system that represents an innovative tool for gathering, analyzing, processing and measuring environmental indicators, including carbon indicators, which combines the experience gained through the Group Environmental Information System with a cutting-edge computer technology. Around 180 staff members of the EHS community around the world have been involved in its implementation, which has been accompanied by the issue and circulation of procedures for "Roles and Responsibilities under the new Finmeccanica Group Environmental Reporting System", the purpose of which is to identify, within the scope of Group environmental reporting, the persons involved and define their tasks and responsibilities.

In 2011, the Finmeccanica Group earmarked a total of almost €mil. 31 for investments aimed at improving workplace health and safety and environmental performance at sites, and has provided over 151,000 hours[1] of training on environmental and health and safety topics.



EHS knowledge management

Central control of EHS matters means that the best know-how in this area is shared in a uniform and widespread way in a complex and diverse setting such as the Finmeccanica Group. The sharing of experiences and objectives, the constant exchange of knowledge and the dissemination of a culture of environmental sustainability and workplace health and safety are the foundation of the activities of the Group's EHS Community, consisting of over 100 dedicated employees that regularly take part in projects, meetings, and informational and training workshops.

The EHS Community uses the EHS InPortal, the intragroup portal for company EHS managers, which has around 200 users and provides access to over 140 documents, including guidelines, best practices, case studies, and technical or regulatory presentations pertaining to EHS, providing crucial specialized support for keeping participants up to date on the subject matter. In 2011, a study was initiated on the

1. Cumulative, unconsolidated figure.

development of the new EHS Portal – the EHS Web Community – which will not only implement what has already been produced with the EHS InPortal, but will also provide additional content and tools for sharing EHS knowledge within the Group.

EHS guidelines and management systems

Operating procedures are shared and standardized within the Group by applying specific guidelines analyzed and developed by Finmeccanica Group Real Estate to provide support for the sites in managing environmental matters.
Specifically, during 2011, a variety of guidelines, in addition to the reporting guidelines, were prepared and issued:

› the "Guidelines for the management of hazardous substances at Finmeccanica Group sites", which is part of the training begun several years ago on the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and the CLP (Classification, Labelling and Packaging) regulations;

› versions of the "Guidelines for identifying, assessing and managing environmental emergencies" and of the "Guidelines for water management at Finmeccanica Group sites" for foreign sites.

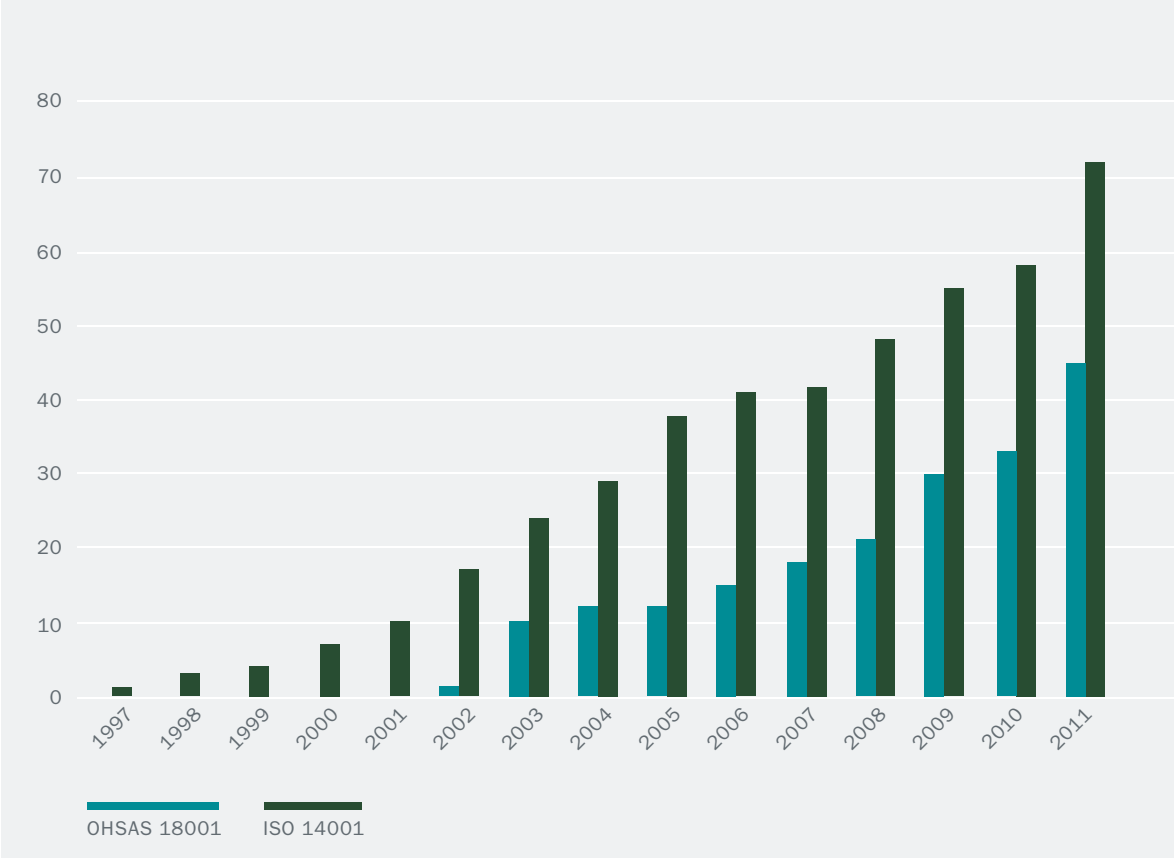
Guidelines on emissions into the atmosphere are also being prepared, which should help improve aspects of analyzing, monitoring and reporting emissions generated by Group sites around the world.

The continual support for the adoption and certification of EHS Management Systems is shown once again by a significant increase in sites that have received such certifications. As of the end of 2011:

› 42% of the sites had received ISO 14001:2004 for their Environmental Management Systems (EMS);

› 26% of the sites held OHSAS 18001:2007 certification for workplace health and safety.

ISO 14001 - OHSAS 18001 CERTIFICATIONS OF THE FINMECCANICA GROUP



Green procurement

Finmeccanica also encourages the adoption of environmental management best practices in the area of the procurement of goods and services. Specifically, Finmeccanica Group Service, which is responsible for procuring non-business-critical goods and services for the Group, reported progress in a variety of initiatives undertaken in 2011.

INITIATIVE	ACTIONS UNDERTAKEN IN 2011	RESULTS IN 2011	OBJECTIVE
Enhancing the efficiency of corporate fleet	› Analysis of emissions from the Group's corporate fleet. › Initiative in the field of long-term vehicle leasing. › Calculation of the offset of CO_2 emissions produced.	› Analysis of the CO_2 emissions of the Group's fleet available. › Proposal by a supplier to offset a portion of the CO_2 produced for free (up to 130 gr CO_2/km) on one vehicle model for each product list (executives, managers, pool). › Estimate of the offset of CO_2 produced by the Group's corporate fleet.	› Creating awareness about reducing the release of pollutants and greenhouse gas emissions into the atmosphere. › Gradual alignment with the emission targets for 2012 set by the EU.
Mapping of "traveling" and CO_2 emissions	› Estimate of atmospheric emissions produced by Group companies as a result of "traveling". › Estimate of emissions from short-term auto rentals.	› Estimate of emissions produced by "traveling" by the Group in 2011 (82% of total spending on air travel). › Indexing of possibilities for reducing CO_2 emissions. › Estimate of emissions from short-term auto rentals by one of the Group's suppliers (37% of total domestic and international short-term rentals).	› Creating awareness about containing greenhouse gas emissions.
Paper - Office supplies - Consumable goods	› Mapping "green" products on the product lists provided under FGS framework agreements.	› 382 "green" products included on the list.	› Creating awareness about using products with a lower environmental impact.
Food service	› Introduction of evaluation parameters for choosing suppliers with respect to the feasibility and extra costs associated with environmental initiatives and substainability.	› 7 suppliers evaluated.	› Creating greater awareness on the part of suppliers and their company-customers about reducing the environmental impact of their activities.

RELATIONS WITH STAKEHOLDERS

The breadth of the scope of Finmeccanica's activities involves the continuous establishment of relationships with a wide range of persons. They have interests and demands that are not specifically tied to the value chain and production (employees, suppliers, customers), but increasingly reflect the public's focus on and awareness of the Group's importance in the economic and social life of the various countries in which it operates, which logically has an impact on responsible corporate management and, obviously, the Group's reputation.

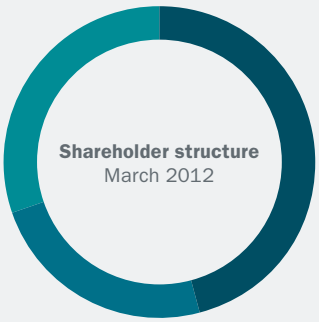
Given a cosmopolitan citizenship, top management once again emphasized the importance of establishing quality and transparent bilateral relations in the Group's recently issued Charter of Values *(see Principles and values)*. Finmeccanica requires and promotes respect for the principles and values set out in the Charter by its employees and by those acting on behalf of the Group, with an eye towards strengthening its relationship of trust with all stakeholders.

Added to this is Finmeccanica's commitment to constantly improving its complex and well-structured communication, listening and involvement system, promoting the adoption of relevant tools and best practices by all Group companies.

MAP OF STAKEHOLDERS

Shareholders and financial markets

SNAPSHOT



- 46% Total institutional
- 23.8% Retail
- 30.2% Ministry for the Economy and Finance

- 54.9% North America
- 16% UK/Ireland
- 14.5% Europe (ex-Italy)
- 7.3% Rest of the world
- 7.3% Italian institutions

At 31 December 2011, Finmeccanica's share capital amounted to €2,543,861,738.00, divided into 578,150,395 ordinary shares, of which 32,450 treasury shares.

Around 69.8% was held by institutional and individual shareholders, while about 30.2% was held by the Ministry for the Economy and Finance *(see Corporate governance)*.
In addition to shareholders, the Group's financial stakeholders include bondholders who trade securities issued by the Group in various currencies in the markets.

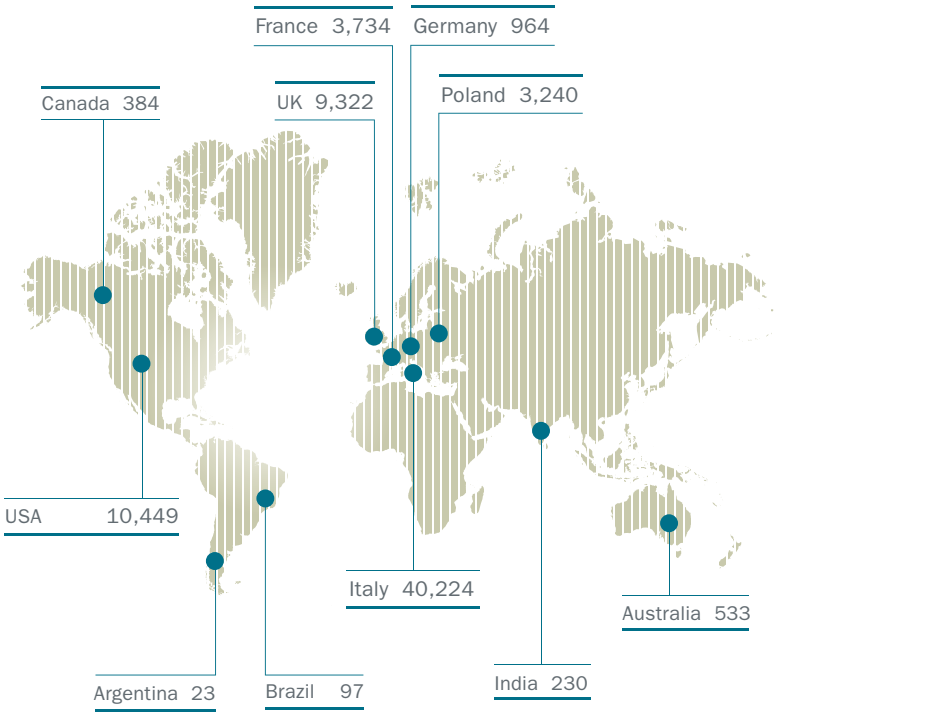
The Investor Relations Unit handles relations with shareholders and bondholders, continually providing information on the Group's performance, the financial situation, cash flow and business developments in a targeted manner to address different (sell side and buy side) market needs.

TOOLS AND ENGAGEMENT ACTIVITIES	DESCRIPTION	ACTIVITY IN 2011
Roadshows	Events attended by the Group's top management, preferably when the annual and half-year results are published, in line with the best practices of listed companies. Roadshows are mainly held in the leading European and North American financial markets.	Three roadshows held in conjunction with: - the results for 2010, in New York, Denver and San Francisco; - 2011 half-year results in London; - interim results (first nine months of 2011) in London, Boston and New York.
Conference calls and analyst meetings	Conference calls and one-on-one meetings with investors.	63 conference calls, and 98 group presentations and one-on-one meetings.
Site visits	Presentations of manufacturing sites made to investors.	Site visits were made to the Grottaglie facility and to the Lombardy sites of AgustaWestland and Alenia Aermacchi.
Questionnaires	Responses to questionnaires sent by the leading ESG ratings agencies.	EIRIS, SAM, Sustainalytics, Vigeo.

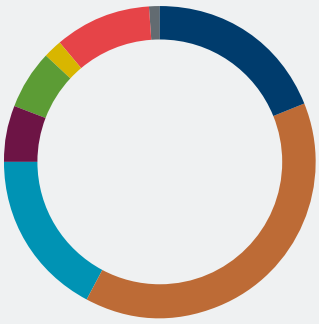
People

SNAPSHOT

GEOGRAPHICAL DISTRIBUTION OF EMPLOYEES



EMPLOYEES BY DIVISION



19% Helicopters
39% Defence and Security Electronics
17% Aeronautics
6% Space
6% Defence Systems
2% Energy
10% Transportation
1% Other Activities

At 31 December 2011, the Group workforce totaled 70,474, with a geographical distribution essentially in line with that of the previous year, breaking down into 57% of the workforce in Italy and 43% in foreign countries, largely the US (15%), the UK (13%), France and Poland.

The relationship between Finmeccanica and its workforce during the year was characterized by the implementation of reorganization and restructuring plans involving companies from various Group Divisions. The economic and social impact of these operations, the effects of which will be felt over the next two years, was managed collaboratively with the trade unions, upholding the Finmeccanica tradition of unified industrial relations, a hallmark of cooperating to find solutions to problems, despite the drawn-out, difficult organized labor situation arising due to FIOM-CGIL's failure to sign the national collective bargaining agreement of 15 October 2009 *(see Labor organization and labor relations)*.

In 2011, the Group continued to pursue projects begun in the previous two years by dedicated working groups, especially the one composed of the heads of the Labor Relations Units of several of the companies, in an effort to improve the development of management policies on a variety of HR management issues.
Finally, Finmeccanica has continued to invest in the training and development of its employees at all levels *(see Human resources training and development)*, in order to further strengthen the Group's identity, starting with the principles and values re-launched with the Charter of Values, through Group culture projects and internal communication activities.

TOOLS AND ENGAGEMENT ACTIVITIES	DESCRIPTION	2011 ACTIVITY
Business Culture Project	Survey on corporate climate and culture aimed at all Group employees conducted every two years.	Collection of the results for the 3rd Survey on Climate and Culture was completed. The survey was conducted in 2010 with the involvement of 38,000 people in 27 countries. During the year, the companies launched 60 specific improvement actions in the two main areas identified by the survey: improving the talent pool and optimizing industrial processes.
Network of internal communicators	Team of HR and Communications Unit staff of various Group companies in support of the effective and widespread use of internal communication processes and tools.	In July, a workshop was held during which the requirements at the Group level were established, giving rise to the functional specifications of the new portal.
Convention and Management Forum	The Convention is an annual meeting with the managers of all the Group companies at which the excellences and difficulties of structuring the new lines of action for the coming year are analyzed. The Forum is the tool that makes it possible for all Group managers to review and comment on the documentation relating to the Convention after the event.	The 2011 Convention, now in its 16th edition, was held in Turin and included the presentation and discussion of the results of the Business Culture Project. An average of 150 visits are made for every addition of new content to the Forum.
Seniors' Group (Experience is Value)	Event celebrating 35, 40 and 45 years of service with the company and *Maestri del Lavoro* honorary recipients.	The 7th edition of the event, held in May 2011 in Milan, was attended by about 800 employees.
Group Magazine	The only tool that truly reaches all Group employees, both in Italy and abroad. It addresses general economic policy issues, in addition to issues relating to our industry. It is also used by management to spread messages to employees through the editorial, which is then used by all the other internal communications tools.	Four issues were published in 2011, with an average print run of 66,000 copies. Sustainability was discussed in the following articles: › "Sustainability: a Group issue"; › "Environmental Reporting System: innovate to improve"; › " We are the drivers of Change"; › "Finmeccanica's Sustainability Report: new challenges"; › "Risk Gate: security as a prerequisite"; › "Leader in sustainability"; › "Finmeccanica dual solutions"; › "Common language for the Supply Chain".

TOOLS AND ENGAGEMENT ACTIVITIES	DESCRIPTION	2011 ACTIVITY
Finmeccanica InPortal	The Group's intranet portal through which information is disseminated in real time.	A monthly average of about 800,000 visits. The Internal Communication and Group IT Units have launched a project to create a new Group Portal, with profiles and customizable, with contributions from all registered users. The new portal also includes sections devoted to each company unit, which will be responsible for the updating and adding content.

Society

Society has a very wide range of interests with respect to Finmeccanica's activities, and these are expressed on an on-going basis by different categories of individuals, organizations and institutions, including:

› European Union (Commission and Parliament);

› national and local government entities and institutions, particularly in the domestic markets (Italy, UK and US);

› the Offices of the President and of the Prime Minister;

› national ministries, such as the Ministry for Foreign Affairs, Ministry of Defence, Ministry for Economic Development, Ministry of the Interior;

› foreign Embassies and Diplomatic Missions in Italy and Italian Embassies and Diplomatic Missions abroad;

› international institutions, such as NATO, Organization for Joint Armament Cooperation, European Defence Agency, European security agencies (ENISA, FRONTEX, EMSA);

› Confindustria;

› international industry associations (AIAD, ASD);

› non-governmental organizations;

› national and international think tanks.

Given this, the Group often operates within the framework of cooperative relationships between governments, regulated by specific protocols, which are not confined just to issues related to defence and security.
At the European level, for example, Finmeccanica actively participates in the development of industrial policy and research sponsored by the European Union as part of the Europe 2020 initiative whose goals are "smart growth, sustainable growth, inclusive growth", involving the issues of mobility (air and rail transport, both as stand-alone systems or as networks to be managed), energy and the environment, and research to make European industry more competitive *(see Innovation, research and development)*.

These relationships are coordinated and maintained by the Parent Company, through its External Relations Unit. Its policy-making function takes the form of developing general guidelines for action aimed at the subsidiaries and it directly coordinates communication concerning issues of strategic value (e.g., monitoring the work of national and European parliaments).

Locally, Finmeccanica's focus is directed mainly on relations with representatives of the local communities and territories where its industrial facilities are located. Every company has the responsibility and autonomy to manage their needs at the local level and at the production sites through a structured dialogue with territorial representatives. The main issues relate to:

› the sustainability of impacts related to facilities;

› the economic effects on the territory;

› protection, skill development and training of human resources;

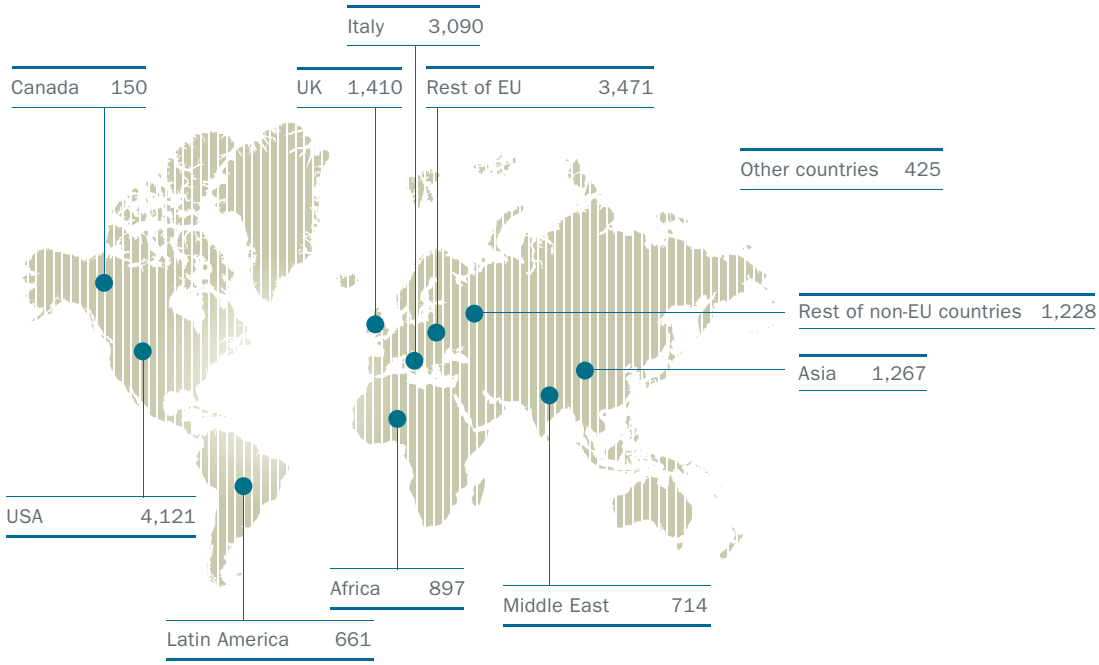
› support for local cultural and social initiatives *(see CSR and society)*.

For many companies, Italian and foreign, interaction with local stakeholders occurs within the clusters of the aerospace sector in which Finmeccanica operates, transmitting and sharing not just their identity and corporate culture, but, more specifically, their technological expertise and materials. Relationships with universities and other academic institutions, research centers and professional institutes also occur mainly within this context *(see Competitiveness and the territory)*.

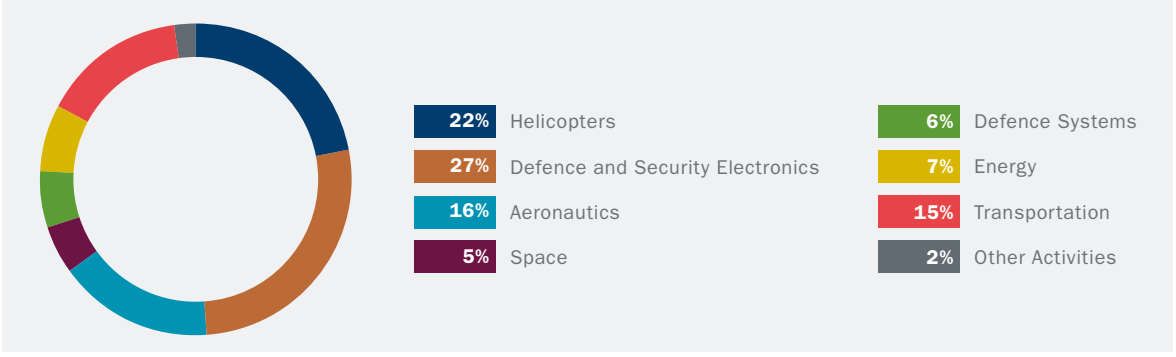
Customers and the market

SNAPSHOT

ORDERS BY GEOGRAPHICAL AREA (€ millions)



ORDERS BY DIVISION



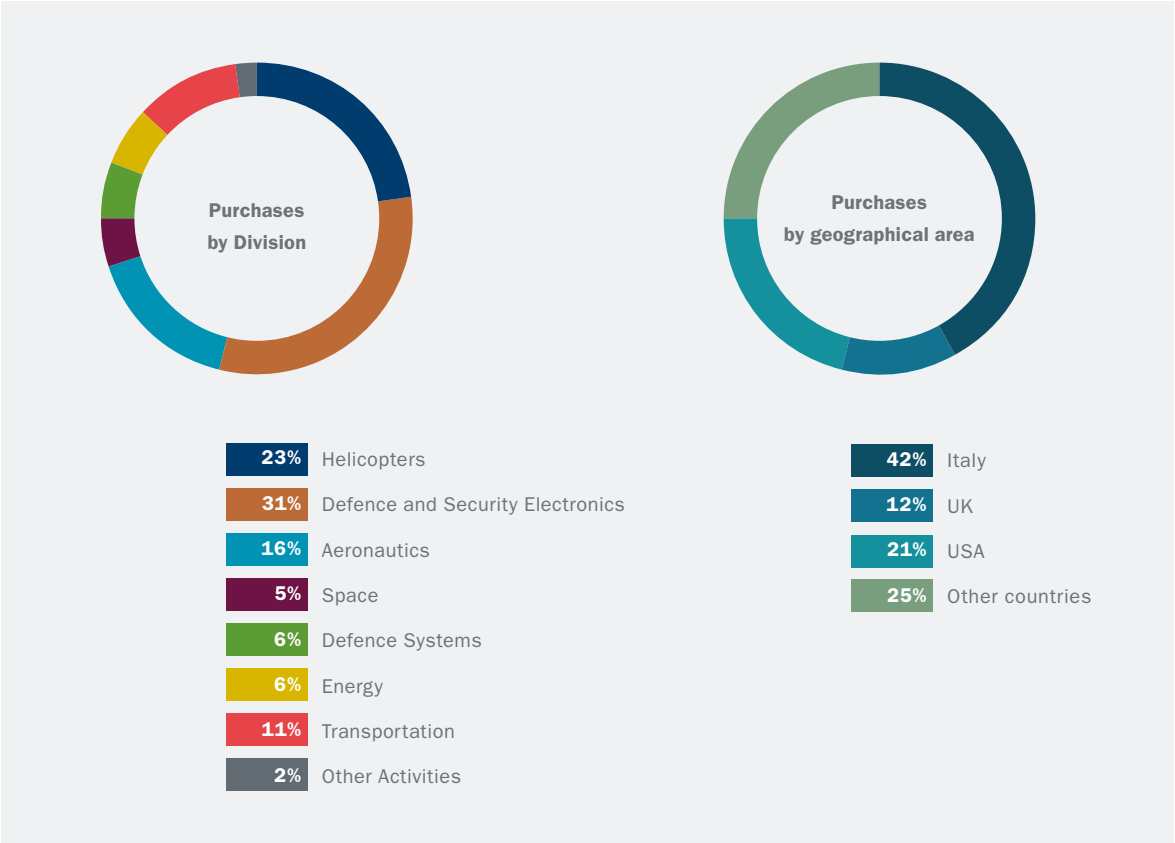
Finmeccanica provides state-of-the-art technological solutions to meet complex needs in the defence and civilian sectors, respectively 60.5% and 39.5% of Group revenues in 2011.
The Italian Ministry of Defence and the armed forces of other countries make up the defence sector customers. In dealing with these, the Group must comply with export laws and regulations *(see Business ethics)*. The civilian sector customers are both public and business entities.

In addition to customers and end-users, this category of stakeholders includes all those who reflect the relationship capital that is essential to developing the market in many areas.
Among the most important of these are the joint ventures and international programs in which the Group companies take part. These arrangements are a particular hallmark of the aerospace industry, where product and market development and order execution are frequently done jointly with other major players in order to share the risks and opportunities associated with the massive investments required.

TOOLS AND ENGAGEMENT ACTIVITIES	DESCRIPTION	2011 ACTIVITY
Exhibitions and events	These events, which take place throughout the year in all areas of the globe, can be used to showcase the Group's technological excellence and innovative capabilities to civilian and military authorities, commercial operators and ordinary visitors. They can also create the conditions necessary for negotiating or agreeing upon important projects.	www.finmeccanica.it/Corporate/EN/Corporate/Press_and_Media/Saloni/args/posizione/1/anno/2011/index.sdo
Partnerships on programs and international joint ventures	These are situations for product and market development and for completion of extremely complex orders that require great listening powers, transparency and cooperation and where the largest players in the various business sectors test their expertise, laying the foundations on which to select partners for future joint operations.	**Aeronautics** - Eurofigher Typhoon; - F-35 Joint Strike Fighter; - C-27J Spartan; - ATR; - SuperJet International; - B787. **Helicopters** - CH47 C; - Manufacture and sale of models AB 412, 212, 206. **Transportation** - High-speed train.
Through Life Cycle Management	Finmeccanica's structured approach aimed at improving the ability to grasp market trends and translate them into effective and sustainable lines of business development. The Group companies are managing numerous programs where the contract provides a guaranteed operation of systems under long-term contracts, from 5 to even 10 years. This was made possible by the Group's constant attention to market developments and demands, which are increasingly targeted at simple system usage and the use of "availability" or "guaranteed capacity" contracts.	The year 2011 saw the effective use of the Eurofighter Typhoon system by the Italian Air Force in Libya.
Customer satisfaction surveys	Customers are directly involved in expressing their degree of satisfaction with various aspects of the product/service they receive. The questions are formulated so that two types of analysis of the answers given can be performed: - by Project, which aims primarily to identify those projects and those factors critical to success that did not meet the customer's expectations; - by Process, which serves to identify the internal processes that led the customer to express dissatisfaction or satisfaction. Once the processes to be improved have been identified, appropriate measures will be taken to improve future performance.	In 2011, the questionnaire was completed and work began on finding an appropriate digitizing system. It should be noted that in the "MoD/Finmeccanica Performance Report 2011" prepared by the UK Ministry of Defence, Finmeccanica UK was ranked 3rd, an improvement from 5th place in 2010.

Suppliers

SNAPSHOT



The configuration of the supply chain in the aerospace and defence industry has gradually transformed itself over the last twenty years. During this period, programs with high vertical integration, which were directly controlled by manufacturers along the entire supply chain, have been replaced by the "sub-systems" approach that has led to the establishment of complex and diverse networks of relationships involving different levels of the supply chain, in which the players are well diversified and distributed geographically *(see Competitiveness and the territory)*.

This change has important implications for various companies, the most significant of which are the creation of economic value through effective procurement policies and operational risk management in the supply chain. This latter aspect, in particular, is gaining strategic value because it is increasingly crucial for the sustainability of aerospace programs *(see Risk management)*.

In all sectors in which Finmeccanica operates, goods and services directly used in production (direct/business critical purchases) are procured by the operating companies. The Parent Company, through Finmeccanica Group Services, develops and manages procurement solutions and tools, such as Group framework agreements (Master Service Agreement, Framework Agreement and Memorandum of Understanding) for the supply of indirect goods and services, and the FAST-SRM (Finmeccanica Advanced Sourcing Tool) e-procurement platform is available to the Group companies to help them effectively and efficiently manage purchasing *(see Economic value added and procurement)*.

Finmeccanica encourages the adoption of supplier and procurement management processes based on the values of transparency, fairness and integrity, and environmental sustainability *(see The Group's commitment to EHS)*, while requiring all suppliers to comply with the guidelines found in the Codes of Ethics of the various Group companies. In this regard, in order to further increase the level of transparency, the procedure for "Using the FAST-SRM Portal" was published online for the benefit of all potential suppliers.

In addition, to providing support for suppliers in using the FAST-SRM platform, Finmeccanica Group Services, through the Market Operation Center:

› supports suppliers in using e-procurement systems and in taking part in on-line bidding;

› provides a single interface to invited suppliers to support dedicated training activities and to verify the proper receipt of all information relating to contracting;

› monitors deadlines and provides support for suppliers during the bidding phase.

In 2011, nearly 1,500 suppliers were given assistance.

Media

Finmeccanica sees its relationship with the media, traditional and new, as a fundamental component, not just of its communication strategy, but also of the way it operates and is perceived by the civilian world globally, focusing special attention on the economic, trade and social issues connected to its national and international reference markets.

The big change taking place in the world of the media, driven by the development of the web – which now reaches all countries in real time in most economic and social communities – has led the Finmeccanica Group to have an increasingly strong interaction with the world of the Internet, which is becoming the main carrier and receiver of information spread in real time to and from all stakeholders.
As a result, Finmeccanica's presence in social media expanded in 2011. Throughout the year, the Group fed the various channels of communication, differentiated by type of users and subject matter, with information and content on its various activities. We expect, in the near future, to transition from an active use to a pro-active use in order to generate a more continuous and deeper engagement, capable of developing continual discussion of institutional content, but also a new business culture to be shared throughout the Group.

Alongside this new direction, however, there was still continuous communication with traditional media, which, during a rather complicated year for managing the Group's image, were monitored and given a great deal of business or non-business related news. This effort has led to more accurate and transparent information on the part of the Company and its operating companies in order to help shareholders in understanding the major issues and scenarios relevant to the Group.

This led to the issue, during the year, of about 500 press releases from the Company and the operating companies in Italy, the United States and the United Kingdom. The year 2011 also saw an increased interest in the Group by the international media, particularly in those countries of the greatest commercial interest (e.g., India, Brazil and Turkey), in addition to those where the Group clearly has significant facilities and resources.

TOOLS AND ENGAGEMENT ACTIVITIES	DESCRIPTION	2011 ACTIVITY
Twitter	Microblogging channel.	Used to spread institutional news: press releases, contracts, participation in trade fairs and a variety of information from the Company and the subsidiaries.
Youtube	Videosharing platform.	A series of videos produced by the Group have been uploaded to share important moments, such as the Innovation Award, interviews and participation in exhibitions, demonstrations videos and other events such as conventions and presentations.
Flickr	Photosharing platform.	Hundreds of photos have been uploaded documenting the management, events and products of the companies.
Other social media	Wikipedia and Slideshare.	Used to keep the institutional profile of the Company, the top management, the Group companies and products up to date.

Innovate

constantly, investing in research and development of new technologies. Exploit our know-how and skills to remain competitive in the new world of the future.

sustainability pillars

INNOVATION, RESEARCH AND DEVELOPMENT

Finmeccanica is continuously innovating, which is a fundamental practice in the industries in which we operate. Our ability to constantly innovate, which has been a hallmark of our history and development, has led the Group companies to achieve leadership positions in their markets. This has also given Italy a significant place in the high-technology arena, recognized everywhere as a key factor in being internationally competitive.

Finmeccanica is increasingly aware of the strategic, economic and social importance of this growth vector. We have dedicated significant and constant resources and investments to it over time, starting with over 20,000 specially-trained employees engaged in R&D, engineering and design, and investing over €bil. 2 in 2011, the same amount as the previous year, despite the troubled economy.
These numbers confirm that Finmeccanica clearly ranks first in Italy, and third in the world, in R&D investment among companies in the sector.

INVESTMENTS AND STAFF DEDICATED TO R&D	2011	2010	2009
R&D investment	**€mil. 2,020**	€mil. 2,030	€mil. 1,982
R&D investment rate (investment/revenues)	**11.7%**	10.9%	10.9%
Staff dedicated to R&D	**5,250**	5,250	5,200
Staff dedicated to engineering/design	**16,700**	16,500	15,600

Finmeccanica: supporting member of AIRI

AIRI (the Italian Association for Industrial Research) was founded in 1974 with the goal of becoming a source of reference for Italy's industrial R&D system. It is now a forum for the most important players in Italian research (industrial groups, firms and research centers, universities and public research institutions, associations, science parks and financial institutions) to work together. In all, the members have 45,000 staff dedicated to R&D and the industrial members cover more than 50% of the R&D spending by the entire domestic industry.
In 2003, AIRI formed Nanotec IT (Italian Center for Nanotechnologies) with the purpose of promoting nanotechnologies and encouraging synergies between private and public research.

www.airi.it - www.nanotec.it

Technology governance

Innovation at Finmeccanica follows a planning process that is integrated at the strategic level and that culminates in the preparation of a five-year plan (Innovation and R&D Strategy Plan). This plan, drawn up by each Group company and updated each year, combines corporate objectives and strategies with technological innovation, product, and process goals, while remaining ever mindful of budgetary constraints. The Parent Company and the Group companies have their own roles and responsibilities in preparing the plan, assigned so as to promote synergies in research that cut across areas and to continuously monitor program efficiency and effectiveness.
In 2011, through the creation of the CTO (Chief Technology Officer) Board, the issues of interoperability between the companies and synergies in research were given further support. The CTO Board, made up of all the CTOs and heads of R&D of the Group companies, has the following responsibilities:

- managing the companies' innovation strategies at the Group level by coordinating their Innovation and R&D Strategy Plans;
- scouting out future beyond-visual-range (BVR) technologies;
- coordinating and handling relations with universities and research centers;
- identifying and managing collaborative projects on common technological platforms;
- governance of MindSh@re® and Group intellectual property.

The other major component of Finmeccanica's technology governance is the technology incubator, MindSh@re®, which is also the nerve center animating the entire cooperative, interconnected network of Group companies, partners, universities and research centers. There are now six active Technological Communities under MindSh@re®, with the involvement of around 350 technicians, researchers and engineers from all the Group companies in 2011, plus those of the Group's academic and industrial partners. They work together in these work groups to share information and steer development, research and integration activities.

MINDSH@RE® TECHNOLOGICAL COMMUNITIES	AREA OF ACTIVITY
Radar	Advanced radar systems technologies.
Software	Technologies, systems and methods for avionics, naval and land-based software as well as military, civil and security software.
Advanced material and enabling technologies	Basic emerging technologies, including innovative materials, metamaterials, MEMS, photonics, robotics, nanotechnologies, and the design and management of eco-compatible products.
Integrated environments for design and development	Analysis and rationalization of processes, methods and tools along the entire product development cycle, system engineering, and all stages of mechanical and electrical design.
Simulation technologies	Local and distributed simulation technologies and systems and advanced training of operational personnel.
Intellectual property	Dissemination, rationalization, management and enhancement of intellectual capital and technologies (patents, trademarks, know-how, trade secrets).

Research and development

The aerospace, defence and security sectors absorb the majority of the Group's R&D investments. Research and development is in turn categorized as either Technological R&D (i.e., technological developments described as "basic", in that they are highly strategic and long-term) or R&D applied to products *(see Detailed review by sector)*. The two categories are handled under different timelines, allowing for proper planning with containment of risk *(see Risk management)* and optimizing the incorporation of new technologies in Group products and launching them in such a way that they are able to be commercially successful over time.

In addition to internal R&D, Finmeccanica is involved in other domestic and international R&D programs, including:

› the GALILEO and GMES European satellite programs, which are "assets" and "tools" with dual-use applications, aimed at launching European environmental, transportation and security policies;

› European technological platforms for the aeronautics sector, such as Clean Sky, for the development of enabling technologies (e.g., tilt-rotors and regional aircraft), SESAR, for the new European air traffic control system, and ARTEMIS, in the ICT sector in areas of interest to Finmeccanica, such as safety;

› domestic technological platforms (SERIT, with the National Research Council (CNR), in the area of security, Spin-IT in the space sector, and ACARE Italia in aeronautics) and the Italian Technology Alliances (ATI) promoted by the directorate-general of the Ministry for Education, University and Research (MIUR) for the internationalization of research in order to meet the targets and challenges of the Europe 2020 Strategy;

› programs carried out under NATO, the European Commission and the European Defence Agency (EDA).

Technological R&D moved forward in a variety of fields in 2011, the most important of which involved:

› materials and technologies to be used for microelectronic integration;

› metamaterials and metastructures to be used in miniaturizing microwave devices and advanced antennas;

› materials for electro-optical applications;

› photonic technologies;

› nanotechnologies;

› extremely high frequency technologies.

In 2011, initiatives originating within the MindSh@re® Communities continued through numerous workshops and three new Corporate R&D projects (partially financed by the Group Parent):

› MITRA (Microwave Integrated Tile for Radar Application). Development of a demonstrator of a highly-repetitive subset for an active array electronic scanner (microwave tile), to reduce its cost and make it easier to manufacture the antenna;

› FASST (Finmeccanica Application Simulation STore and collaboration environment). Collaborative online environment using the App Store concept to allow companies to share their internal know-how, experience, tools and simulation modules;

› IPL@ab. A central Group service to aid in rationalizing and exploiting the patents, trademarks and technologies held by the Finmeccanica companies.

MindSh@re® projects last an average of two years. Approval to continue into the second year is given based on a close analysis of the results achieved in the first year. Since the platform was launched in 2006, a total of 27 projects have been initiated, of which 12 completed, 14 still underway (including three in 2011) and one cancelled.

Therefore, basic research in the various sectors finds common and cross-Group application in the fields of advanced materials and nanotechnologies at Finmeccanica. These fields are the ones expected to drive demand over the next few years, not just in those sectors in which the Group operates, but in all industrial sectors.

For more information on the Group's R&D activities, please consult the consolidated financial statements. For information on research and development applied to products, see Detailed review by sector section.

Protection and development of intellectual property and technological assets

Intellectual Property Governance is intended to safeguard the Group's intellectual property and technological assets, to obtain patent protection for and to enhance the value of new innovations in products, systems and processes. These are key processes that contribute towards bolstering the Group's competitive position, its reputation as a recognized leader in technology and innovation on a global scale, and, as a result, improving its market value.

The protection of intellectual property as a guiding principle is present as early as the initial stages of product and process development. From the moment they are launched, R&D projects must determine whether there are opportunities for patent claims and identify the mechanisms for protecting product, system and process technologies and solutions. Special attention is also given to handling how these are presented at conferences and published in specialized magazines so as to avoid the loss of know-how. The Group's Intellectual Property Rights (IPRs) are managed so as to optimize our portfolio of patents and trademarks and enhance their value and commercially exploit them by:

› including intellectual property clauses in contracts with third parties;

› enforcing IPRs by monitoring the competition;

› enhancing the value of IPRs through licensing, cross-licensing or sale;

› technical assistance and off-sets;

› technology transfer between Group companies and from/to the outside world.

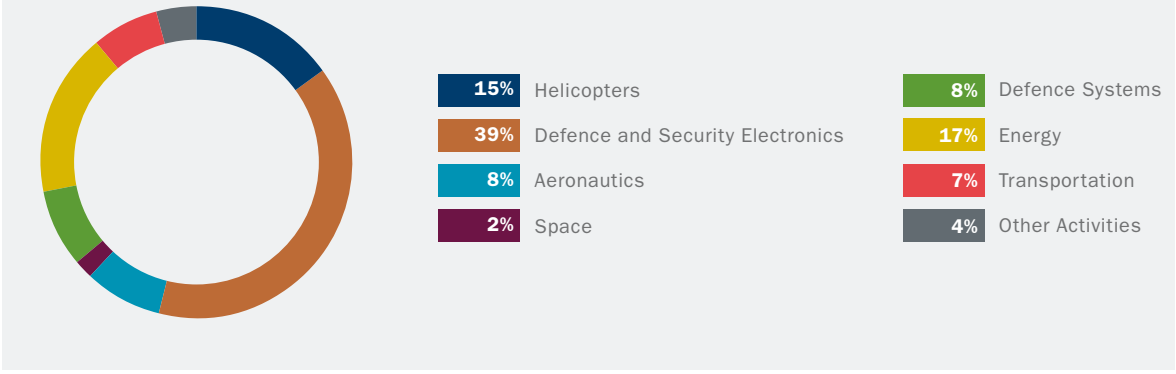
In 2011, IPL@ab was launched in this area, one of three new corporate projects under MindSh@re®. It is a project that focuses on patent landscaping and patent positioning, and provides training on financing and policies that support innovation, managing intangible assets, value enhancement and strategic analysis.

PATENT PORTFOLIO	2011	2010	2009
Increase in portfolio of patents filed as compared with the previous year (*)	**4%**	4%	36% (**)
Geographical breakdown of the patent portfolio:			
Italy	**18%**	8%	9%
Abroad	**82%**	92%	91%

(*) Figure takes into account new patents filed and abandoned patents.

(**) Year of acquisition of DRS Technologies.

BREAKDOWN OF PATENTS BY SECTOR



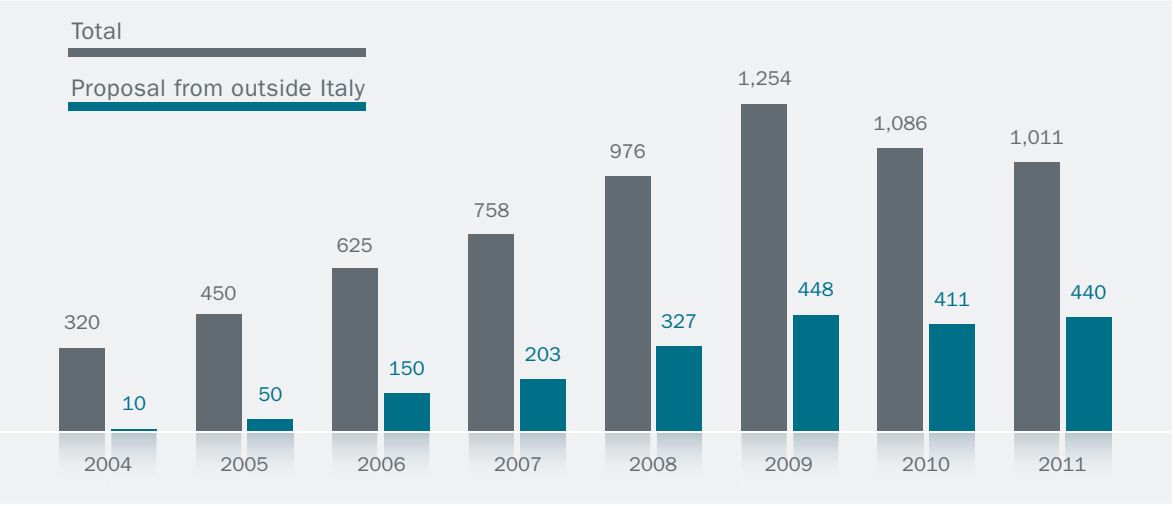
Innovation Award – 8th edition

One of the leading sources of Group patents is the Innovation Award. It is an internal competition open to all employees whose goal is to stimulate innovative ideas for the business and improving company performance. From this standpoint, it is one of the most anticipated events at Finmeccanica and offers an important opportunity for fostering integration across the various companies and between persons at the same company.
Awards are given at the company and at the Group levels.

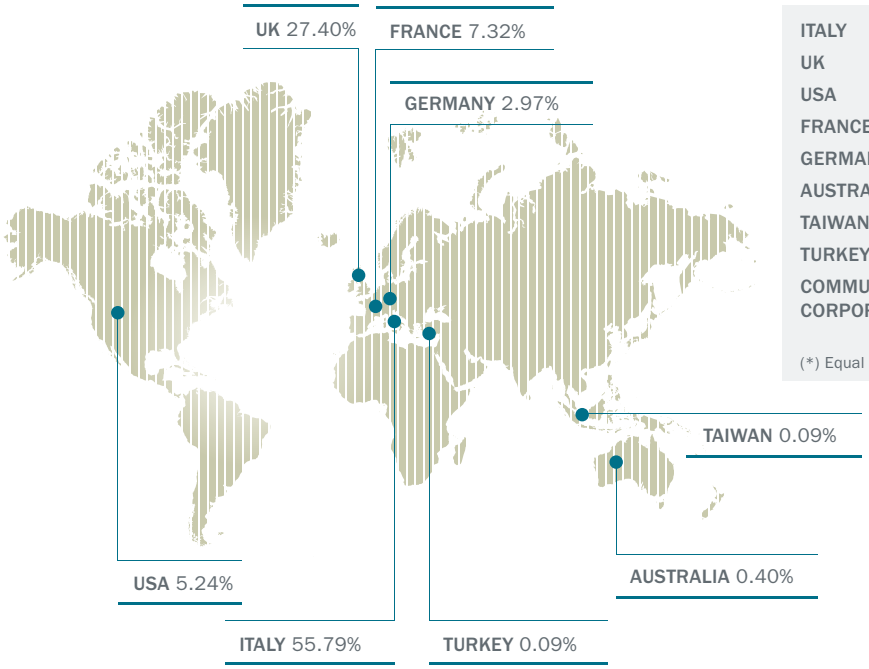
Over the years, more than 19,000 persons have participated, submitting a total of 6,480 projects, since the Award, now in its 8th edition, began in 2004.

In 2011, there were 1,011 projects submitted, of which only 15, after a selection process at the company level, reached the final assessment by the Group Examining Committee. This year's competition saw two changes: all the proposals generated within the various Communities (Professional Families, Development and Training programs, MindSh@re®) could be submitted directly for the Innovation Award offered by the holding company, and special mentions were made of those proposals with a strong environmental theme.
The Group winners received their awards during Finmeccanica Day, held in Milan on 11 May 2012.

NUMBER OF PROPOSALS SUBMITTED FOR THE INNOVATION AWARD



GEOGRAPHICAL BREAKDOWN OF PROPOSALS SUBMITTED IN 2011



ITALY	564
UK	277
USA	53
FRANCE	74
GERMANY	30
AUSTRALIA	4
TAIWAN	1
TURKEY	1
COMMUNITY OF PRACTICE AND CORPORATE R&D PROJECTS (*)	7

(*) Equal to 0.69% - from abroad.

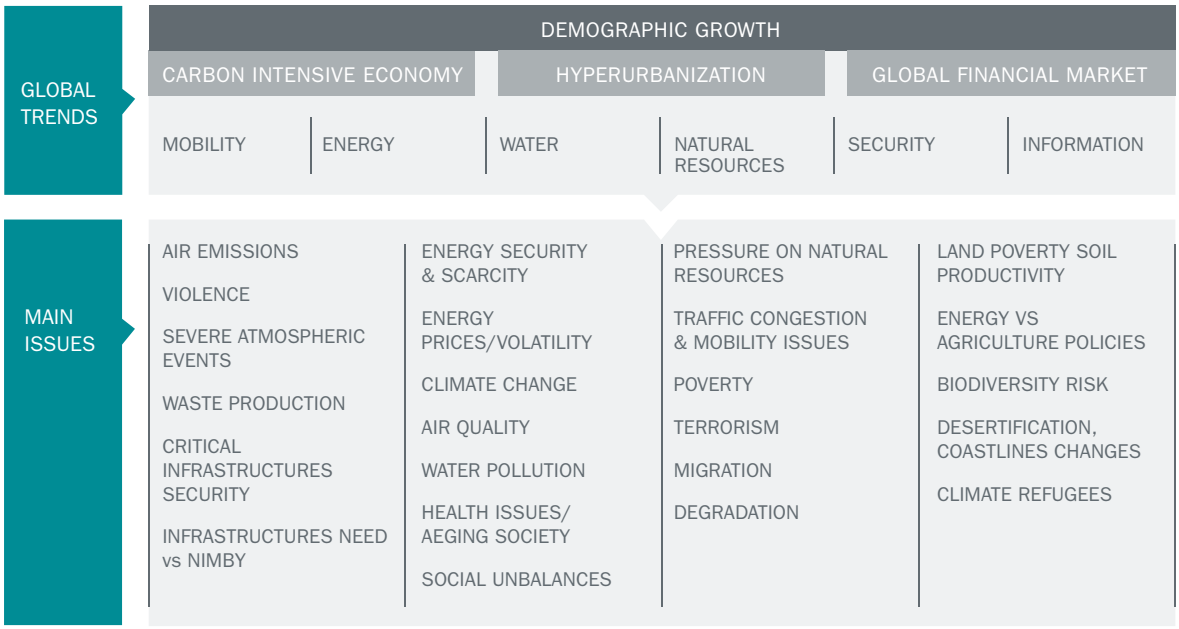
CATEGORY	WINNER	INSPIRATION/DESCRIPTION
Innovation Award	Finmeccanica and other Group companies (MBDA, Selex Galileo, Selex Sistemi Integrati, Thales Alenia Space) "**Compact Receiver**"	Development of a compact, state-of-the-art, high dynamics digital receiver for radar, communication systems and missile seeker systems. The device was created thanks to the work of a team of technicians from four Group companies, who worked together very efficiently, for the first time, on a common project launched as part of a Mindsh@re® project.
	DRS Technologies "**uIDCA Infrared Imaging System**"	An integrated infra-red sensor of an extremely reduced size and low power absorption. The equipment is based on a new concept cryogenerator that, when integrated with a third generation Focal Plane Array, produces an extremely competitive IR sensor suitable for many uses, capable of conquering new market segments even beyond the defence and security area.
	Ansaldo STS "**G-SAE**"	A device that, using satellite signals, enables the position of a train to be defined with an accuracy such that it can replace the devices installed along the railway line. This positioning precision is achieved by receiving signals from satellites in a number of constellations (GPS, GLONASS and, in the future, Galileo). It represents a highly innovative solution that may spark a revolution in the railway signalling market.

CATEGORY	WINNER	INSPIRATION/DESCRIPTION
Patent of the Year	Ansaldo Energia	A fluid gas cooling system, generally using air or hydrogen, for the rotor of a high power turbogenerator used to produce electricity. Patented in Europe and the United States, tested in numerous applications, it allows the efficiency of the generator to be brought up to excellent levels.
Special mention for environmental importance	Selex Galileo	A surveillance system based on a tactical unmanned aircraft, fitted with both a radar sensor and an infra-red sensor. This makes it possible to obtain from a single mission information from two sensors, which co-operate to provide a more complete image of the terrain. The system is well suited to dual applications, and experiments with environmental aims have already commenced.
Best supplier	Rockwell Collins (presented by AgustaWestland)	The choice rewards the high level of support, both in terms of know-how and in terms of the supply of equipment, provided to AgustaWestland during development of innovative man-machine interface systems using touchscreen technology. This co-operation, which started during the development phase and will continue throughout the working life of the new helicopters, allows AgustaWestland to make changes to the software application in an independent manner, giving considerable flexibility in satisfying the requests of individual customers.

SOLUTIONS AND TECHNOLOGIES FOR SUSTAINABLE DEVELOPMENT

The focus that Finmeccanica places on its stakeholders can be seen in an innovative and concrete way through the union of technological excellence and environmental sustainability.
This commitment is just part of an international scenario in which the challenges associated with the phenomena of population growth, hyper-urbanization and climate change have held, for many years, an important place in the policy agendas of western countries and international institutions.

ANALYSIS OF TRENDS AND ISSUES CONNECTED WITH SUSTAINABLE DEVELOPMENT



Among the various stakeholders affected by the negative consequences of these dynamics (energy, environment, food, health, etc.), there is a growing sense of urgency to effectively and simultaneously respond to problems involving safety, cost reduction and containment of the impact on the environment. Since these are complex challenges on a global scale, the solutions needed must be sophisticated, integrated, multidisciplinary, flexible and capable of being applied quickly.

The Finmeccanica Group is in a position to play a leading role in planning for sustainable development through its distinct expertise and technologies, resulting from the convergence of its capabilities in the military and civil fields. As an industry leader in aerospace, defence and security, our Group is used to respond to challenges that require the real-time collection and handling of significant amounts of data, developing complex simulation scenarios, designing sophisticated system architectures, developing embedded expertise regarding safety and security, and managing mission critical issues.

This expertise comes together in the Finmeccanica Group's Planet Inspired range, which is a unique set of solutions that effectively meet the challenges to ensure sustainable development.

The specific areas for Planet Inspired solutions are:

PLANET INSPIRED - Case studies

EARTH MONITORING & CLIMATE CHANGE

Solutions for earth observation, for monitoring atmospheric phenomena and morphological changes in a geographical area.

COSMO-SkyMed: protecting the territory
A solution developed by Telespazio, Cosmo-SkyMed is capable of capturing up to 1,800 images per day, meaning that it can provide information on a global scale for studying and monitoring the environment that is useful in protecting an area from fires, landslides, earthquakes and in managing natural agricultural and forestry resources.

Monitoring weather
SELEX Sistemi Integrati is the world leader in designing, producing and installing weather radar systems. Furthermore, its RAINBOW 5© application is the most advanced tool available for managing complex radar network sensors and for analyzing and presenting meteorological data.

NATURAL RESOURCES MANAGEMENT

Systems for locally monitoring natural resources in order to protect ecosystems and human settlements.

UAV for SMAT F1: advanced land monitoring system
Thanks to their proven technologies for unmanned systems (unmanned aerial vehicles - UAV), Alenia Aermacchi and SELEX Galileo have played a leading role in the SMAT F1 project. The program, financed by the Region of Piedmont, makes it possible to carry out monitoring and surveillance of an area using three UAVs that, for the first time, operate jointly and at the same time in the same non-military airspace.

ENERGY MANAGEMENT

Solutions for efficient energy management, along the cycle that goes from generation to end use, passing through smart grids.

Smart grid: making the grids of the future smarter
Finmeccanica's value proposition when it comes to smart grids is that it makes it possible to efficiently manage power grids centering around the habits and actions of all the connected users, in order to make the use and functioning of the electricity system financially and environmentally sustainable, while maintaining the safety, continuity and quality of the service. The Group has a proven technological footprint, with a number of companies, such as SELEX Elsag, SELEX Galileo, Ansaldo Energia and DRS, operating in the market, with hardware solutions for generation, automation and control systems, sensor systems, business intelligence applications, communications services and energy consulting.

SUSTAINABLE MOBILITY

Solutions that meet the growing demand for mobility and information on the movement of goods and persons, complying with the most challenging safety and environmental performance.

Smart mobility: meeting new mobility challenges
The Finmeccanica Group can boast of solid experience in providing solutions for sustainable mobility, thanks to the development of solutions for urban infomobility and the integrated logistics platforms of SELEX Elsag and SELEX Sistemi Integrati that provide an advanced management of all vehicular mobility, intermodal logistic, and the transport of goods, waste and hazardous substances.

HEALTHCARE & EDUCATION

Solutions that offer support in the healthcare and education arenas.

Remote education: learning via satellite with DRS
DRS Defense Solutions guarantees cutting-edge satellite coverage for the entire Aleutians East Borough School District (AEBSD) in Alaska through an enhanced distance learning system and the latest technological solution in high-definition video conferencing, which will allow the local community to better meet its students' needs.

ENVIRONMENTAL SECURITY & RESPONSE

Solutions for protecting geographical areas and populations and for responding to exceptional natural or anthropogenic events.

Command and control systems for managing emergencies and large-scale events: Civil Protection operation center
SELEX Sistemi Integrati has developed command and control systems for responding to exceptional anthropogenic or natural events. The center, dedicated to coordination and management of emergency situations, was set up within the Department of Civil Protection to ensure centralized management and coordination using advanced systems for monitoring, management and simulation of critical scenarios.

PLANET INSPIRED

1 SET OF SOLUTIONS

6 CAPABILITIES

100+PRODUCTS

ACTIVE CUSTOMERS

EARTH MONITORING & CLIMATE CHANGE	NATURAL RESOURCES MANAGEMENT	ENERGY MANAGEMENT	SUSTAINABLE MOBILITY	HEALTHCARE & EDUCATION
Earth observation	Air & water monitoring	Traditional generation	Public transport	First aid communication services
Cartography, land and city mapping	Land & food monitoring	Renewables & distributed generation	Integrated logistics	Telemedicine
Atmoshere and weather monitoring/ forecasting	Environmental local sensors suite	Nuclear energy & decommissioning	Alternative vehicles/engines/ fuels	Remote education & tele-work
	Waste MGMT & decontamination	Energy efficiency and service	Future aircrafts	Tactical system for humanitarian assistance and disaster relief
	Oil & gas monitoring	Smart grids		
		IT energy systems		
		CCS & fuel cells		
		Waste 2 energy		
		Green energy procurement		

ENVIRONMENTAL SECURITY & RESPONSE
Public safety & crisis management
Simulation
Critical infrastructures surveillance
Cyber security

E2DS

The Planet Inspired program was presented at the international Conference on Energy, Environment, Defence and Security (E2DS) held in Washington, DC in May 2011. It was attended by the US Secretary of the Navy, the Hon. Ray Mabus, the scientific advisor to the US President, J.P. Holdren, and the chief technology officers of the major companies in the aerospace and defence industry.

Finmeccanica, one of the main sponsors of the event, contributed alongside EADS, Boeing, Lockheed Martin, Northrop Grumman, Raytheon, Saab and Thales to the discussion on the defence industry's ability to tackle issues related to climate change. The conference reinforced the commitment of its participants to analyzing their products stemming from their core business for possible solutions to these issues.

The post-conference report can be found at www.dynamixx-e2d.com.

HUMAN RESOURCES TRAINING AND DEVELOPMENT

People at Finmeccanica are the creative force of the Group and one of the key factors underlying our ability to develop and create successful, innovative solutions. Our employees work in an international setting, one in which Finmeccanica seeks to instil a sense of identity and of belonging to the Group, as well as to create a distinctive corporate culture felt by all while respecting the specific traits of local culture.

Finmeccanica is a "talent-oriented organization", and as such we continue to invest in our integrated international training and development system, which seeks to attract, select and develop the best talent and to enhance the skills and knowledge of everyone throughout the organization. Our goal is to provide opportunities for personal and professional growth for all and to enable the best to emerge, because we are convinced that individual merit is something that should always be rewarded. Our training initiatives target various groups, from young new hires to senior management, guiding all Finmeccanica employees throughout the world along paths of growth.

In order to ensure the utmost fairness while meeting all of the needs of the various businesses throughout the Group, the Parent Company works together with the heads of the various HR units of the other Group companies, all within a framework on which Finmeccanica constantly works in order to ensure that it is implemented in the best way possible in terms of process, tools and means of assessing an individual's performance, skills and potential.

In 2011, training activities were uniformly distributed, as can be seen in the increase in the coverage rate. At the same time, total training hours provided in technical, professional and managerial areas within the Italian companies of the Group fell by 23%. This was due mainly to the temporary slowdown of this type of activity in the areas involved in the reorganization process.

TRAINING IN ITALY	2011	2010	2009
Hours of training provided (*)	**717,073**	931,513	859,131
- to executives	**22,300**	-	-
- to middle management	**82,311**	-	-
- to office staff	**445,480**	-	-
- to workers	**166,982**	-	-
Average training hours per employee (**)	**17.8**	21.9	20.2
Coverage rate (***)	**52%**	50%	54%

(*) Does not include training directly allocated to work orders and includes EHS training.

(**) Training hours/total workforce at year-end.

(***) % of employees receiving at least 8 hours of training.

Employer branding - Finmeccanica a Top Employer in Italy

In 2011, in order to make the Group more attractive on the job market, able to attract, keep and motivate top talent, Finmeccanica worked hard in the area of employer branding, which included being named one of Italy's Top Employers 2011 in March.

With the obtainment from the CRF Institute of the relevant certification, the Group has launched a communication plan, both internally and towards the public, aimed at highlighting the value and significance of this important certification. Continuing along this path in the spirit of constant improvement, in the second half of 2011 Finmeccanica took the steps necessary to be a candidate for this same certification for 2012 both in Italy and the UK. In addition to filling out a questionnaire regarding the Group's strategic priorities and policies related to human resources management and development, a number of employees (both new hires and management) were interviewed in order to take their experiences as examples of the opportunities for training and career growth that can be found throughout Finmeccanica.

Talent Management System

In 2011, the integrated international training and development system, which was designed in 2010, gave rise to a gradual alignment of the Group's training and development tools and processes based on two guiding principles:

› to provide opportunities for anyone to emerge and to develop individual talent towards the goal of business sustainability within such a knowledge-intensive industrial group;

› to identify – using talent-tracking techniques – and develop the best managers throughout the Group, while taking a structured approach to ensuring the needed turnover in management over the years.

The system is based on the pillars of the Career Framework, which enables the entire workforce to be segmented into professional areas and levels of job complexity and establishes career "rules" and common appraisal and assessment methods throughout the Group.

Development efforts included the second follow-up for the 22 professionals of the Human Resources Unit who participated in the first edition of the Finmeccanica Assessor Academy aimed at internalising the core skills related to the analysis and assessment of employee potential.

Training programs included the main initiatives carried out under the 2011 Plan and which, as in the past, have been organized into the following areas of intervention:

› Corporate Culture & Industrial Knowledge - programs to develop and disseminate the Group's core competencies, i.e. that intangible capital that is the key for an organization like Finmeccanica to ensure business sustainability and maintain competitive advantage;

› Young People Program and the Executive and Middle-Manager Program - programs targeting different talent groups at all levels of the organization, from new hires to senior management.

Corporate Culture & Industrial Knowledge

In 2011, in addition to the continuation of the long-term Project Management and Finmeccanica Economics Programs, two new, important programs were launched in this area: the Finmeccanica Faculty and Supply Chain in Finmeccanica's Way programs.

Project Management Programme (PMP)
Our high quality and international scope have been maintained with confirmation of partnerships with five leading universities and training and consulting firms, including Milan Polytechnic, which acted as a Global Educational Partner and was responsible for quality assurance.

The 4th edition in numbers:

- 51 editions of the courses in Italy and the US for a total of roughly 20,000 training hours;
- 600 participants from 25 different operating companies, 60 of whom also underwent the project management certification process of the Project Management Institute (PMI), based in the US;
- 15 subject-matter experts, members of the Finmeccanica Faculty, and 34 project managers from among the best performers of the 2010 edition involved in providing the training;
- over 2,000 professional development units (PDUs) taken by certified project managers.

The main topics covered in 2011:

- training in advanced project management techniques (e.g., Risk Management, Project Planning and Controlling, Earned Value Management, etc.) and the main skills needed to perform the job effectively (e.g., negotiating, conflict management, communicating effectively, etc.);
- design and implementation of fully web-based training;
- assessment of the degree of application of best practices in order to measure the maturity of the PM in Finmeccanica's Way model and to provide the operating companies with a tool for determining actions for improvement in the PM core processes;
- administration and content creation for the Collaboration web portal launched in 2010.

Other program activities in 2011:

- revision of the PM in Finmeccanica's Way Fundamentals module with the addition of a business game designed together with the University of Udine Engineering School, which enables course participants to use the main project management tools in a competitive, risk-free setting;
- revision of the simulations and other content of the Risk Management and Operating Control (EVMS) modules;
- organization of a conference at Tenuta Cà Tron in Roncade (Treviso) on the topic of knowledge management to improve PM techniques and skills held for over 180 certified (PMI or IPMA) PMs from the 2008-2010 editions, during which the top 3 performers in the business game received awards;
- implementation of an online survey of over 500 PMs aimed at evaluating the application of PM best practices over the previous 12-18 months, the contribution made by PMP training in understanding the way to apply these best practices, and the impact of any contextual factors that may have helped or hindered the application of any best practices;
- implementation, together with the Milan Polytechnic School of Management (MIP), of the "Project for Projects (P4P)" survey in order to conduct a critical analysis of the "PM in Finmeccanica's Way" model by studying the competencies that deviate most from this model and investigating the main causes of this in order to recommend areas for improvement. The survey involved 188 respondents selected from the 2008-2010 editions of PMP;
- updates to the Collaboration portal, including documents, articles and studies about project management. The portal was made available to some 1,000 PMs worldwide in 2010.

PMP totals for 2008-2011:

- 26 companies involved, 2,282 participants in 15 countries, 23 training centers in 5 nations (Italy, France, UK, US and Australia);
- over 120,000 hours of (mostly financed) training provided and 273 editions of classroom courses;
- over 200 PMs certified with leading international organizations;
- 3 conferences involving members of senior management from Finmeccanica, the Group companies, institutions, and the most prestigious universities and business schools.

Finmeccanica Economics Programme
Training course specifically calibrated to the employees involved and their level of training in the matters to be studied and which has the following objectives:

- disseminating and enhancing knowledge of the principles of project management economics, finance and analytical accounting;
- creating awareness of the impact we can each have on operating performance by understanding the connection between our daily actions and their effect on profitability and working/invested capital;
- improving the quality of financial planning and control in all key areas involved and at all levels.

The 2011 edition in numbers:

- 1,158 participants from 26 Group operating companies at all levels of the organization. Of the total, 898 were involved in either classroom or blended (online + classroom) work, with the remaining 260 being involved solely in e-learning;
- 44 course editions in 2 countries – Italy and the US – for a total of roughly 10,000 hours of (classroom + e-learning) training provided;
- 8 subject matter experts, members of Finmeccanica Faculty, involved in the modules Economics for Industrial Processes, Industrial Cost Controlling and Advanced Planning Methodology.

Finmeccanica Faculty
Program designed and implemented in partnership with the INSEAD Business School of Fontainebleau (Paris, France) to identify, select, certify and manage a group of subject-matter experts (SMEs) to form a key network in the dissemination of knowledge capital and common values.

With the first call for SMEs in March 2011, the various companies of the Group were asked to indicate employees with relevant experience and know-how in the following 5 areas: Program Management, Project Management, Risk Management, Value Management, and Management Accounting.
We then selected 30 executive and middle managers from all of the Group companies, who took part in the Finmeccanica Faculty Accreditation Program for the training and subsequent accreditation of these SMEs.
The program called for an initial training workshop in July when the SMEs were able to learn the main communication techniques needed to transfer knowledge and to align their own knowledge with the contents of the “PM in Finmeccanica’s Way” model.
The SMEs were then involved as speakers in the Group’s various training programs (e.g., PMP, Finmeccanica Economics Programme, etc.). At the end of the accreditation process, an accreditation workshop was held at the end of November at INSEAD, in Fontainebleau.

Supply Chain in Finmeccanica’s Way
Program in collaboration with the Operations units aimed at enhancing core competencies in key processes of operations related to supply chain management.

In February, a preliminary session was held which, with the help of opinion leaders from five Group companies, facilitated discussion of the scope of the program and confirmation of the goals, approaches, action plan and expected benefits. Given the scope of supply chain processes and the diversity of the various areas of Group operations, the scope of the program was limited to the planning and execution of supply chain processes with a focus on suppliers and sub-suppliers (both within and outside the Finmeccanica Group).
The following activities also helped to complete the process of defining the program’s scope:

- designing the program model (i.e. roles, responsibilities, the training architecture, and the certification strategy);
- mapping out the workforce involved in the various processes (some 2,000 individuals worldwide throughout the Group) and consequent identification of the roughly 500 employees to be involved in the first wave of training and presentation of the project plan to the funding organization (i.e. Fondimpresa).

Community of Practice and Learning Community

In order to facilitate the integration and internationalisation of our culture, market and business, Finmeccanica has established a set of methods and models to promote the development of a professional network of people working in similar areas of business at the various levels of the Group and in Group companies throughout the world.
These “communities of practice” are an ideal vehicle for building skills and creating knowledge capital, as well as for sharing opinions and experiences and discovering international best practices.
From the Technology Communities to the Professional Families, these networks have involved thousands of people, united towards the ultimate goal of creating a shared language and a common framework throughout the Group, fed by regular meetings, dedicated training, knowledge sharing, and skills monitoring and development Group-wide.
In recent years, the individuals fulfilling their specific roles within the various companies of the Finmeccanica Group and at all levels of the organization have also begun to interact dynamically within dedicated communities making full use of social networking and Web 2.0.

Target: networks of participants in the main training and development programs, Professional Families and Communities of Practice.

Objectives: to promote the sharing of experiences and best practices, to build knowledge capital and to support online training.

Structure and content: Web communities on dedicated platforms that allow for online training, knowledge sharing, social networking and collaboration (e.g., forums, blogs, wikis, etc.), and reporting.

In numbers: community participants: PMP (1,000), CLAB (1,300), FLIP (230), BEST (70), DTV (322), ELP (63), In-house Communicators (50).

Launched in: 2004.

Young People Programme

This program includes the training and development that specifically targets the young people working at Finmeccanica and comprises a variety of initiatives.

FHINK
A masters program of international scope that integrates technology, academia and business. It brings together learning modules designed by professors from prestigious Italian and international universities (e.g., Milan Polytechnic, Imperial College London) with the participation of speakers that include some of the most respected executives from within the Group and around the world in order to fit the topics discussed into the context of Finmeccanica.

The 6th edition in numbers:

- 19 students of 9 different nationalities and with an average age of 25;
- some 1,500 total hours, including classroom instruction held entirely in Rome and internships within the various Group companies.

The training program covers four main areas (i.e. Project Management, International Sales, Innovation & Business Development and Technology & Operations Management) and is based on three main learning techniques:

- Research: the instructors are actively involved in research on the topics covered by the masters program;
- Experience: the various speakers present business cases taken from their own experiences;
- Problem solving: students are asked to develop solutions to real-world problems through lab work and internships in one of the companies of the Finmeccanica Group.

Since the masters program began, 135 participants have been hired by various Group companies.

Finmeccanica Learning Induction Program (FLIP)
A mixed learning and induction program (with in-class training, distance learning, and online and face-to-face working groups). It is designed for recent university graduates working within Finmeccanica with the goal of providing orientation and making these young people aware of the complex multi-cultural, multi-business nature of the Finmeccanica Group and of our values.

The numbers for 2011:

- 230 participants from 5 countries;
- 30 tutors (or “flippers”) from Human Resources;
- 40 executives from the Technology-to-Values Community, who accompanied the participants through the various stages of the training program.

In July, the closing conference was held at LUISS Guido Carli University in Rome. The conference was streamed live over the web and was an opportunity for FLIP participants to interact directly with the CEO of Finmeccanica and with other senior managers to discuss the future of the Group, the potential development of the business and the opportunities for growth that a multinational organization such as Finmeccanica has to offer.

Business Education Strategic Ten (BEST)
A master program in General Management designed for the most promising university graduates with 3-5 years of experience within any of the various Group companies. This blended study program is the only one of its kind among Italian businesses to be confirmed as a “Corporate Executive MBA” program by the Italian Association for Management Training (ASFOR).

In 2011, three editions of the program were held for a total of 69 participants (who join the more than 700 previous attendees).

Of note among the changes in the 2011 edition was the implementation of the Project Management area in line with the Project Management Program (PMP).

Challenge Hunters Aiming at New Generation Excellence (CHANGE)
Program aimed at developing young "rockets" within the organization, who are selected by their employers based on their international standing and great potential for growth towards more complex roles within the Group.

In 2011, the project's closing workshop was held, bringing together the 200 employees from all around Finmeccanica in Italy and the UK who participated in the three editions of the program. The workshop was an important opportunity to discuss the projects prepared by the participants regarding five topics of strategic importance to the Group: Innovation, Value Creation, Operations/ Technology Development, Multiculturalism, and Internationalisation. During the workshop, both the CEOs, who acted as mentors during the program, and various academic experts on the topics commented on the output of this project work.

Executive and Middle Manager Programme

Competency Lab
A life-long learning system to develop the leadership skills required under the Finmeccanica model and to promote the creation of a distinctive, international managerial identity.

The training provided is organized into seven Finmeccanica management-skills areas and includes training modules based on the level of complexity of each skill, which can be used in various ways and over various channels. An advanced web-learning environment supports the entire training process.

Two pilot editions were held in 2011 in the UK and the US regarding "Collaboration and International Orientation", which involved a total of 20 executives (10 in the UK and 10 in the US) and 26 middle managers (15 in the US and 11 in the UK). These came after the 2010 edition, which attracted the involvement of 600 managers in Italy.

From Technology to Values
This international seminar targets executives of great potential and seeks to teach managers of the Group the ability to contemplate the complexity of the business and the various processes of change.

In 2011, one edition was held for 23 executives of various nationalities.

The Community currently encompasses 334 executives who have, over the years, been involved as mentors for recent university graduates hired by the various Group companies and who have participated in FLIP.

Finmeccanica Executive Leadership Program
A program of higher education in Executive Leadership developed together with the business schools of Imperial College London and New York's Columbia University. The program is designed for a select group of executives from the various Group companies throughout the world.

In 2011, a total of 56 highly promising executives, who already fill key roles within their companies, were involved in the program.

The course syllabus was organized into six modules (provided in two sessions of five days each) and designed to strengthen the business leadership skills that are seen as being crucial for any organization wanting to continue competing in the global marketplace, and namely: Visioning, Managing Customer Relationships, Leadership and Change, Managing Innovation, Project-Based Organizing, and Intellectual Capital.

Participants also did project work (the Global Leadership Challenge) together in integrated working groups designed to analyze issues of strategic importance to the Group and recommend solutions.

The 92 executives involved in the three editions held thus far were selected based on the results of the 2010 management review process (for participants in 2011), which involved all subsidiaries of the Finmeccanica Group.

COMPETITIVENESS AND THE TERRITORY

Finmeccanica is a major industrial group that operates in Italy and almost all of the major manufacturing countries. In fact, 185 of the Group's 405 sites throughout the world are dedicated to manufacturing.
The factory is at the heart of the activities of Group companies, the physical place that expresses the culture of "know how" through innovative processes and products, changing technology and expanding skill-sets of its workers.
Some factories have existed for many decades, and in some cases have marked the beginning of an entire industry. They have grown and have been transformed following the various industrial, economic and social cycles, but always aim to be a driving force for development in their areas.
The symbiosis between the factory, the geographical area and local communities, respecting the environment and social and cultural diversity, is, therefore, another essential factor for the sustainability of Finmeccanica.
In this way, Finmeccanica continues to work to communicate and share with local stakeholders not only its own identity and corporate culture, but more specifically its technological and material capabilities, actively taking part in models of interaction that combine the competitiveness of the companies with that of the geographical areas in which they operate.

Finmeccanica and clusters in the aerospace, defence and security sectors

The district (cluster) is the government's expression of the model that has supported the development of the aerospace and defence industry domestically and at the European level in recent years.
In Italy, in the various districts established with the support of local authorities, the research, university and professional training world has actually gravitated around Finmeccanica's production sites. There are currently five Italian aerospace districts, with a total of 520 companies and turnover of over €bil. 9, employing more than 40,000 people directly and indirectly.
The importance of this sector for the region and its local communities comes not just from the contribution it can make in terms of employment and added value, but in the fact that it integrates and promotes the development of expertise, processes and technologies that are vital to the competitiveness of the economy as a whole. Through the hierarchical system of production relationships, all businesses, including small and medium-sized local subcontractors (SMEs), can compete internationally based on real virtuous circles, without which they would be quickly marginalized by the global market.

Aerospace District of Puglia - www.apulianaerospace.eu/
Aerospace District of Lombardy - www.aerospacelombardia.it/

Aerospace District of Campania - www.campaniaerospace.it/
Aerospace Technological District of Lazio - www.lazio-aerospazio.it/
Aerospace District of Piedmont - www.its-aerospaziopiemonte.it/

The aerospace industry lies at the heart of the UK's production and manufacturing industry, where it is second in size only to that of the US. In England, too, one of this sector's strengths is that it is characterized by collaboration between the government, industry and academia and works through industry associations (clusters) created over the last decade at the regional level centering around the major companies in the sector.

Finmeccanica operates in the UK through a number of companies (AgustaWestland, SELEX Elsag, SELEX Galileo, SELEX System Integration, DRS Technologies, Vega3, Ansaldo STS) and plays an active role in the most important clusters, including the North West Aerospace Alliance and the West of England Aerospace Forum.

Partnerships with academia

One feature common to all areas where the aerospace and defence industry is present is that of collaboration with universities and academic institutes, which are vital links in researching and developing new technologies and preparing those persons that the industry will need in the future.

Our relationship with academia takes the form of research, teaching activities, internships, scholarships, masters and other educational programs to which all the Group companies contribute in their respective areas of interest.

The Finmeccanica Group maintains relationships with approximately 50 universities and 19 research centers in Italy, and with approximately 60 universities and research centers elsewhere.

FINMECCANICA AND ITS OUTSTANDING COLLABORATIONS

Here below are some of the major institutes with which the Finmeccanica Group maintains relationships, broken down by geographical area.

ITALY
Università degli Studi di Roma "Sapienza"
Università degli Studi di Roma "Tor Vergata"
Università degli Studi di Napoli "Federico II"
Università di Pisa
Università degli Studi di Genova
Università degli Studi di Firenze
Politecnico di Milano
Università di Bologna
Università Commerciale "Luigi Bocconi", Milano
Scuola Superiore Sant'Anna, Pisa

UNITED KINGDOM
Imperial College, London
University of Bristol
University of Liverpool
University of York
Cranfield University

UNITED STATES
Massachusetts Institute of Technology (MIT)
University of Pennsylvania
Princeton University
Cornell University
Stanford University
University of California, Berkeley
Columbia University, New York

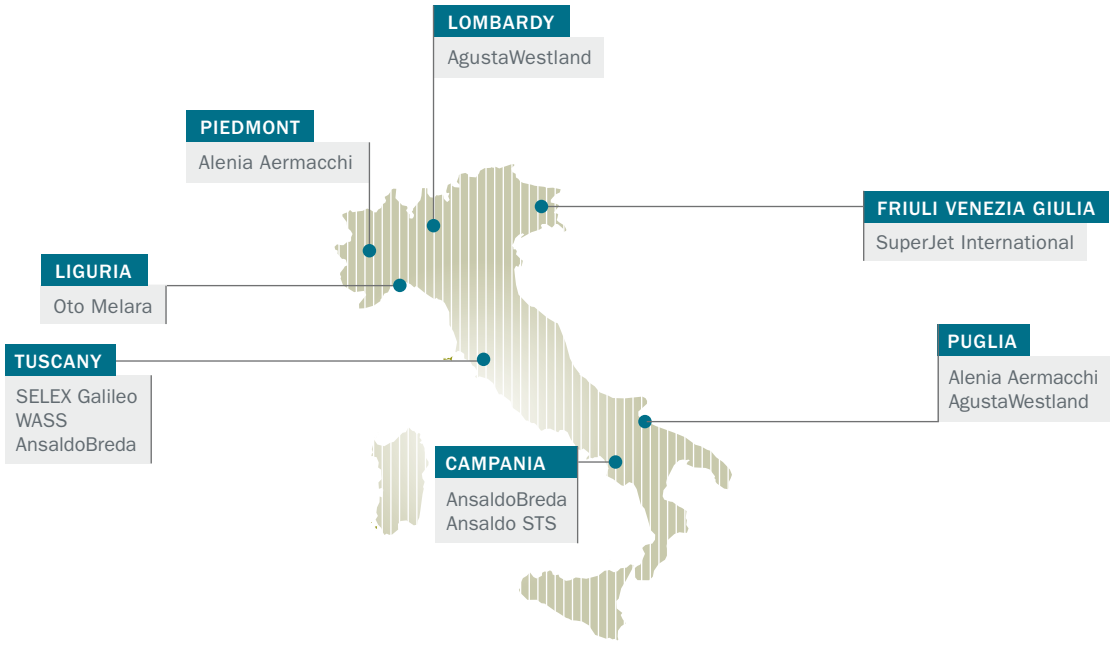
FRANCE
Ecole Centrale de Paris
Ecole des Ponts ENSIAME Valenciennes
ESTACA Paris
INSA de Lyon
Université d'Orléans
ENSI de Limoges

Technical and professional training for young people

Secondary professional training plays a vital role in meeting the diverse needs of businesses at the various levels of the production chain and is gaining renewed attention as a way of increasing the competitiveness of the economic system and improving the employment situation for young people. The Istituti Tecnici Superiori (ITS) project, created in November 2009 following the signing of a memorandum of understanding with the Italian Ministry of Education, University and Research (MIUR), represented the Group's real commitment to developing in Italy a post-secondary training route running in parallel with academic courses, aimed at integrating education, training and employment.

ITS are "special technology schools" offering post-secondary technical training courses of two years' duration, organized by private foundations set up for this purpose in Italy. The goal is to train "super-technicians", equipped not only with the skills determined by the schools but also the capabilities expected by companies. Students at these institutes have the opportunity to learn genuine highly-skilled "trades" in an environment that facilitates a mutually beneficial relationship between schools, universities, laboratories and companies. The courses consist of around 1,800 training hours over four semesters, and also include in-depth study on specific topics, an apprenticeship and on-the-job training. Eight Group companies (AgustaWestland, Alenia Aermacchi, AnsaldoBreda, Ansaldo STS, Oto Melara, SELEX Galileo, SuperJet International, WASS) participate in the seven foundations formed in as many Italian regions (Lombardy, Piedmont, Campania, Puglia, Tuscany, Friuli Venezia Giulia, Liguria). In each region, the partnership and training programs are tailored to the specific requirements of the business: aerospace, helicopters, electronic systems and transportation. As set out in the memorandum of understanding, employees from Finmeccanica Group companies will spend at least 50% of their total working hours engaged in teaching, and the company will make its facilities (e.g., laboratories, machinery, technical rooms, etc.) available for students to use.
In 2011, applications were solicited for the initial courses expected to be offered for the 2012/2013 academic year.

http://www.finmeccanica.it/Corporate/EN/Corporate/Persone/ITS_Finmeccanica/index.sdo



Finmeccanica and ITS at **Job&Orienta** in Verona

Finmeccanica had a stand at Job&Orienta in Verona, a job fair offering information on schools, training programs and employment. The purpose is to help young graduates learning about the companies. This year's theme was the "culture of the trades".

The second National ITS Convention was held during the event, which ran from 24 to 26 November 2011, offering ample opportunity to present the various training programs.

Leverage

all of our business activities effectively, creating value for shareholders through the transparent and responsible management of our operations.

financial performance

PERFORMANCE AND FINANCIAL RESULTS

Globally, 2011 was the year in which the economic crisis that began in 2008 had an even more severe impact on the real economy, with a general contraction in aggregate demand, rising unemployment rates and higher raw material costs, accompanied by strong volatility in the financial market, particularly for sovereign bonds.

The high levels of public debt of many of the Eurozone countries especially, combined with extraordinary measures taken to prop up other members of the Eurozone in danger of default, have made further efforts to rationalize public spending necessary, a situation that has had a serious impact on the defence and security budgets of the individual States, as occurred in 2010.

Therefore, against this background of general crisis, the Group has experienced a sharp reduction in new orders, a decline in revenues and the cancellation and postponement of important programs for its leading business segments.
Added to this is the non-conformance as to quality and other risk factors related to the 787 program, and more generally, to the inefficiencies found in some of the industrial processes. This situation has translated into the need for a critical review of industrial strategy and the technological and business model for the entire Group.

This led to the recognition of "exceptional" costs in the 2011 financial statements of €mill. 1,094, included in the adjusted EBITA since they are deemed part of the ordinary operations of the company, and additional "non-recurring costs" totaling €mill. 2,086, including those relating to impairment[1], which had an impact on EBIT. Please refer to the consolidated financial statements for more information on the composition of these items.

Finmeccanica's Board of Directors therefore proposed to the Shareholders' Meeting that the Company not distribute any dividends for 2011.

PERFORMANCE AND FINANCIAL RESULTS (€ MILLIONS)	2011	2010	%
Revenues	**17,318**	18,695	(7%)
Adjusted EBITA (*)	**(216)**	1,589	n.a.
EBIT	**(2,386)**	1,232	n.a.
Net profit (loss)	**(2,306)**	557	n.a.
FOCF	**(358)**	443	n.a.
Net financial debt	**3,443**	3,133	10%
New orders	**17,434**	22,453	(22%)
Order backlog (**)	**46,005**	48,668	(5%)

(*) Amount before exceptional "non-recurring costs".

(**) Net contract work in progress.

n.a. = not applicable.

1. Under the IAS, this refers to the loss in value of an asset, recognized in the event its carrying value is higher than its recoverable value, i.e. the amount that could be received if the asset is sold or utilized. Impairment testing is done on all assets, except those recognized at fair value, for which any losses (or gains) in value are implicitly reflected in the fair value.

ECONOMIC VALUE ADDED AND PROCUREMENT

The total gross value added came to €mil. 4,832 in 2011 (-33.19% from 2010). The total gross economic value added attributable to the business, calculated as the difference between the value of production and intermediate costs for the purchase of goods and services, came to €mil. 6,202, down from the €mil. 7,168 posted a year earlier. The difference between the two values is due to ancillary and extraordinary items.

The main differences in the breakdown of total gross value added in 2011 and 2010 related to:

› personnel, with an increase in the component attributable to the impact of corporate reorganizations and restructurings;

› the Public Administration, as the recipient of taxes and risk capital, which suffered from the net loss reported;

› the Company, which has retained more resources as accruals to the provisions for risks and charges.

BREAKDOWN OF TOTAL GROSS VALUE ADDED (€ MILLIONS)	2011	2010	2009
Employee remuneration	**4,848**	4,772	4,608
Personnel costs	**4,632**	4,659	4,590
Personnel costs for restructurings	**217**	113	18
Public Administration remuneration	**-177**	287	353
Income taxes	**-177**	287	353
Return on credit capital	**567**	561	600
Finance costs (*)	**553**	554	593
Finance costs from related parties	**14**	7	7
Return on risk capital	**-2,306**	557	718
Profit (Loss) attributable to equity holders of the Company	**-2,345**	493	654
Profit (Loss) attributable to non-controlling interests	**39**	64	64
Returns for the Company	**1,890**	1,021	925
Amortization, depreciation and provisions	**1,890**	1,021	925
Gifts and sponsorships	**10**	13	10
Total gross value added	**4,832**	7,209	7,214

(*) Compared to the IAS Financial Statements, finance costs exclude exchange gains/losses.

The overall value of the costs for goods and services amounted to €mil. 12,279, essentially unchanged from a year earlier, equal to 70.9% of consolidated revenues (65% in 2010). The business-critical goods and services used directly in production represent 87% of total purchasing costs. Purchases of €mil. 1,600 were made through the “FGS system”, specifically developed to consolidate the management of the procurement of indirect goods and services at the Group level and available to all the companies.

The search for efficiency in purchasing, which is an important factor in value creation for all companies, makes particular use of the FAST-SRM platform (Finmeccanica Advanced Sourcing Tool) for e-procurement, which saw a significant increase in the number of events handled in 2011.

OPERATING DATA FROM THE FGS SYSTEM	2011	2010	2009
Total suppliers registered for the e-procurement platform (business critical + indirect)	**6,775**	6,300	5,800
- of which new registrations	**444**	550	890
Events handled through the e-procurement platform	**4,500**	3,500	4,700

MANAGEMENT OF INDIRECT SUPPLIERS	2011	2010	2009
Total qualifying indirect suppliers (registered in the Register of Qualifying Suppliers)	**496**	382	343
- of which still valid (< 3 years) (qualification not expired at 31 Dec.)	**367**	358	343
- of which chosen (with active contracts at 31 Dec.)	**372**	350	343
- of which qualifying during the year (new qualifications + re-qualifications)	**114**	80	150
Percentage of suppliers audited by a certifying body (certifications)	**90%**	85%	80%
Percentage of selected suppliers monitored via vendor ratings (qualitative KPI) in the qualification validity period (3 years)	**47%**	45%	30%
Percentage of purchasing of indirect goods from suppliers monitored for quantitative KPI	**12%**	11%	n.a.

Supply Chain Efficiency: FGS/Alenia Aermacchi Routing Center up and running

In 2011, the first phase of the project for Alenia Aermacchi was completed, which meant that the service for managing inbound traffic was up and running in April.

FGS and Alenia Aermacchi signed a 3-year contract with the option to renew for a further 2 years. The contract governs Phase 2 of the project, which involves the final set up of the service (inbound, outbound and intersectional flows).

In December 2011, 70 suppliers of materials (USA/Europe) and 10 transportation companies (3 new providers over the companies with which there are memoranda of understanding) were involved in a total of over 1,700 transport requests handled.

Of these requests, 30% have been consolidated, reducing the number of actual shipments to about 1,300. Further efficiency initiatives have been put in place to reduce transport costs, estimated at over 40% of the budgeted cost (equal to about €mil. 2.2).

The service means that shipments can be fully tracked from when the purchase order is placed through its delivery. Over 400 Alenia users have given authorized access to the Routing Center portal (Purchasing, Transportation, Logistics, ICT).

PERFORMANCE OF FINMECCANICA SHARES

The international economic crisis, the obvious tensions in the Mediterranean, the sharp contraction in investment in the defence and security sectors of the major western countries where the Group operates and the consequent realignment of many important programs and orders clearly explain the negative performance of Finmeccanica's shares within the "defence" segment of the European A&DS sector throughout 2011.

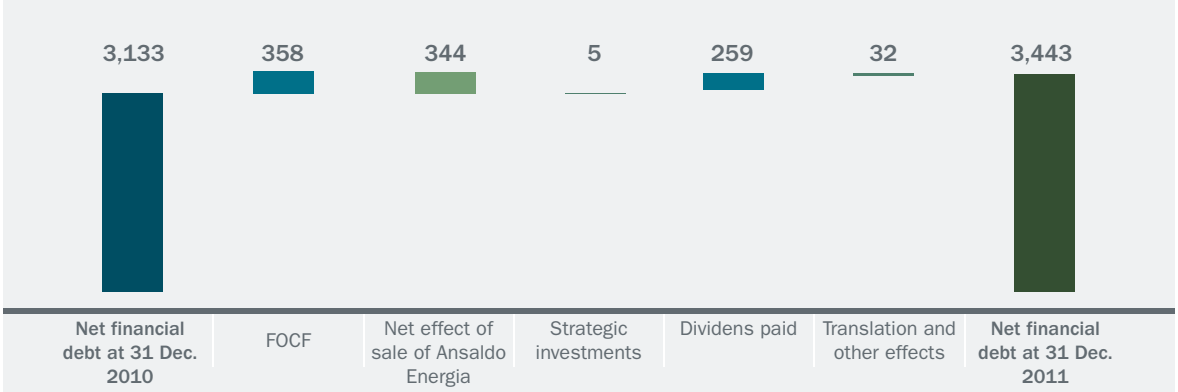
Below is Finmeccanica's stock performance from the start of 2011 through 31 January 2012 according to the index of the major listings in the Milan Stock Exchange (FTSE-MIB), the index composed of the 600 top listings in Europe (S&P600) and the Morgan Stanley A&D Europe index (base of 100 at 3 January 2011).

› ISIN Code: IT0003856405;
› Reuters: SIFI.MI;
› Bloomberg: FNC IM.

FINANCIAL POSITION AND CREDIT RATING

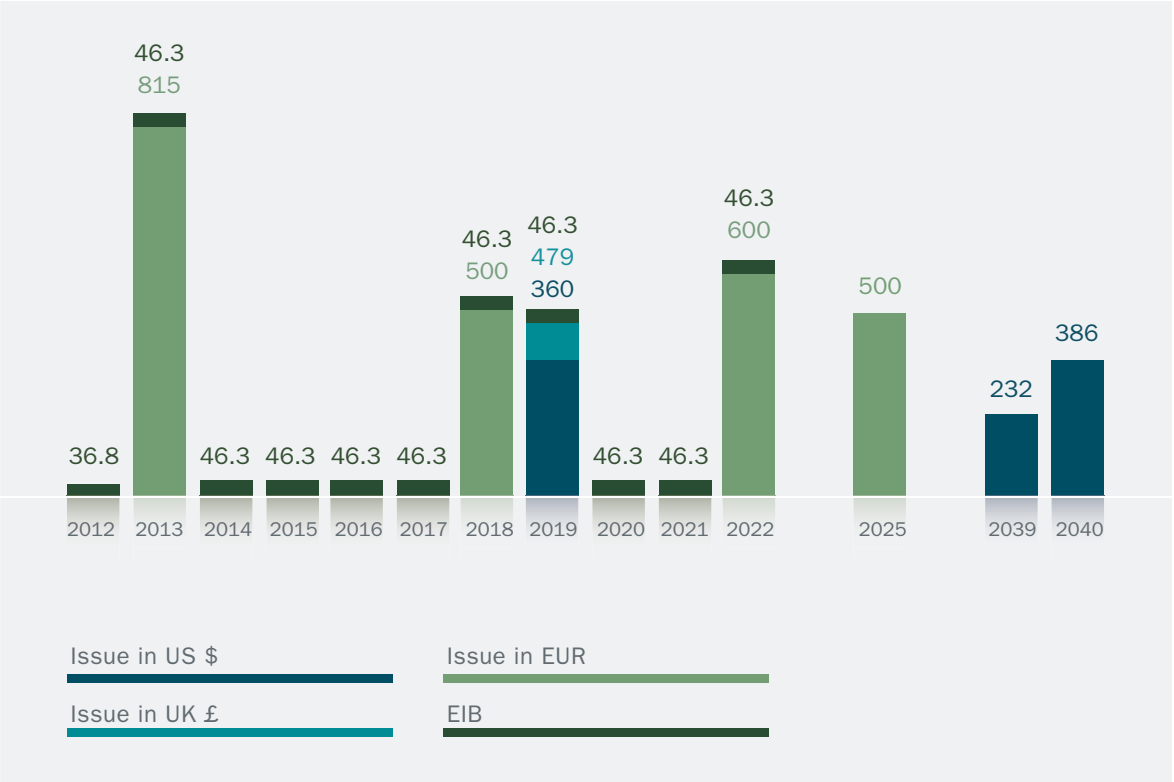
At the end of 2011, the Group's financial debt, measured as payables higher than financial receivables and cash and cash equivalents, amounted to €mil. 3,443, up at net of €mil. 310, or 10%. The most significant operations that contributed to changes in net financial debt are shown in the table below.

CHANGE IN NET FINANCIAL DEBT (€ MILLIONS)



At year-end, the financial statements showed existing bonds amounting to IAS value of €mil. 4,457, with maturity dates falling between 2012 and 2040, down slightly from the previous year.

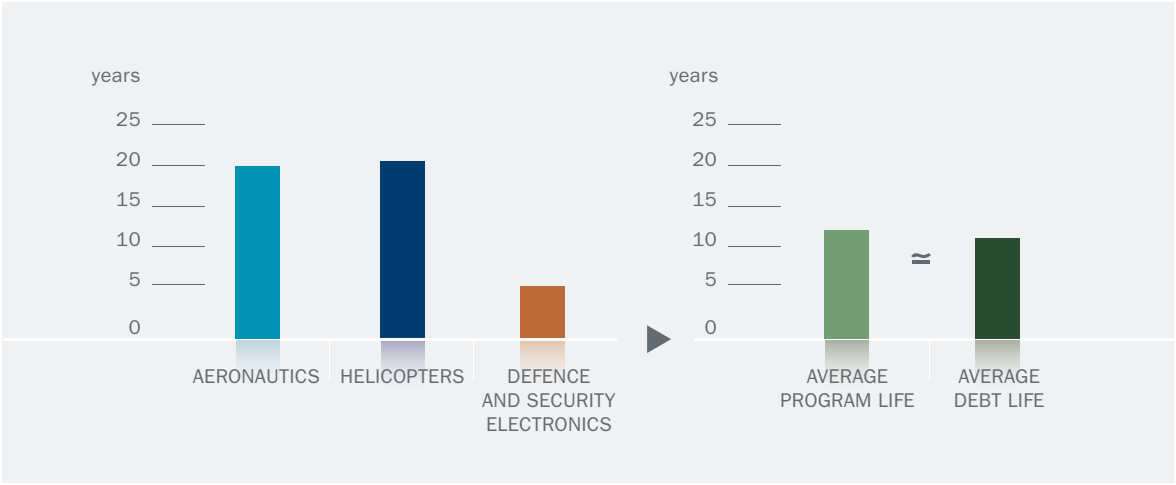
DISTRIBUTION OF BONDS BY MATURITY (€ MILLIONS)



The debt structure features issues in the three main currencies for the Group (euro, pound sterling and US dollar), which represent 70%, 10% and 20% of total outstanding debt, respectively. Most debt is fixed rate (71%). In 2011, the average cost of borrowing was 5.6%.

The average residual life of debt is over 10 years. Finmeccanica's ability to place thirty-year bonds (2039-2040) on the market underscores the confidence that domestic and foreign investors have in the Group's long-term sustainability. The maturity of debt is also aligned with the average life of Group projects, and thus ensures effective asset liability management, which guarantees long-term stability and financial equilibrium.

AVERAGE PROGRAM LIFE BY SECTOR AND BY DEBT LIFE (1)



(1) Includes major programs.

Finmeccanica irrevocably and unconditionally guarantees all bonds issued, which are given a long-term financial credit rating by the international rating agencies Moody's Investor Service, Standard & Poor's and Fitch. A rating expresses a composite assessment of the creditworthiness of the company being evaluated and its financial soundness. It measures the ability to repay the debt principal and pay interest in accordance with the terms set in the loan contract. It therefore represents confirmation of the company's equilibrium and ability to generate economic value.
The method used to assign the rating is based on analysis of significant risk factors (business risk and financial risk) and on the company's ability to manage those risks *(see Risk management)*.

AGENCY	DATE	LONG-TERM RATING	OUTLOOK
MOODY'S	16 February 2012	Baa2	NEGATIVE
STANDARD & POOR'S	5 December 2011	BBB-	NEGATIVE
FITCH	7 December 2011	BBB-	NEGATIVE

Create

the conditions to enable people to give their best every day, making them proud to belong to a Group that demonstrates its “corporate good citizenship” in practice.

social performance

At 31 December 2011, the Finmeccanica Group's workforce totaled 70,474 employees, down 6.3% from 2010, while the average number of employees came to 71,602. This decrease is mainly due to the impact of the reorganization and restructuring programs underway and the partial sale (45%) of Ansaldo Energia.
Women make up 18% of the total workforce and continue to grow as a percentage of all workers.

WORKFORCE	2011	2010	2009
Workforce at 1 Jan.	**75,197**	73,056	73,398
Workforce at 31 Dec.	**70,474**	75,197	73,056
Hiring in Italy (*)	**2,500**	1,017	1,569
Terminations in Italy (*)	**5,500**	1,763	1,570
Turnover rate in Italy (**)	**6.8%**	6.6%	7.4%

(*) Excluding those promoted, changes in the scope of reporting and consolidation.
(**) Ratio of the sum of hirings and terminations divided by the average number of employees.

DISTRIBUTION OF WORKFORCE BY CATEGORY	2011	2010	2009
Executives	**2,167**	2,303	2,190
Middle managers	**8,169**	8,036	8,012
Office staff	**41,901**	44,222	40,674
Workers	**18,196**	20,598	22,146
Pilots	**41**	38	34
Total	**70,474**	**75,197**	**73,056**

DISTRIBUTION OF WORKFORCE BY AGE	2011 (*)	2010 (**)	2009 (**)
Less than 25 years old	**5.8%**	4.4%	5.3%
Between 26 and 35 years old	**22.4%**	25.1%	25%
Between 36 and 45 years old	**25.3%**	25.7%	25.5%
Between 46 and 55 years old	**30.5%**	30.9%	32.6%
Between 56 and 60 years old	**12.4%**	11.6%	9.8%
Over 60 years old	**3.6%**	2.3%	1.8%

(*) The 2011 figures refer to the Group, covering 88.9% of employees.
(**) The figures for 2009 and 2010 refer only to Italy.

FEMALE EMPLOYEES	2011	2010	2009
Female employees	**12,685**	12,032	11,324
Ratio of salary of female employees to that of male employees in same category (*)	**98%**	-	-
- Executives and middle managers	**93%**	-	-
- Office staff	**95%**	-	-
- Workers	**104%**	-	-

(*) This includes the minimum pay required under the national collective bargaining agreement, individual and collective wage increases, seniority bonuses and other minor items. The figures refer to the Italian workforce only.

ABSENTEEISM	2011	2010	2009
Absentee rate (*)	**6.5%**	6.3%	6.3%

(*) The figures refer to the Italian workforce only, with the exception of Thales Alenia Space and Finmeccanica SpA corporate functions. Calculated based on the ratio between hours absent and hours worked.

LABOR ORGANIZATION AND LABOR RELATIONS

The year 2011 was one of significant change for Finmeccanica. In fact, in order to prepare the Group to face a rapidly changing general situation from the strongest position possible, in an increasingly competitive international environment, even from the standpoint of economic sustainability, the Parent Company and various Group companies have been conducting organizational reviews and rationalizations involving various portions of the Group workforce, in Italy and abroad.

Specifically in the cases of the Aeronautics and Defence and Security Electronics sectors, these processes have led to extensive reorganization, culminating in the merger of Alenia Aeronautica, Alenia Aermacchi and Alenia SIA into the new Alenia Aermacchi, and of SELEX Communications and Elsag Datamat into SELEX Elsag.

In Italy

In Italy in 2011 all the corporate crisis management tools provided for by law were used, resulting in:

› the use of the ordinary and extraordinary wages guarantee fund for a total of 811,797 hours of work;

› the effective termination and redundancy of 792 employees;

› the total number of terminations and redundancies requested, relating to agreements signed in 2011, amounting to 1,313 employees.

In several cases, the plans, some of which were agreed in 2010 and in certain respects will be rolled out gradually starting in 2012, contain specific measures to soften the economic and social impact of the restructuring processes underway and to reduce their impact on employment:

› putting into place “voluntary” termination and redundancy procedures (i.e., based on offering up “no opposition”) for workers who have met or who will meet pension eligibility requirements during the redundancy period;

› offering voluntary retirement/resignation incentives;

› redeployment of staff within the Group, particularly in the case of companies being liquidated;

› transfer of personnel to other offices of the same company with payment of certain related expenses and allowances;

› stabilization of the workforce under “employee lease” agreements partially to compensate for staff reductions;

› training and professional development courses to improve the skills of those employees affected.

As a result of the “pension reform” introduced in late 2011 (which raises the pension eligibility age significantly), “voluntary” redundancy plans agreed with the unions and then implemented by the Group may not be enforceable against those whom no formal steps to terminate employment had been taken at 31 December 2011. The Italian government is also considering a legislative solution to this matter to guarantee some sort of coverage for all those cases of agreements signed prior to 4 December 2011.

On 7 March 2011, Finmeccanica and all the Group companies signed an agreement with the national trade unions for the use of all the flexibility mechanisms allowed under the National Collective Bargaining Agreement and the applicable Company Labor Agreement (overtime, third shifts, various bonuses) to ensure higher productivity, quality, profitability, innovation and organizational efficiency in relation to financial performance or company profits.

International operations

In 2011, a total of 1,249 employees were terminated in connection with corporate reorganizations.

In the United Kingdom, SELEX Galileo underwent a reorganization, leading to the termination of 119 employees, of which 87 were “voluntary” resignations, subject to the acceptance of the company, and 32 were redundancies, at the Luton, Basildon and ParcAberporth facilities.

In the United States, in 2011, DRS Technologies continued the process, begun in previous years, of terminating 1,130 employees, using the same criteria it has used in the past, laid out in union

agreements (applicable to registered union members) or based on standard policies followed in the US (applicable to non-union members).
More specifically, non-union employees were chosen to be laid off based on their skills and job performance, with special care taken to avoid discrimination based on age, gender or belonging to specific groups.
The incentive policy provides for offering one week's pay for each year of service and the recognition of certain benefits, such as health insurance coverage for one or two months, outplacement services, and so forth.

For more information on these initiatives by sector, please refer to the consolidated financial statements.

CORPORATE WELLNESS PROGRAMS

Finmeccanica and its companies have a strong tradition of looking after the well-being of their employees. This focus has gained even greater support in recent years, as civil society, and consequently those within the Group, have developed a growing awareness not only of the function of social responsibility linked to presence in a geographical area, but above all its importance as an additional factor in retaining and fostering loyalty among employees.

Over time, everywhere that the Group's wellness policies have been implemented, their effects have been multiplied, evolving and gaining a unifying value. They are aimed at achieving the following objectives:

› positively affecting the "well-being" of employees by promoting a better life/work balance;

› improving job productivity;

› introducing an expanding range of more effective alternative forms of compensation (for example, supplemental health insurance), which also benefit the Group through certain tax breaks.

Current programs even cut across areas, with a variety of best practices becoming common for all the companies (e.g., pensions and supplemental health insurance), while other practices instead are limited to specific companies, building up over time in relation to certain characteristics of those companies (e.g., location or long-standing traditions/practices).

AREA OF INTERVENTION	TOOLS AND COVERAGE
Pensions	**Supplemental pensions** Supplemental pension fund for Group executives, introduced in 1986, that has performed better than other industry pension funds.
Health care	**Supplemental health insurance** Presently available to all Group executives and middle managers; extended to office staff and workers in certain companies. Provided not just to employees, but also to their family members, under certain conditions. Coverage extends into retirement for the entire life of the employee (executives). **Disease prevention programs** Provided both collectively and individually, some of which are directed at management personnel only, and others at all employees: › special disease prevention campaigns, aimed at the general employee population, focusing in the most dangerous diseases (cardiovascular problems, cancer), or connected to particular working conditions (eye care, posture issues); › personalized check-ups to diagnose specific diseases suggested by the employee's medical history (aimed at executives and/or middle managers). In this area, the Group aims to consolidate and expand the system of integrating services with those provided by public facilities, which, in some cases (such as medical conditions requiring highly specialized treatment) makes it possible to initiate prevention programs in conjunction with local healthcare structures (ASL), and therefore potentially supported by public funding.
Life/work balance	**Support for parents** Creation of an in-house childcare center ("Nanna bella") (SELEX Sistemi Integrati), which has considerably benefited those workers involved from an organizational standpoint, particularly given the geographical location of the company (also available to employees of neighboring companies of the Group). In other cases, agreements are made with outside providers to provide childcare services to employees at a discount. **Commuting** Some companies offer shuttles or coach buses to take employees to/from work, while others offer subsidies for the purchase of bus and train tickets.
Education funding programs	Includes programs for employees' children, including training (languages) and funding (reimbursement for school books, scholarships for employees' children, university grants), currently only available in certain Group companies.

HEALTH AND SAFETY

Safeguarding the integrity and well-being of its employees is one of Finmeccanica's priorities in organizing and managing our activities. We have adopted a number of management systems capable of controlling processes to protect the health and safety of our employees in the workplace *(see The Group's commitment to EHS)*.
Starting from 2009, Finmeccanica has invested over €mil. 70 in protecting our workers' health and in spreading a culture of safety as something to protect and promote at all levels. This has translated into a significant reduction in workplace accidents. Specifically, in 2011, the accident frequency ratio declined by 11% as compared with 2010.

ACCIDENT FREQUENCY RATIO

Moreover, aware of the importance that safety plays in every company, in 2011 Finmeccanica Group Real Estate began scouting accidents that occurred on business premises that, although involving one of the Group companies, do not fall within the scope of EHS reporting as defined due to the minor importance of the environmental aspects of the activities carried out and the number of employees present. The preliminary analysis, conducted at 83 sites at which about 1,350 employees work, yielded a frequency ratio of 7.89.

Finmeccania provides guidance and control at the corporate level through the Health and Safety Coordination Committee, established in 2008 within the Parent Company's Human Resources Unit to gather information and monitor the situation at the Group level.

The Committee is composed of the heads of the relevant areas, such as legal, training, organization, prevention and protection, and occupational medicine, and has a special responsibility to share, expand and spread an understanding of and experiences about health and safety within the Group by:

› drawing up common guidelines, methods and procedures for continual improvement of safety measures on the workplace;

› continual monitoring of regulations on this subject;

› developing operations to support the health and safety culture by creating and sharing suitable communication and training tools, including those for suppliers, external partners and any other party involved in corporate manufacturing processes;

› preparation of health protocols and preventive measures to be applied at the Group level, created based on a center for the systematic collection of health control statistics.

Actions undertaken by the Committee in 2011 include:

› providing support to the Group companies in applying the guidelines on work-related stress, in compliance with current regulations;

› seminars on specific topics and on general health and safety issues, aimed at addressing the most important subjects at the Group level, such as, for example, the new position of Company Physician, attendant legal and ethical obligations;

› the conclusion of the study investigating aspects of the health and safety of workers who travel to countries at risk, particularly with regard to legislation and legal doctrine, estimating the number of workers affected, identifying the relevant countries, looking at health monitoring measures to be taken, communication and information tools used and related training programs. Group operational guidelines are expected to be issued in 2012 as a result;

› the launch of a project, to be completed in 2012, aimed at creating a unique software for the computerized management of health monitoring, to be used by all Group companies, which will make it possible to obtain homogeneous, uniform data for statistical and epidemiological purposes.

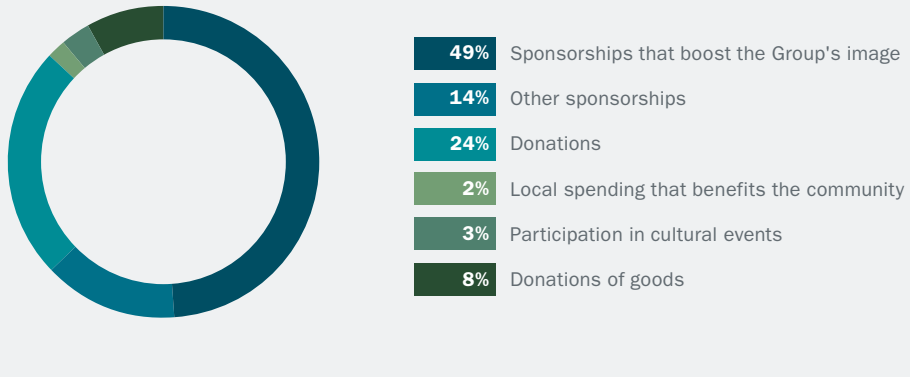
CSR AND SOCIETY

Finmeccanica is a leading international industrial group, present in a wide range of geographical and economic areas across many continents through its sites and its people. In this context, Finmeccanica plays a very precise and important role, interacting and collaborating with a variety of persons who represent the Group's stakeholders at all times and everywhere.
In this way, Finmeccanica and its companies contribute to the orderly and continual development of a civil society in general and in the areas its sites are located in particular.
For the Group, its relationship with its stakeholders is a key part of its way of "being a company" and spreading its new cultural model that is even more anchored in creating and developing "virtuous" relationships, capable of enhancing and strengthening a more modern view of the social dimension of sustainability.

The Group, whose companies are spread throughout the territory, has long asserted its corporate citizenship, alongside its recognized role as economic catalysts and driver of competitiveness *(see Competitiveness and the territory)*, as a promoter and supporter of initiatives and projects that could have a positive social impact for the community, linked to a distinctive strategy aimed at positioning Finmeccanica as an active player, in the full belief that a company's success is judged not as an absolute value, but in the way it is achieved and for its ability to maintain it over time, in accordance with the aspirations and hopes of the society we live in, and people who help create it.

In 2011, the Parent Company Finmeccanica and the Group companies earmarked a total of over €mil. 10 for sponsorships and donations that promote and protect art, culture and the environment, social development, and the promotion and development of the history, experience and traditions of the Group companies.

SPONSORSHIPS AND DONATIONS BY TYPE OF EXPENSE



Finmeccanica's cultural initiatives and events

During 2011, Finmeccanica contributed to the enhancement of culture by supporting several important projects and initiatives. Finmeccanica's commitments – mainly exhibitions, anniversaries, theatrical, film and musical events – have continued in those areas where its activities are largely concentrated. In Italy, these initiatives have focused mainly on the cities of Rome, Genoa, Milan, Varese, La Spezia and Naples with the cooperation of municipal authorities and the various agencies and institutions working in those regions.

FINMECCANICA'S MAIN CULTURAL INITIATIVES AND EVENTS IN ITALY	
Rome	Initiatives tied to the 150 anniversary of the uniting of Italy - Rome, the Capital
Genoa	› "The Oath for Italy. From Manzoni to Mazzini" › Science festival, theme "150 years and beyond" › IX biennial of European Towns and Town Planners › "AGM Eurocities"; "Genoa Spectacular" › Carlo Felice Theater
Milan	› Museum of the 20th century › Diocesan Museum › Presentation of the historic aircraft, the Romeo Ro.37 bis
Varese	Presentation of volumes "M-346: Biography of an airplane" (a series published by Finmeccanica) and "Flying Dreams"
La Spezia	Presentation of the volume "Kids of '76" (a series published by Finmeccanica)
Naples	San Carlo Theater

Internationally, in 2011, Finmeccanica was committed to spreading Italian culture in Russia by supporting the following initiatives:

› "Masterpieces of Italian Museums, from Raphael to Caravaggio", at the Italian Embassy in Moscow;

› sponsorship of "Cinema, the past and the future", Cinecittà Luce;

› sponsorship of "Masterpieces of Italian Museums: Lorenzo Lotto" - Inaugurated first at the Italian Embassy in Moscow, then transferred to the Pushkin Museum;

› sponsorship of the "Celebrated Herculaneum Antiquities" exhibition at the State Hermitage Museum in St. Petersburg;

› sponsorship of the "Verdi Gala" concert with the Orchestra of Parma's Teatro Regio in St. Petersburg;

› sponsorship of the Verdi's "Requiem Mass" with the Orchestra of Parma's Teatro Regio in St. Petersburg.

Under the strategic guidelines provided by the Group Parent, all Group companies also take steps within their own regions to provide constant support for the development of specific projects in response to requests made by the relevant stakeholders.

SPONSORSHIPS WITH THE ITALIAN ARMED FORCES	
Navy	› Naval Academy Trophy (Livorno 11-17 April 2011) › Publication of the book "Corazzate italiane" ("Italian battleships")
Army	› 150th Anniversary of the formation of the Army › Presentation of the 2012 calendar › Creation of a series of books recounting military history
Air Force	› Completion of restoration of the fuselage for the IMAM Ro.37 bis

Ansaldo Foundation

The Ansaldo Foundation plays a fundamental role in encouraging the wider distribution of an economic, business and labor culture. Thanks to its scientific research, cultural events, high-level management and technology training programs and its safeguarding of the documentary heritage produced by businesses, it is one of the most important institutions for the development of corporate and labor-related culture in Italy. More specifically, the Foundation: develops and spreads a strong and persuasive image of Italy and the Finmeccanica Group as "the place of know-how"; provides support to the national education system by providing new resources and new knowledge; answers requests for information and documentation from individual, institutions, agencies, etc.; it is the permanent, expert forum for reflecting on innovation (technological, economic, social); and it fosters a business and economic culture for creating national cultural awareness.

ANSALDO FOUNDATION - ACTIONS IN 2011	
Scientific research	› The Ansaldo Foundation published the volume on "The State from operator of major companies to player in their governance", the result of research that started in 2009 involving about twenty scholars from ten European universities. › Published the "Study and Research" interactive database, which provides access to information and expertise for a deeper understanding of the industrial transformation of Italy. This network was produced as part of the research on "Regions and macro-regions undergoing economic change" begun in 2009. New research programs are being begun for the 2011-2013 cycle.
Training	With the end of the 2008-2010 cycle, the Foundation provides logistical and organizational support for training sponsored by Finmeccanica and the various companies (Project Management Programme, Economics Programme, FLIP, CLAB, Activation Day, etc.), courses and masters' programs from the various companies, and strengthened its role through partnership agreements with a variety of partners. These include: a) the framework agreement signed in February with the University of Genoa concerning the development of joint initiatives in the field of higher education (I and II level masters, continuing education and processes for transferring knowledge) and b) the agreement of November 2011 with the Sogea Srl development center (RINA Group - Confindustria of Genoa) to provide specialized training. New training programs are being developed.
Cultural activities	In 2011: 167 researchers assisted; 55 initiatives/cultural events promoted or attended, which welcomed 3,000 visitors. › Launched an initiative called "Memory as a resource" designed to safeguard and enhance the historical and archival treasures held at the Group's manufacturing and organizational sites. › Held the initiative "Cinema and Industry", which led to the restoration and digitization of a group of thousands of vintage industrial films. › Participated in the Italy-France "Maritime" 2007-2013 operational program (European Territorial Cooperation Objective).

International solidarity projects

During the 2008-2010 three-year cycle, Finmeccanica developed and coordinated the most important international solidarity project undertaken by the Group: "*Mwana Simba ni Simba*" ("one day the cub will grow into a lion"), aimed at improving social conditions in Africa.
Various initiatives under the project, which was carried out in Kinshasa-Masina (Democratic Republic of the Congo), in Owerri (Nigeria), and in Eseka (Cameroon), were completed in 2011 thanks to the contributions made by Finmeccanica in late 2010. Specifically, after technical and scientific laboratories were built, classrooms for offering computer courses were set up at the Salesian School located in the Masina district of Kinshasa.
In Owerri, work continued on building the first portion of the planned Science Center, while in Cameroon, in the village of Eseka, work was completed on providing services and furniture for the first three buildings of the mini-village built with contributions from Finmeccanica: a church (opened in June 2011), an infirmary and a reception center.

Protect

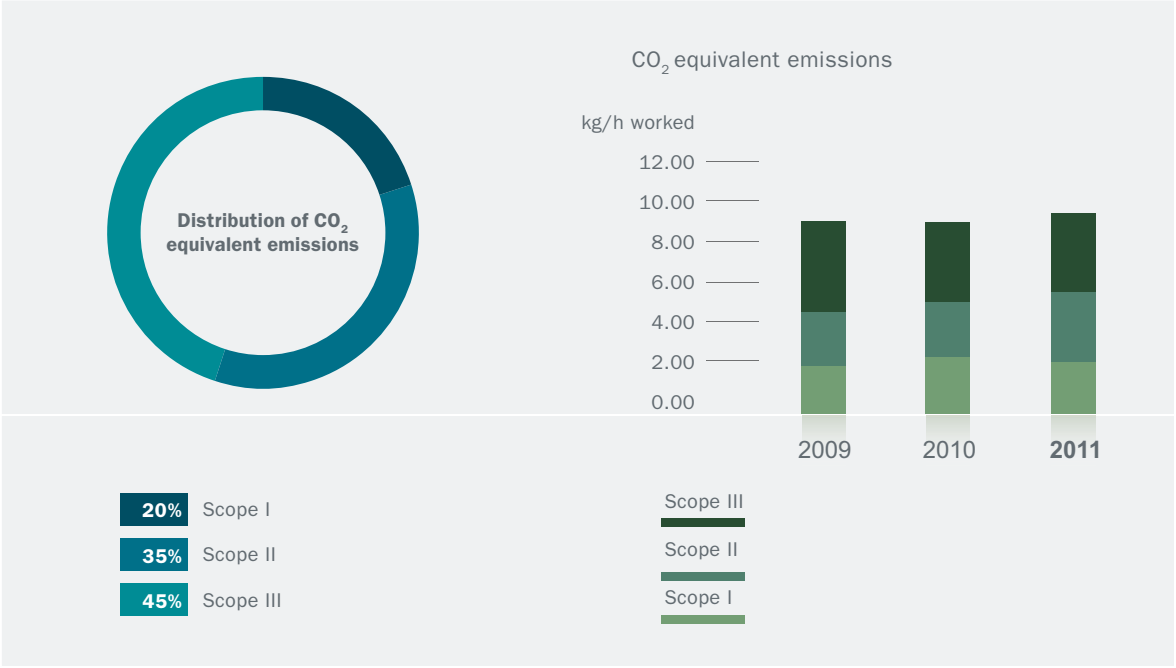
the environment in all its forms. Promote environmental education as well as technical and operational solutions to safeguard energy and natural resources for future generations.

environmental performance

CARBON FOOTPRINT

The Finmeccanica Group produced a total of around 1,047,000 metric tons of CO_2 equivalent in 2011, about 34,000, or 4%, less than in 2010.

CO_2 equivalent (metric tons)	2011	2010	2009
Scope I	**204,466**	247,293	199,218
Scope II	**371,067**	344,269	316,007
Scope III	**471,601**	489,540	512,634
Total	**1,047,134**	**1,081,102**	**1,027,859**



In 2011, we continued our successful efforts in reporting greenhouse gas emissions through the Carbon Management System (CMS), designed to contribute in a structured way to reducing the impact of the Group's activities by developing short and medium-term improvement plans.
The Scope I and Scope II[1] targets for reducing emissions by 15-20% by 2015 served to push the Group to undertake numerous initiatives and put into place measures to boost the efficiency of the Group companies, including:

- continuation of the program to convert AgustaWestland's Vergiate, Frosinone and Brindisi sites to using natural gas, gradually eliminating the use of fuel oil and thereby reducing CO_2 emissions;
- a special census was conducted of all of Telespazio's offices and space centers that confirmed the absence of the climate-altering gas HFC 23;
- more than 30 measures have been carried out and/or initiated to provide system control solutions and improve energy consumption efficiency (e.g., installing low-energy lighting systems; replacing air conditioning equipment with the latest models; optimizing consumption through plant control and management actions).

The passionate commitment by the companies to reducing CO_2 emissions generated directly and indirectly by production processes also extends to researching, developing and positioning more

1. Finmeccanica reports on its emissions in line with the GHG Protocol, classifying them as direct (Scope I, from sources owned or controlled by the Company) and indirect (Scope II, relating to the production of electricity purchased). The reporting of indirect Scope III emissions, from sources not controlled by the Company, such as, for example the extraction of raw materials, the transport of goods and business travel, is optional under the Protocol.

environmentally sustainable products and services on the market. In 2011, for example, Alenia SIA (Società Italiana di Avionica - Italian avionics company), now Alenia Aermacchi, strengthened its development and production of multimedia systems (simulators) for training pilots and maintenance engineers; by operating in the virtual world, we can drastically reduce the impact that training activities have on the environment (CO_2 emissions, noise pollution, consumption of raw materials) as compared with traditional training systems.

Finmeccanica in the Carbon Disclosure Leadership Index 2011

For the fourth straight year, Finmeccanica has taken part in the Carbon Disclosure Project (CDP), a non-profit organization that acts on behalf of 655 institutional investors and represents assets worth USDtril. 78.

The CDP asks companies to clearly state their strategies, goals and practices for addressing climate change and assigns them a score based on their performance and results achieved.

Thanks to the efforts made by the Group to the area of climate-altering gases, which has gone beyond merely complying with the law to actually creating value, thereby generating a strategic advantage, Finmeccanica was included in the Carbon Disclosure Leadership Index (CDLI) for 2011.

In 2011, there were 13 sites, located throughout Italy, subject to the Emission Trading Directive (Emission Trading Scheme - ETS) (Directive 2003/87/EC), the instrument for implementing the Kyoto Protocol on reducing greenhouse gas emissions. All the sites covered by the scheme have had their emissions certified by a body accredited by the Ministry for the Environment, Land and Sea, as required by law.

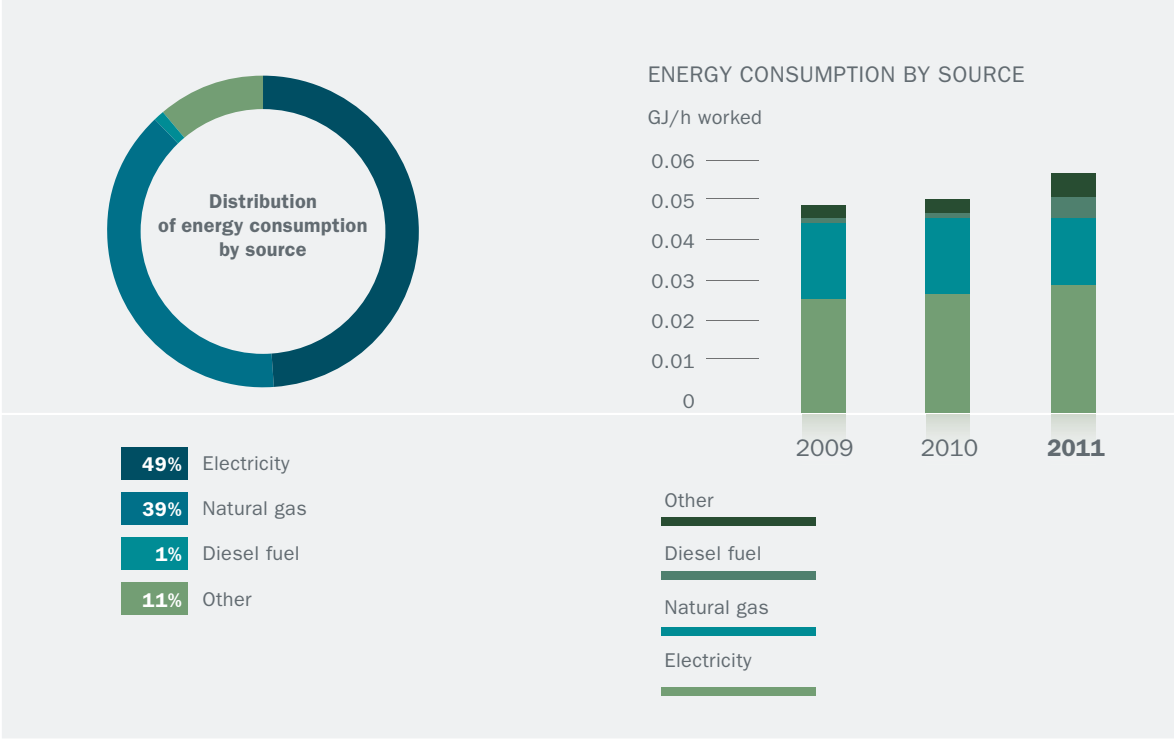
Company	No. of sites involved	Emissions allocated (metric tons/year)	Emissions measured in 2010 (metric tons/year)	Emissions measured in 2011 (metric tons/year)
AgustaWestland	3	25,683	31,441	28,318
Alenia Aermacchi	7	71,157	46,244	48,256
AnsaldoBreda	1	4,778	5,056	4,274
Ansaldo Energia	1	2,407	1,462	4,406
Oto Melara	1	5,594	6,807	6,682
Finmeccanica Group	**13**	**109,619**	**91,010**	**91,936**

ENERGY EFFICIENCY

The Group's energy consumption in 2011 totaled 6,375 TJ, an increase of 7% over the previous year. This increase is primarily due to the 46% rise in the figure for consumption from other sources, which for the first time also includes district heating, and the general improvement in the reporting of consumption through the introduction of a new environmental reporting tool *(see The Group's commitment to EHS)*. In addition to using electricity, natural gas and diesel fuel for generating power and/or heat, the Group sites also use fuel oil and LPG. Fuel consumption in testing products, such as aircraft, tanks, trains, etc., is monitored and reported.

Beyond the increase in the overall consumption figure, the performance indicator reflects the decrease in hours worked and the fact that some types of consumption are not tied to changes in production volumes.

ENERGY CONSUMED (TJ)	2011	2010	2009
Electricity	**3,115**	3,021	2,810
Natural gas	**2,516**	2,393	2,333
Diesel fuel for generating power and/or heat	**37**	66	79
Other	**707**	482	352
Total	**6,375**	**5,961**	**5,573**



The Energy Efficiency Program

Thanks to a structured energy management process, over the years Finmeccanica Group Services has developed an integrated energy resource management model for managing and optimizing Group expenditure through Energy Supply initiatives, and for improving the efficiency of required energy through planning and implementing plant operations and management measures in line with the industrial development of the different companies.

The Group's long-term Energy Efficiency Program, launched in 2005, has led to 27 energy efficiency audits at Group facilities, covering 70% of domestic energy consumption and 40% of UK consumption, with the first US audit being carried out at DRS Technologies' facility in Melbourne (Florida).
Overall, since its start through 2011, 165 actions were carried out at sites in Italy, the UK and the US under the Energy Efficiency Program for a total Group investment of €mil. 17.

Thanks to the efficiency measures implemented since 2006, energy consumption has been cut in Italy and the UK by over 26 GWh of electricity, about 400,000 cubic meters of natural gas and approximately 1,200 metric tons of fuel oil as of 2011. The latter result was achieved thanks to the completion of the project to convert AgustaWestland's Vergiate site to use natural gas.

In 2011, FGS entered into electricity service contracts for 2012 certifying that 21% of the energy for use at the main Italian sites comes from renewable resources. Of this, 4% comes from hydroelectric plants and 17% indirectly from renewable resources through the acquisition of certificates of origin of renewable energy sources (CO-FERs).

Energy-efficient lighting

As part of its role in promoting and sharing advanced models for managing energy commodities and infrastructure, in 2011 Finmeccanica Group Services began to examine whether it would be possible to install energy-efficient lighting systems on a broad scale.

This opportunity was created with the goal of reducing energy costs and achieving international environmental sustainability targets, in part by taking advantage of financial incentives available under current legislation.

In relation to this, Finmeccanica Group Services has contacted the major national and international industry players to gather expressions of interest in covering the financial aspects also.

Also in 2011, it provided support to some of the Group companies in conducting financial and technical analyses geared towards the development and implementation cogeneration and gasification projects.

BIODIVERSITY

For the first time in this Report Finmeccanica has provided information on biodiversity-related issues, in line with the GRI guidelines and the best sustainability reporting practices.

In fact, in 2011, an extensive analysis was completed of all the sites included within the scope of environmental reporting, based on the screening of the local contexts in which they are found, on the one hand, and, on the other, on the assessment of the existence, at the Company and/or site level, of specific plans and programs for managing the impact on biodiversity. Of the 171 Group sites reported:

- 10 sites (8 in Italy) are located within or contain portions of protected areas[2] and/or areas of significant interest for preserving biodiversity[3];
- 16 sites (10 in Italy) are found near such areas.

Location of the Group sites with respect to protected natural areas and/or with high levels of biodiversity	Surface area affected (thousand mq)	Number of sites	Main activity conducted		
			Offices	Manufacturing	Offices/ manufacturing
Within such sites	2,117	9	5	1	3
Containing a portion of such sites	0.1	1	0	0	1
Near such sites	1,077	16	11	2	3
Total surface area	**3,194.1**	**26**	**16**	**3**	**7**

2. A protected area is a geographically defined area, which is designated, regulated or managed in order to achieve certain conservation goals.

3. An area of significant interest for protecting biodiversity is one that is not subject to any legal protection, but is recognized by various governmental and non-governmental organizations as having important biodiversity characteristics. This includes priority habitats (frequently identified under National Biodiversity Strategies and Actions Plans in accordance with the Convention on Biological Diversity). Furthermore, various international environmental protection organizations have identified specific areas with high levels of biodiversity.

With regard to the presence of protected habitats or habitats recovered through the implementation of specific strategies to prevent or manage the adverse impact of the activities conducted at Group sites, no specific plans or actions were required to be undertaken in 2011 to protect or restore an area impacted or potentially affected by these operations[4].

The geographical situations within which the Finmeccanica Group companies operate are in fact extremely diverse and defining strategies and actions to protect biodiversity must therefore be suitable for and related to local characteristics and the habitats located there, as well as to the specific production activities performed.

In some cases the issue of protecting biodiversity is regulated locally. An example is the area of Świdnik (Poland) where AgustaWestland operates. The regional environmental authority has launched a project to develop an environmental protection plan aimed at preserving the speckled ground squirrel (*Spermophilus suslicus*), pursuant to obligations arising from the Habitats Directive[5].
Other companies are pursuing the following initiatives:

› analyses of the impact of production activities are underway;

› corporate procedures were issued that define actions to be taken to prevent harm to wildlife and to control pests and parasites;

› specific projects are being carried out, such as, for example, the project for managing and improving forest areas, implemented by AgustaWestland's Vergiate site.

IMPACTS AND ENVIRONMENTAL KPIS

In 2011, the Group companies planned and/or implemented more than 130 structural and operational measures to reduce the impact that their activities have on the environment, focusing mostly on energy efficiency and better waste management.

Alongside these initiatives, an intensive audit has been conducted, one crucial for identifying and assessing potential areas for improvement and requiring technical and management solutions to help improve operational efficiency and effectiveness. During the year, over 110 environmental audits of Group sites were conducted.

Over the course of the year, 11 environmental accidents were reported and handled (7 fewer than in 2010), none of which are significant in terms of business continuity, and all handled in a timely manner. Of these, 7 were related to spills, the largest of which amounted to about 50 liters; 1 involved the removal of about 3 cubic meters of surface soil; and 2 were related to leakage of refrigerant gas, the largest of approximately 13 kg.

In addition, 16 violations of environmental regulations by the Group were found by regulators.

ENVIRONMENTAL MANAGEMENT	2011	2010	2009
Environmental audits	**>110**	>100	-
Environmental accidents	**11**	18	18
- of which spills	**7**	12	-
Violations of environmental regulations uncovered by regulators	**16**	8	10

4. A restored area is an area used in or affected by the Group's activities and in which specific measures have been taken to restore it to its original environmental state or where a healthy, functioning ecosystem has been reconstructed.
A protected area is an area protected from any type of harm during the conduct of the Group's activities and whose environment is to remain in its original state with a healthy, functioning ecosystem.

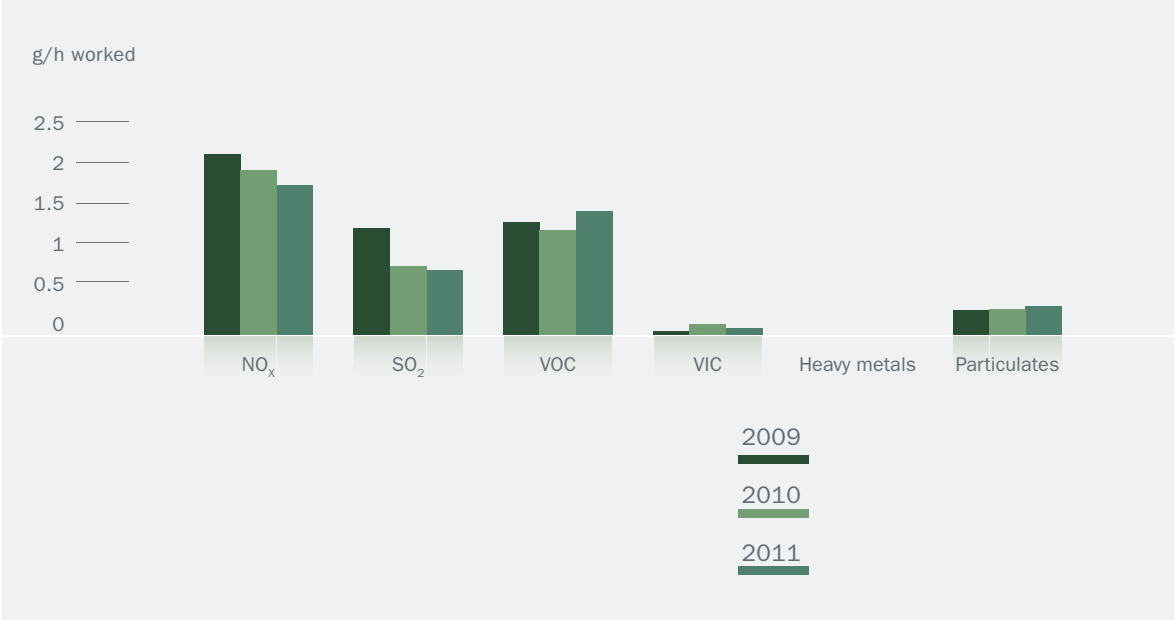
5. Directive 92/43/EEC on the conservation of natural habitats and of wild flora and fauna.

Emissions into the atmosphere

In addition to CO_2, the Group produces atmospheric emissions through industrial processes and from the combustion of natural gas and diesel fuel to produce electricity and heat.
The reporting of the most important parameters of air quality – NO_x, SO_2, Volatile Organic Compounds (VOC), Volatile Inorganic Compounds (VIC), heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni) and particulates – is constantly being refined through efforts to find more accurate ways of collecting data.
In 2011, there were around 2,500 authorized emission points, an increase of about 3% over 2010, due in part to the change in the reporting scope.

EMISSIONS (METRIC TONS)	2011	2010	2009
NO_x	**201**	231	238
SO_2	**69**	78	139
VOC	**159**	142	147
VIC	**2.4**	4	2
Heavy metals	**0.2**	0.1	0.2
Particulates	**25**	25	24

ATMOSPHERIC EMISSIONS

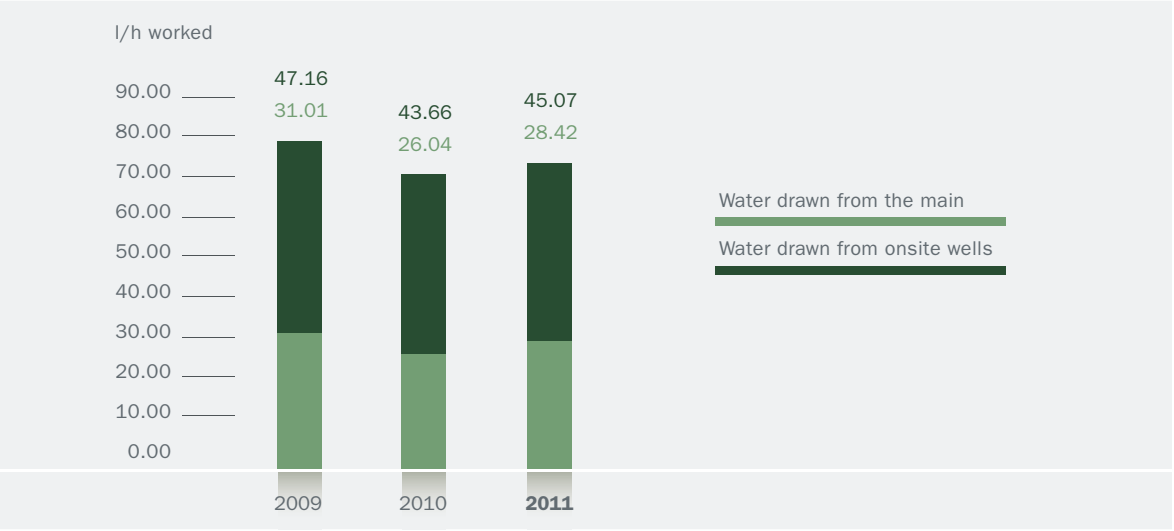


Water resources management

Total water consumption, of which 61% is drawn from onsite wells and the remaining 39% is taken from the mains, has continued to decrease in recent years, down 8% from 2010. The corresponding indicator of hours worked fell by 6% and is essentially unchanged from 2010. Thanks to the use of water re-circulation systems at 21 sites, the Group was able to save about 6% on total water drawn, equivalent to over 480,000 cubic meters.

WATER CONSUMPTION (THOUSANDS OF CUBIC METERS)	2011	2010	2009
Mains	**3,177**	3,089	3,554
Onsite wells	**5,037**	5,181	5,405
Total	**8,214**	**8,270**	**8,959**

WATER DRAWN



Water is mainly for civil uses, industrial use and for irrigation of the extensive green areas found at numerous sites. It is the subject of careful analysis aimed at identifying and evaluating the best practices for optimizing consumption, as evidenced both by the creation and distribution, in all the companies, of the "Guidelines for water management at Finmeccanica Group sites" and the implementation of numerous other plant-oriented projects (e.g., replacing the system of pipes within the sites, installing flow meters to identify leaks in an accurate and timely manner, collecting rainwater for industrial uses).

Specifically, the collection and recycling of rainwater at DRS Technologies' site in Florence (United States) led to a reduction in the use of water from the mains of 11% as compared with 2010 thanks to the more than 10-fold increase in the amount of rainwater stored.
Furthermore, in order to raise awareness at all levels and to encourage a more responsible everyday use of this precious resource, communication and information campaigns have been initiated through Finmeccanica Magazine, which is distributed in all the companies. In 2011, Finmeccanica Group Real Estate published an article on the subject, proposing, among other things, a model of sustainable water management under the Water Efficiency Program, focusing on the Water Audit and carrying out a series of effective technical and management operations.

In 2011, the Finmeccanica Group also produced approximately 6.6 million cubic meters of wastewater: of this 57% was domestic or similar wastewater and 43% was from industrial processes.
Wastewater is mainly returned to the public drainage system (73%), while 26% is discharged directly into surface water as it does not require any further purification treatment. The remaining portion, less than 1%, is disposed of as waste.

Wastewater is analyzed as it leaves the onsite water treatment systems (28 systems for treating domestic wastewater and 31 for industrial wastewater) with respect to concentrations of biochemical oxygen demand (BOD), chemical oxygen demand (COD) and total solids in suspension (TSS), the main parameters for measuring the quality of wastewater, which are directly linked to those production processes used at the sites.

PARAMETERS FOR MEASURING THE QUALITY OF WASTEWATER DISCHARGED	2011	2010	2009
Wastewater discharged by site water treatment systems (thousands of m^3)	**2,404**	2,229	1,865
BOD (metric tons)	**26**	33	14
COD (metric tons)	**99**	121	53
SST (metric tons)	**59**	49	74

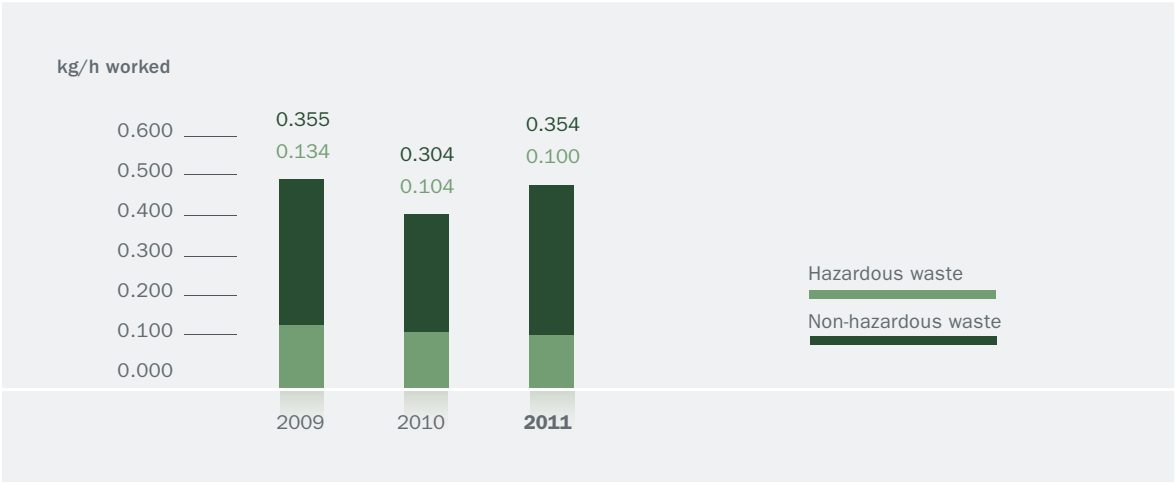
Waste production and management

In accordance with the Group's Environmental Policy, the Group companies operate so as to minimize waste production by carefully managing each stage, from collection to disposal/recovery, promoting and spreading, in following a sustainable approach, the actions and best practices aimed at increasing the portion recoverable.

Based on European directives and international laws in this area, 22% of the waste produced by the Group is classified as hazardous (compared with 25% in 2010), while 78% is non-hazardous.

WASTE PRODUCED (METRIC TONS)	2011	2010	2009
Non-hazardous	**39,621**	36,370	40,680
Hazardous	**11,199**	12,443	15,354
Total	**50,820**	**48,813**	**56,034**

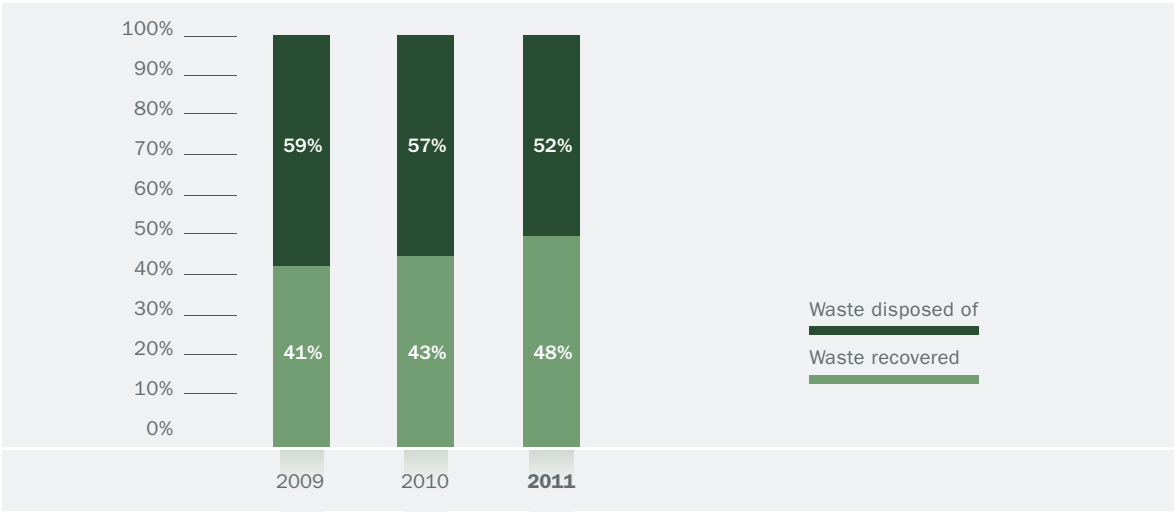
WASTE PRODUCED



There was a 10% reduction in hazardous waste produced as compared with 2010, with a simultaneous decline in waste produced per hour worked of almost 4%. The increase in the amount of non-hazardous waste produced from 2010 to 2011 is mainly due to removal of materials and equipment and extraordinary maintenance activities, and changes that have characterized some production lines.

The attention that the Group has paid to the matter of waste recovery and the intense activity undertaken at all levels, aimed at effectively and carefully managing waste, led it to increase its waste recovery target by 5 percentage points in 2011 as compared with 2010, from 43% to 48%, confirming the positive trend reported in recent years.
Dozens of measures, particularly those affecting management aspects, contributed to achieving this important result: fostering awareness so as to better separate waste, with appropriate training; better collection of paper and plastic; refilling printer toners and cartridges; using recyclable materials and products that requires the use of fewer raw materials and less wasteful manufacturing processes.

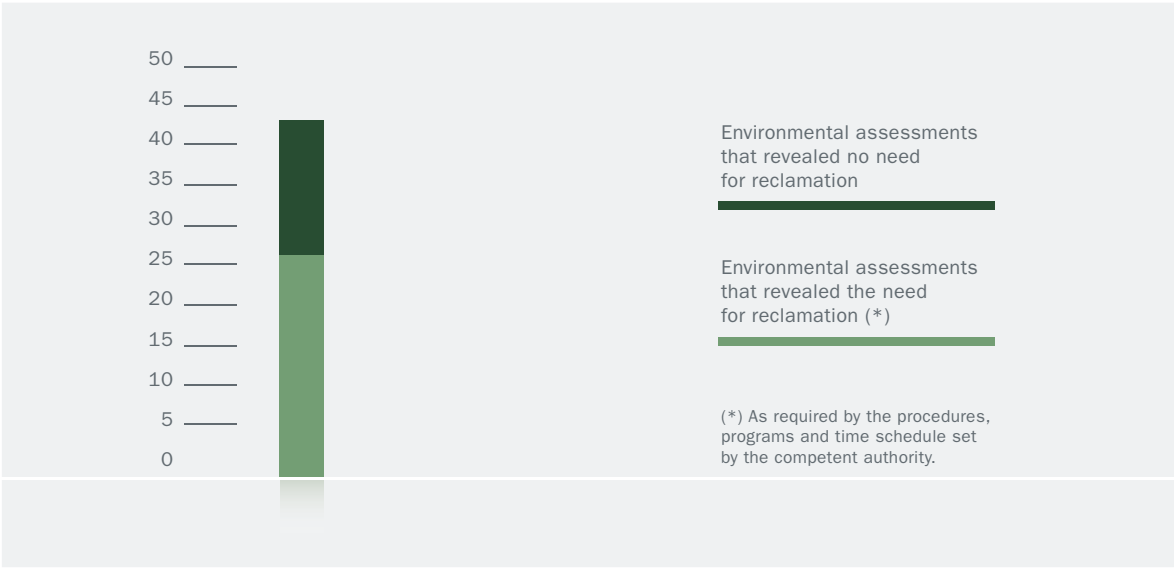
WASTE RECOVERED AND DISPOSED OF



Soil and subsoil

The total surface area occupied by the Finmeccanica Group amounts to more than 1,400 hectares, of which 40% is made up of green areas.
The Group companies performed 43 environmental assessments between 1999 and 2011 to ascertain the state of the soil in the areas that are potentially exposed to a risk of pollution due to the industrial activities carried out there; where necessary, safety and/or reclamation procedures have been undertaken.

ENVIRONMENTAL ASSESSMENTS PERFORMED



In order to reduce the risk of contamination from underground tanks used to store liquid raw materials, fuels and/or liquid waste, the Group has been gradually removing them or replacing them with aboveground tanks for several years.
Between 2009 and 2011, 28 underground tanks were removed, 18 of which in 2011 alone, thereby reducing the total number of underground tanks to 243.

Hazardous substances

The use of substances such as paints, adhesive, solvents, impregnating agents, acids, bases, etc., mainly tied to production in certain Group sectors, in particular in the Aeronautics, Helicopters and Defence and Security Electronics Divisions, is essential for certain processes.
Some of these substances are classified as hazardous under EU Directive 2009/2/EC, concerning laws, regulations and administrative provisions relating to the classification, packaging and labeling of dangerous substances.

HAZARDOUS SUBSTANCES (METRIC TONS)	2011	2010	2009
R40 - Limited evidence of a carcinogenic effect	**469**	449	490
R45 - May cause cancer	**140**	115	112
R49 - May cause cancer by inhalation	**11**	9	27

TOTAL CONSUMPTION OF HAZARDOUS SUBSTANCES R40, R45, R49

For some time now, the Finmeccanica Group companies have been following a policy whose aim is to optimize the consumption of hazardous substances or to find less hazardous or non-hazardous replacement products *(see Product stewardship).*
In addition to Group tools, such as the "Guidelines for the management of hazardous substances at Finmeccanica Group sites", the companies analyze and adopt, based on their specific business needs, the best solutions for a responsible management of hazardous substances. In addition to having for years been actively engaged in finding replacement products with a lesser impact on the environment, some companies have developed special chemical management information systems that are designed to provide, *inter alia,* a more careful and proactive application of REACH and CLP regulations.

The following table shows those sites classified as having a Major Accident Risk (MAR)[6] and those subject to the Integrated Pollution Prevention & Control (IPPC) Directive[7].

COMPANY	MAR	IPPC
AgustaWestland	Anagni (Frosinone), Cascina Costa (Varese), Frosinone, Vergiate (Varese), Świdnik (Poland), Yeovil (UK)	Anagni (Frosinone), Brindisi, Frosinone, Vergiate (Varese), Świdnik (Poland), Yeovil (UK)
Alenia Aermacchi	Caselle (Turin), Casoria (Naples), Nola (Naples), Venegono Superiore (Varese)	Caselle (Turin), Casoria (Naples), Nola (Naples), Pomigliano (Naples), Venegono Superiore (Varese), Venice
MBDA	La Spezia	-
Oto Melara	La Spezia	La Spezia
SELEX Galileo	-	Southampton (UK)

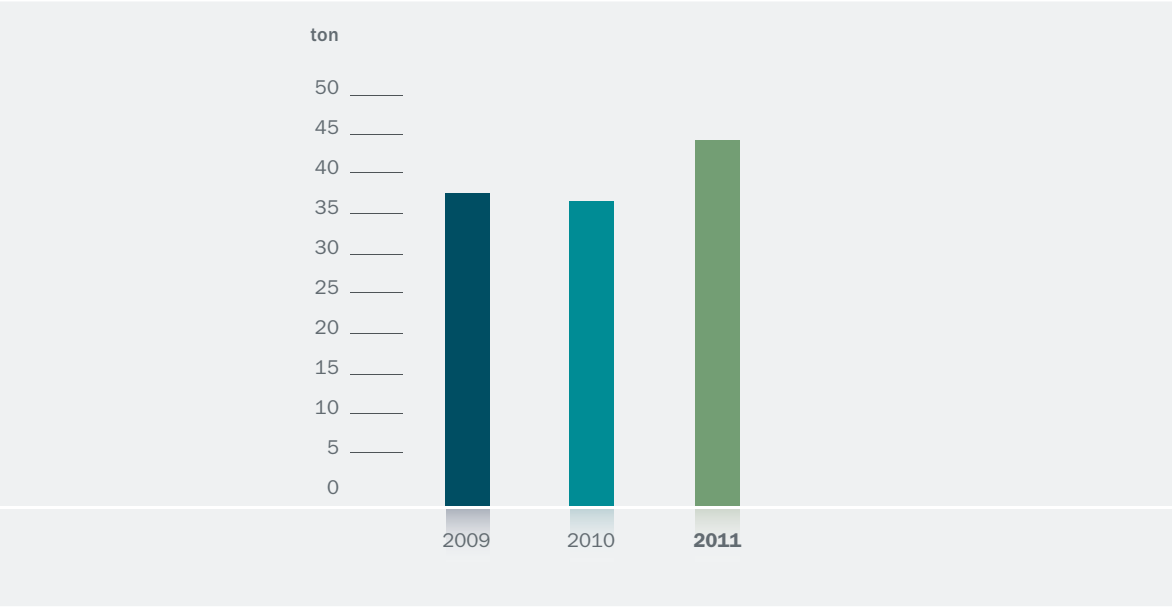
6. These sites fall within the scope of application of Directive 2003/105/EC. The US has a similar regulation, the Chemical Accident Prevention Program, but none of the Finmeccanica sites have a sufficient amount of these substances to be included in it.

7. Sites that fall within the scope of application of Directive 2008/1/EC.

Ozone-depleting substances

As of the end of 2011, there were approximately 44 metric tons of ozone-depleting substances at the Group's 78 sites, mainly present in cooling and air conditioning systems. This is only a partial figure, since the census of these substances within sites in still underway, and many of the sites have taken steps to remove or replace them with other ozone-friendly ones.

OZONE-DEPLETING SUBSTANCES



detailed review by sector

HELICOPTERS

Finmeccanica, through AgustaWestland, is a world leader in the rotary wing industry.

AgustaWestland manages all phases of a helicopter's life: from conducting a preliminary analysis and establishing operating requirements, to designing, developing and producing gearboxes, rotors, metal and composite structures and avionics systems, all the way to integrating these components in the complete "helicopter system".
The products offered by the company are aimed at both the civil and defence sectors, and range from the 2.8 metric ton lightweight, single-engine AW119 Koala to the 16 metric ton, triple-engine AW101, the standard for the medium/heavyweight helicopter class.
Development of considerable expertise in the creation of trainers has also allowed AgustaWestland to extend this area of activity, becoming one of the main suppliers of training solutions for the helicopter sector.
AgustaWestland has manufacturing plants in Italy, the United Kingdom, the United States and Poland and operates at the international level through joint ventures and partnership agreements with other world leaders in the aeronautics sector, for example, on the NH90 designed for NATO, and the Apache AH Mk.1 and CH 47F manufactured under license from Boeing.

www.finmeccanica.it/Corporate/EN/Corporate/Settori/Elicotteri/index.sdo
www.agustawestland.com

PERFORMANCE AND FINANCIAL HIGHLIGHTS (IN €MIL.)	2011	2010	2009
New orders	**3,963**	5,982	3,205
Order backlog	**12,121**	12,162	9,786
Revenues	**3,915**	3,644	3,480
Adjusted EBITA	**417**	413	371
Research & Development	**472**	409	328
Workforce (no.)	**13,303**	13,573	10,343

REVENUES BY CUSTOMER TYPE	2011	2010	2009
Military	**66.5%**	62%	49%
Civil	**33.5%**	38%	51%

EHS INDICATORS	UNIT OF MEASURE	2011	2010	2009
Number of sites within scope of reporting		**15**	14	13
Energy consumption	GJ	**1,660,069**	1,542,249	1,279,981
Total waste produced	Metric tons	**11,699**	10,983	9,669
Water consumption	Thousands of m^3	**1,496**	1,472	1,398
Accident frequency ratio		**6.7**	7.4	8.5

Performance and outlook for the sector

In 2011, there was a significant decrease in new orders (down 33.7% as compared with the previous year) in the helicopter sector. New orders break down into 55.4% for helicopters (new helicopters and upgrading) and 44.6% for product support (spare parts and inspections), engineering and manufacturing. The decline is attributable to the delay, until 2012, in certain important government contracts which had been expected in the first half of 2011 and to the fact that the previous year benefited from significant orders from the Indian and Italian air forces.
The order backlog was essentially in line with the figure reported for 2010, breaking down into 64% for helicopters (new helicopters and upgrading) and 36% for product support (spare parts and inspections) and engineering, and is sufficient to guarantee coverage of production for an equivalent of about 3 years. By contrast, revenues rose 7.4%, mainly attributable to the 18.5% increase in product support.
In 2011, the reorganization plan for the Polish PZL - ŚWIDNIK group, acquired in 2010, was completed. A reorganization plan was also drawn up for Yeovil's UK site, the costs of which will be fully borne by the UK Ministry of Defence.

The market is expected to expand in the coming years, in both the civil and military segments. The growth trend will be sustained by technological (availability of new technologies for assisted satellite navigation, the development of unmanned aerial vehicles - UAVs, and the success of "tilt-rotor" technology), operational (larger range of employment, greater speed, use in hostile environments) and, finally, regulatory (reducing environmental impact, greater security in flying over densely populated areas, use in all weather and visibility conditions) factors.

Highlights 2011

- The first year of operation of the NH90 assembly line at the Venezia Tessera plant was celebrated and delivery was made of the first NH90 TTH helicopters to the Italian Army and the first NH90 NFH helicopters to the Italian Navy.
- The agreement between AgustaWestland and Russian Helicopters for the manufacture of the HeliVert, a joint venture for the final assembly of the AW139 for the Russian and CIS market, was formalized.
- The maiden flight of the latest-generation, multi-role, twin-engine AW189, previously unveiled at the Paris International Exhibition at Le Bourget, was made.
- The IMOS contract with the UK Ministry of Defence to provide support for its fleet of AW101 Merlin helicopters was renewed for five more years.
- A contract was signed with the Polish Ministry of Defence for five W-3WA Sokół helicopters in VIP configuration and other contracts to upgrade 14 helicopters.

Research and technological development applied to products

Research and technological development continued in 2011 on all areas that make up the investment strategy in the sector:

- use of "all-weather" helicopters with even better performance in terms of comfort, by experimenting with the enhanced vision system (EVS) technologies and avionics upgrades for fly-by-wire (FBW) flight controls and for diagnostic components (Health & Usage Monitoring System - HUMS), and by seeking out eco-friendly technologies to actively reduce vibrations and noises, as well as research into more efficient propulsion solutions, including new active rotors, which replace traditional systems with electrically controlled elastomer actuators along with variable rotors to optimize performance;
- unmanned technologies, particularly for solutions in support of naval operations;
- technologies related to tilt-rotor aircraft, with in-flight testing of the AW609 prototype continuing, including for certification purposes. Against this background, AgustaWestland has begun technological research into the next generation of tilt-rotor aircraft (Erica) that can operate independently as both a fixed-wing and rotary-wing platform.

Among the major technological development activities involving materials are those related to the use of thermoplastic materials, while as to structures, there were developments related to the drop testing of new models. With regard to flight controls, activities involved fly-by-wire controls and those that can be used to support European initiatives (Clean Sky), with respect to the eco-friendly technologies mentioned above.

Again with regard to helicopters, AgustaWestland and AnsaldoBreda collaborated on making advances in on-board electrical systems, particularly hybrid propulsion solutions.
In terms of products, progress was made in the development of the AW169, a new-generation, twin-engine helicopter designed to satisfy the growing market demand for 4.5 ton-class helicopters, which was unveiled during the Farnborough International Airshow 2010, as well as on the AW149, a medium-class (8.5 ton) multi-purpose aircraft, equipped with an advanced integrated mission system, capable of responding to the most modern operational demands.

People, the community and the environment

ENERGY MANAGEMENT AT YEOVIL

An energy management policy has been instituted at AgustaWestland's Yeovil (UK) site that shall apply to all staff, particularly those whose activities involve high levels of energy consumption. The policy provides guidelines and instructions on managing energy consumption so as to minimize the environmental impact and reduce costs.

In some of the buildings on the site, traditional fluorescent lighting has been replaced with LED lighting, which is a more efficient technology that improves the quality of the lighting and reduces the risk of eyestrain in performing close-up operations and that also saves on the costs of replacing light bulbs since LED lights have longer life spans.

It is estimated that, by replacing all existing lighting with LED technology, the company could potentially reduce its electricity consumption by about 5%. To date, the lighting has only been replaced in three buildings (191, 220, 107), but this has produced an overall savings of approximately 600,000 kWh/year. Another building (133) is scheduled to have its lighting replaced in May 2012.

ASSURANCE OF FAIR TREATMENT

For several years now, the Assurance of Fair Treatment Policy has been in place at AWPC (AgustaWestland Philadelphia Corporation). It is a formal process for resolving disputes that may arise in the work environment between staff and supervisors.

The initiative, which applies equally to all employees, offers a multi-staged mechanism for reviewing a matter and for taking any necessary actions to correct operational decisions that those challenging them claim are improper or unfair, while preserving the hierarchical reporting structure and maintaining the quality of interpersonal relationships.

The policy, introduced in 2008, has shown such encouraging results that, in 2011, an updated and improved version was proposed.

CLEANER FUELS FOR VERGIATE'S POWER PLANTS

Under the more general gasification program for AgustaWestland facilities, the site of Vergiate was the first to replace low-sulfur fuel oil with natural gas to fuel its power plants. This is a multi-year project that will be extended to the Brindisi and Frosinone sites by 2014.

The Vergiate site has a thermal power plant for generating steam for use in technology and for heating. Up until 2011, the plant had four boilers that ran on fuel oil. After construction and opening of the natural gas pipeline that links up the Snam connection with the power plant, two of the four boilers were replaced with a more modern natural gas fueled generator, while the combustion systems of the remaining two were revamped for use with natural gas instead of fuel oil.

Besides having a direct impact on the logistics of transporting fuel, the project has improved energy efficiency, thereby optimizing consumption, and has reduced emissions of pollutants into the atmosphere, including carbon dioxide emissions. As of today, there has been an approximately 23% reduction in CO_2 emissions for the same amount of thermal energy produced.

THE PERFORMANCE DEVELOPMENT CYCLE

The performance management system, the "Performance Development Cycle (PDC)", is an indispensable tool for developing individuals and organizations and for promoting an effective dialogue between managers and their team members. The process aligns people to business by defining and achieving clearly defined goals.

The PDC sets out specific targets for improving the quality of the dialogue between managers and their employees, providing a tool for identifying training and development needs, supporting organizational integration through the creation of a standard performance management system, guiding individual behavior and goals to align them with the company's strategy and values.

Launched in 2011, approximately 1,500 employees of the Italian and UK sites have been evaluated up until now.

DEFENCE AND SECURITY ELECTRONICS

In 2011, the scope and structure of the Defence and Security Electronics sector underwent change with the formation of the new company, SELEX Elsag, which as from 1 June 2011 encompasses the business activities previously carried out by Elsag Datamat, SELEX Communications, SELEX Service Management and Seicos, except for the space-related activities of SELEX Sistemi Integrati and Elsag Datamat (Vega), which were transferred to Telespazio.

Therefore, the sector incorporates:

- the design and construction 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;
- activities for private mobile radio communications systems, value-added services and IT and security activities.

www.finmeccanica.it/Corporate/EN/Corporate/Settori/Elettronica_per_la_Difesa_e_Sicurezza/index.sdo
www.selexgalileo.com
www.selex-si.com
www.selexelsag.com
www.drs.com

PERFORMANCE AND FINANCIAL HIGHLIGHTS (IN €MIL.)	2011	2010	2009
New orders	**4,917**	6,783	8,215
Order backlog	**9,591**	11,747	12,280
Revenues	**6,035**	7,137	6,718
Adjusted EBITA	**303**	735	698
Research & Development	**823**	810	711
Workforce (no.)	**27,314**	29,840	30,236

REVENUES BY CUSTOMER TYPE	2011	2010	2009
Military	**81%**	81%	78%
Civil	**19%**	19%	22%

EHS INDICATORS	UNIT OF MEASURE	2011	2010	2009
Number of sites within scope of reporting		**96**	101	97
Energy consumption	GJ	**1,605,786**	1,528,959	1,530,703
Total waste produced	Metric tons	**7,128**	4,873	20,112
Water consumption	Thousands of m^3	**1,216**	1,217	1,578
Accident frequency ratio		**2.10**	2.6	2.3

Performance and outlook for the sector

In 2011, the Defence and Security Electronics sector reported that new orders were down as compared with the same period of 2010, during which orders for the third lot of the EFA program were received, as well as significant orders from the US Army by DRS Technologies. However, delays in the approval of the US defence budget have had an effect on DRS in relation to orders from the US Army. As a result, the order backlog also fell.

The same downward trend was seen in revenues, mainly as a result of the completion of important programs for the US military, and more generally to the decline in activity across all segments. The revenues for the period also reflected the loss of the contribution of important orders that were being carried out for or were in the process of being received from Libya due the conflict in that country.

Despite cutbacks in the defence budgets of the major countries, the volumes and trend in the defence and security electronics market have remained stable compared with last year, with a shift towards homeland security/security systems, where the growth rate has been higher that in defence electronics equipment and systems, which has experienced more contained growth.

Given this, we expect a movement in demand towards "low-cost" solutions and contractual models that include support services and solutions for installed capacity. There are also new opportunities in select, adjacent markets by taking advantage of advanced, dual-purpose technologies for healthcare, energy (clean renewable energy) and urban security (smart and safe city) applications.

Highlights 2011

- SELEX Systems Integration Ltd is one of the first companies to receive certification under the new UK "Collaborative Business Relationships" standard (BS 11000-1:2010), which applies to the creation and management of effective collaborative business relationships with customers, partners and suppliers.
- SELEX Sistemi Integrati, in a temporary joint venture with SELEX Systems Integration GmbH, signed a contract with the Italian Civil Protection Department for the completion of the National Weather Radar Network to be used in hydrogeological monitoring.
- For the second year in a row, SELEX Galileo's Edinburgh site received the "Queen's Award for Enterprise", this time in the Innovation category, for a new precision targeting laser system for military aircraft.
- SELEX Sistemi Integrati became the first company in the world to receive, in 2011, a special CMMI® (Capability Maturity Model Integration®) certification, an international standard that certifies the maturity and quality of industrial organizations, of Level 3 in Large Systems for Homeland Defence and Homeland Security. Also in 2011, SELEX Sistemi Integrati received Level 3 CMMI® certification for Defence Systems and Civil Systems.

Research and technological development applied to products

The Defence and Security Electronics sector carries out numerous technological development programs relating to a large range of applications that are frequently done by taking advantage of synergies with Group companies in other sectors.

In radar, progress was recently made in innovative solutions applicable to modern electronic scanning systems, passive radar, multi-functional and multi-role radar systems integrated into a single antenna system, and on-board radar for airborne platforms. Further developments were made in exciter receiver processors which, using new digital technologies, will improve performance for mechanical scanning radars and new electronic scanning radars.

In defence electronics, the Group's product range was expanded further with its variety of systems for electromagnetic defence against radars and missiles, while its catalogue of avionics products also grew, with new high-performance, more compact solutions, particularly suitable for use on UAVs. There were also new developments begun in land applications, including counter-improvised explosive devices triggered by radio.

In electro-optics, there was development of a new generation of Direct Infrared Counter Measures (DIRCM) for active protection of both military and civil aircraft against man-portable missiles and of the EO Hyperspectral system for avionics and space applications, thanks to the analysis of the high-resolution

image capture, which even permits determination of the type of material of which the object observed is made from a distance. DRS Technologies has completed the development of highly-integrated, low-cost, night-vision products based on non-cooling technologies, which are also of high value to the consumer market.

There were a variety of developments relating to advanced seeker missile systems, to major command and control systems for land, naval and air traffic management, and to processing, presentation and control devices for fixed-wing and rotary-wing aircraft, a field the development of a new generation of flight simulators is gaining importance.

There continues to be a commitment in the field of homeland security to develop technologies and solutions for major systems for territorial control systems, maritime traffic control systems, maritime and land border control systems, civil protection and crisis management systems, as well as port and critical infrastructures security systems. Work continued on developing the Law Enforcement system as a support for investigative activities (devices for identifying vehicles using the Automatic Number Plate Reader - ANPR, Make and Model Recognition - MMR, and the Emergency Operations Center - EOC) and Physical Security systems (intrusion detection systems, video-surveillance and monitoring of urban areas, critical infrastructures and events).

Finally, developments were achieved in:

- integrated intelligent transportation systems, particularly as they relate to security for the transport of goods and people and for new needs required for smart cities;
- integrated solutions for the management and security of industrial plants, oil and gas pipelines and power plants and grids;
- secure tactical and strategic communications networks for naval, land, aeronautics and satellite communications, and the interoperability of heterogeneous communication systems that allow different organizations to communicate and interoperate if necessary, extending it to broadband (WiFi, 3G, 4G) communications and services according to new operational requirements in professional and military arenas;
- research in the field of aeronautics platforms to develop an advanced version of the Falco Medium Altitude Endurance UAV system (Falco EVO), with a significant increase in payload through some changes to the Falco, including an increased wingspan.

People, the community and the environment

SOCIAL INNOVATION IN INDIA

IGNITE in India is a new Learning & Development initiative, which aims to provide training to new graduates in an unconventional way while helping disadvantaged people in southern India by teaching them business skills, which are strategic for their development.

The project offers 38 young Italian and UK volunteers from SELEX Galileo the opportunity to engage in the management of five “social business cases”, in a given real Indian community. Participants were assigned the task of studying and planning the growth opportunities for these types of business, all five of which were start-ups.
The experience also included a brief mission to India, during which the project participants were able to immerse themselves in local life and live in the same precarious conditions as these small businesses. Following the study and analysis, detailed business plans will be drawn up to guide the start in operations of these five Indian businesses under the constant supervision of CESVI, the non-governmental organization collaborating with the Group on this project.

WORKSITE SAFETY

The construction of the new international airport in Doha (Qatar), a project for which SELEX Sistemi Integrati is providing the turnkey air traffic control and surveillance system for the entire airport, employs more than 35,000 workers from about 100 companies. The customer has made safety and minimizing the environmental impact primary goals, setting its own “zero accidents” target with strict contractual parameters.

In this area, in 2011, SELEX Sistemi Integrati received this important customer's recognition for outstanding management of its worksites in terms of cleanliness and environmental impact.
The important recognition is due to the commitment of the entire integrated team that works at the sites and thanks to the EHS Department that SELEX Sistemi Integrati has tasked to support this mission.

REDUCTION IN BUSINESS TRAVEL

Travel and business trips, often an essential component of a company's activities, involve higher costs and have environmental impacts, particularly when flying is involved. Today's technology offers solutions that reduce the need for direct contact, while keeping the output and quality of meetings high. In this regard, in 2010-2011, DRS Technologies developed a pilot project, installing a video conferencing system at 16 locations in order to reduce business travel and therefore cut CO_2 emissions.

Monitoring carried out before and after the project has shown that for the same amount of activity:

› in 2009, employees in 13 locations traveled approximately 34.8 million km;

› in 2011, employees from the same 13 locations traveled 27.6 million km, for a reduction of 20.7%.

Using a factor of 1.4 kg/km of CO_2 equivalent, the savings in terms of emission is about 1,000 metric tons per year.

SUSTAINABLE MOBILITY FOR EMPLOYEES

For a long time now SELEX Sistemi Integrati has worked on fostering the feeling of participation in a joint effort that benefits the environment and the community. One of the ways it has done so is by promoting sustainable mobility, or commuting, especially in a city like Rome.

In the second half of 2011, a car pooling services was tested. It was run in conjunction with the municipal transportation agency, Roma Capitale. This service allows SELEX Sistemi Integrati employees who live in the same neighborhoods/municipalities take turns riding together in a single vehicle during their daily commutes.
Other existing services that have been around for a while include the shuttle between the office and the metro station, which serves about 800 employees, and 7 buses that make urban and suburban routes provided by the company for an annual fee.

FOCUS ON WATER RESOURCES AT DRS

Water scarcity is an environmental emergency that the US Environmental Protection Agency (EPA) is placing greater focus on.

The DRS site in Florence, Kentucky, has taken on this important mission by developing a system for collecting rainwater. The water collected is stored and reused in production processes. In 2011, this system meant that the company avoided drawing 800,000 liters of water from the mains. Part of the water used in production is also recovered and reintroduced into the production cycle with a further saving of 350,000 liters and covers 70% of the site's needs.

INTERNAL SOLIDARITY

The financial support given to the flood victims of Licola (Naples) is one of the measures undertaken in 2011 by the Internal Solidarity Fund of SELEX Sistemi Integrati and MBDA.

The Fund, created about 40 years ago in the company then called Selenia, promotes and supports initiatives of a solidarity and social nature for its members and those persons in "extremely serious financial difficulty". It is currently in place at the Rome, Giugliano and Fusaro locations, with 678 members who pay a low monthly fee supplemented by a contribution from the two companies. A steering committee reviews and evaluates proposals for use of the fund.

AERONAUTICS

The Aeronautics Division includes Alenia Aermacchi and various consortia in which the Group participates through that company.

Alenia Aermacchi was formed on 1 January 2012, following the reorganization of the sector's business that began in 2010. It was the result of a merger of Alenia Aermacchi SpA and Alenia SIA SpA into their parent company, Alenia Aeronautica SpA. In addition to changing its name, the company transferred its registered office to Venegono Superiore (Varese).

Alenia Aermacchi's operations are based in Pomigliano d'Arco (Naples) and Turin, for civil and military aircraft, respectively, with six integrated manufacturing centers: Training Systems (Venegono Superiore); Defence Aircraft (Caselle); Military Transport Aircraft (Capodichino); Civil Aircraft (Pomigliano d'Arco); Metal Structures (Nola); Composites (Foggia and Monteiasi Grottaglie). The product portfolio includes proprietary products like the M-346 Master, the only aircraft in the world designed to meet the training needs of pilots of 4th and 5th generation combat aircraft; the C-27J Spartan, the only true modern tactical airlifter available today; and coastal patrol aircraft, the ATR 42/72 MP, which are special versions of the ATR turboprop regional aircraft. Alenia Aermacchi has key roles in world-class programs like Eurofighter Typhoon, the F-35 Joint Strike Fighter and the Neuron European UCAV demonstrator. It also plays leading roles in commercial aircraft, designing and building advanced aerostructures for state of the art airliners including the Airbus A380, Boeing 787 Dreamliner and the latest Bombardier CSeries.

In an equal-share joint venture with EADS, Alenia Aermacchi owns ATR, which dominates the regional turboprop market; specifically, Alenia Aermacchi designed and builds the fuselage and tail empennage of the ATR 42 and the ATR 72. With the Russian company Sukhoi, it is developing and marketing the Sukhoi SuperJet 100, the most advanced and environmentally friendly regional jet available on the market. It also controls the Veneto-based company SuperJet International, in charge of marketing, sales, delivery and after-sales support.

www.finmeccanica.it/Corporate/EN/Corporate/Settori/Aeronautica/index.sdo
www.aleniaaermacchi.it

PERFORMANCE AND FINANCIAL HIGHLIGHTS (IN €MIL.)	2011	2010	2009
New orders	**2,919**	2,539	3,725
Order backlog	**8,656**	8,638	8,850
Revenues	**2,670**	2,809	2,641
Adjusted EBITA	**(903)**	205	241
Research & Development	**326**	369	474
Workforce (no.)	**11,993**	12,604	13,146

REVENUES BY CUSTOMER TYPE	2011	2010	2009
Military	**55%**	57%	56%
Civil	**45%**	43%	44%

EHS INDICATORS	UNIT OF MEASURE	2011	2010	2009
Number of sites within scope of reporting		**16**	17	16
Energy consumption	GJ	**1,981,882**	2,019,484	1,906,614
Total waste produced	Metric tons	**19,625**	20,979	25,774
Water consumption	Thousands of m^3	**4,533**	4,592	5,084
Accident frequency ratio		**15.55**	16.90	14.65

Performance and outlook for the sector

The Aeronautics sector reported a significant increase in new orders in 2011 (up 15.0% over 2010), with a slight increase in its order backlog, which broke down as follows at the end of the year: EFA (39%), B787 (18%), ATR (17%), M346 (5%) and C27J (3%) programs.
Revenues fell slightly (down 4.9% from 2010) due to less activity on the Eurofighter program and lower revenues on the B787 program, partially offset by expansion in production on the ATR, M346 and JSF programs.

These results contrast with developments in adjusted EBITA, which was heavily, and negatively, affected by events that considerably altered the commercial and production scenario for the B787 program and, more generally, by industrial inefficiencies in certain production processes.

Over the next few years, the Aeronautics sector expects strong growth in the civil aircraft segment, for both commercial and regional transport, thanks to higher traffic demand, the renewed profitability of the major airlines and the resulting need to replace and expand fleets. Significant growth is expected in the coming years in the military aircraft segment despite the stagnation in investments overall in the defence market, thanks to the start-up of production on a number of important programs and the existence of demand to upgrade the fleets of numerous newly industrialized countries.

To address this situation and, especially, to place the sector in the best competitive position for it to seize future opportunities, on 8 November 2011 a restructuring, reorganization and revitalization plan was approved and signed by all the trade unions. The actions set out in the plan should, beyond those actions begun in previous years, lead to a significant reduction in operating costs, a greater recovery in efficiency and a rationalization of the product portfolio.

Highlights 2011

› Hosted the 2nd Annual Review Meeting for the Green Regional Aircraft, a Clean Sky project platform at the Pomigliano facility.

› Received ISO 14001 certification for the environmental management system at the Caselle Nord location.

› The Eurofighters in service with the armed forces of the consortium nations (Italy, Germany, UK, Spain, Austria and Saudi Arabia) reached 100,000 flight hours.

› The B787 Dreamliner delivered to All Nippon Airways made its maiden commercial flight on the Tokyo-Hong Kong route.

› New sales records for the ATR (157 firm orders plus 79 options), which continues to dominate the regional air transport segment (up to 90 seats), with an 80% market share.

› Acceptance of the first M-346 (called the T-346) for the Italian Air Force was completed in December.

Research and technological development applied to products

In 2011, work continued on developing proprietary aerostructure technologies under the B787 Dreamliner program and on the plan for development and innovation in Aerostructures Integration Technologies (TIAS) which aims to develop, design, optimize and build innovative structures for commercial aircraft and UAVs.

Other research and technological development activities were concerned mainly with the issue of flight safety, specifically:

- advanced technologies and solutions to protect against airborne collisions, for which Alenia Aermacchi has partnered with other major groups in the European MIDCAS (MIDair Collision Avoidance System) project;
- under the National Military Research Plan, work on the Future Technology for Aerial Refueling (FTAR) and the Damage Management of Aircraft Composite Structures Monitored by Embedded Sensor (MACMES) projects.

As to the development of products and solutions:

- developments regarding the M346 Master military trainer, for which various orders have already been received, and the parallel development of the M346 Light Combat version, which is suitable for specific homeland protection missions and out-of-area operations, based on the integration of new sensors (radar, ESM, targeting pod) and weaponry;
- activities to design the Neuron prototype (technologies for the Unmanned Combat Aerial Vehicle - UCAV, with the first flight scheduled for June 2012) and the Sky-Y, a Medium Altitude Long Endurance (MALE) UAV, for which Alenia Aermacchi has already integrated and tested different payloads (electro-optic and radar) as well as advanced automated flight functions;
- the final demonstration of the SMAT-F1 (advanced land observation system) project was made, for the Region of Piedmont on 30 September 2011 in the test area located south of Piedmont, operating out of the civil airport of Cuneo Levaldigi.

Finally, work intensified during the year on the development and construction of multimedia systems for the training of pilots and maintenance technicians. Training conducted in a virtual environment drastically reduces the environmental impact as compared with traditional systems in terms of noise pollution, CO_2 emissions and the consumption of raw materials.

People, the community and the environment

"ALENIA AERMACCHI COSTRUISCE SICUREZZA" (ALENIA AERMACCHI CREATES A SAFE ENVIRONMENT)
In 2011, the second volume of a series of books, conceived and written to contribute to the creation and continuance of a culture of prevention and personal safety through the use of non-traditional and educational tools, including through the use of games, was distributed to all employees,

The contents of the two volumes have been selected and developed to support information provided and training given as part of the management programs on health and safety, involving the key players in the specific process (employers, prevention and protection service managers, company physicians, workers' representatives in the areas of worker safety). The work is arranged as follows:

First volume (distributed to all employees in 2009)	To help employees and their family members "become familiar" with safety issues – at school, at work, while traveling, in the home – giving readers the chance to check their understanding through quizzes and games. Particular attention was given, in a playful way, to the dangers and risks associated with failing to follow the prescribed precautionary and preventative measures.
Second volume	This volume contains an extensive photographic record giving an overview of the most basic preventative and protective measures, for groups and individuals, adopted by the facilities and broken down by each major risk category regulated by Legislative Decree 81/08 and found in the Risk Assessment Document.

SUSTAINABILITY OF THE SUPPLY CHAIN

Good transport planning can reduce the frequency and timing of delivery trips, optimize outbound and inbound runs, increase loads on vehicles and achieve synergies at all levels, leading to financial and environmental benefits.
This is the purpose of the Routing Center, the new system for managing the supply chain introduced by Finmeccanica Group Service, which Alenia Aermacchi is implementing to achieve effective control over all phases of the logistics and communication with the suppliers and carriers involved in transporting goods to and from its manufacturing sites.

In 2011, the company completed the first phase of implementing the project with the launch, in April, of the service for managing the flow of inbound traffic. The service offers full tracking of the shipment, from the time the order is placed through delivery. Over 400 Alenia Aermacchi users have been authorized to access the Routing Center portal (Purchasing, Transport, Logistics, ICT).
As of December 2011, there were 70 suppliers of materials, divided between the US and Europe, and 10 shipping companies involved for a total of over 1,700 transport requests handled. Of these requests, 30% were consolidated, reducing the number of actual shipments to about 1,300. Further initiatives have been put in place to optimize transport costs with an estimated savings of more than 40% on the projected cost (amounting to about €mil. 2.2).
The contract signed with Finmeccanica Group Services contains provisions for a second phase of the project which will see the service fully up and running, with activation of inbound, outbound and cross-sectional flows.

REDUCING THE USE OF CHEMICALS

The project to enlist a chemicals service provider for Alenia Aermacchi came about following a detailed study conducted at all the sites that showed how it would be possible to reduce the consumption of paints, sealants, adhesives and ancillary materials by 10% by outsourcing the service to an outside provider.

This result is achieved by leveraging the specific expertise of the service provider to cover everything from planning requirements to purchasing materials, expediting and tracking. Most of the reduction in consumption is expected to come through better management of stock nearing expiration, which will have the additional benefit of reducing the need to dispose of toxic and special materials.

In 2011, the tender was held to award the contract for managing the chemicals at all of Alenia Aermacchi's facilities. The Venegono Superiore site will be the first to apply this management method.

SPACE

The Space sector is comprised of two joint ventures created through the Space Alliance with the Thales group: Telespazio (in which Finmeccanica holds 67% and Thales 33%) and Thales Alenia Space (67% Thales and 33% Finmeccanica).

Telespazio, which celebrated its 50th anniversary in 2011, is one of the leading international operators in satellite management and in earth observation, navigation, integrated connectivity and added-value services.
It relies on an international network of four space centers and 25 sites located throughout the world. Among these are the Fucino Space Center in Abruzzo, the largest teleport in the world for commercial use, with more than 90 operating antennas. Telespazio is strongly involved in some of the most important international space programs: Galileo, EGNOS, GMES, COSMO-SkyMed, Sicral and Göktürk.
The scope of Telespazio was expanded as of 1 January 2011 with the transfer to it of the space activities of the SELEX Sistemi Integrati and Elsag Datamat groups.

Thales Alenia Space, the European leader for satellite systems and at the forefront of orbital infrastructures, is a worldwide reference in telecommunications, radar and optical earth observation, defence and security and science. It has 11 industrial sites in five European countries (France, Italy, Germany, Spain and Belgium) with over 7,200 employees worldwide. The company is at the heart of the most high-performance satellite technologies in both civil and defence sectors and is a leading player in environmental (GMES), satellite navigation (Galileo and EGNOS) and defence and security (Syracuse, Sicral and COSMO-SkyMed) projects. It has made vital contributions in the area of orbiting infrastructures for the International Space Station. Thales Alenia Space is also a leader in the international and European scientific programs such as the Gravity Field and Steady-State Ocean Circulation Explorer (GOCE), Herschel & Planck and ExoMars.

www.finmeccanica.it/Corporate/EN/Corporate/Settori/Spazio/index.sdo
www.telespazio.it
www.thalesgroup.com/Thales Alenia Space

PERFORMANCE AND FINANCIAL HIGHLIGHTS (IN €MIL.)	2011	2010	2009
New orders	**919**	1,912	1,145
Order backlog	**2,465**	2,568	1,611
Revenues	**1,001**	925	909
Adjusted EBITA	**18**	39	47
Research & Development	**77**	68	87
Workforce (no.)	**4,139**	3,651	3,662

REVENUES BY CUSTOMER TYPE	2011	2010	2009
Military	**14%**	18%	16%
Civil	**86%**	82%	84%

EHS INDICATORS	UNIT OF MEASURE	2011	2010	2009
Number of sites within scope of reporting		**5**	4	4
Energy consumption	GJ	**139,683**	130,838	122,730
Total waste produced	Metric tons	**126**	153	202
Water consumption	Thousands of m^3	**82**	67	58
Accident frequency ratio		**2**	2.7	2.8

Performance and outlook for the sector

The Space sector is the least sensitive of all Finmeccanica's sectors to the downturn in the world economy, especially when it comes to government investment, which altogether represents around 75% of the total market.

New orders received by the Group companies in 2011 were down 52% from 2010, which benefited from the important Iridium NEXT contract attributable to the manufacturing segment. Revenues were up 8% from the previous year, due largely to higher production in both the manufacturing and satellite services segments.
The order backlog fell slightly (down 4%) and is composed of manufacturing activities (55%) and satellite services (45%).

The outlook for the manufacturing segment, both civil and military, is positive, driven by the need to upgrade US satellite constellations used for earth observation and communications, the development of new satellite systems based on dual-purpose technologies and new demand for the development of observation systems for security applications.
The government systems market is expected to receive growing support from the European Union, centered mainly around programs for replacing and upgrading in-orbit telecommunications satellite capacity and the development of new scientific and navigation applications.
The rate of growth is rather high in the satellite services segment, driven by new technological developments (broadband and related networks, value-added services) and by demand in the security, mobility and environmental monitoring arenas.

Highlights 2011

- The space activities of Vega and Elsag Datamat were transferred to Telespazio. This new organization consolidates Finmeccanica's leadership in space services and applications, expanding its technological expertise and product portfolio, particularly for the UK and European institutional market in general.
- Telespazio celebrated its 50th anniversary with an exhibition at the Ara Pacis in Rome, a book published by Mondadori Electa and a documentary produced by RAI Storia.
- e-GEOS (a Telespazio/Italian Space Agency - ASI company) organized its first international conference in Rome, an important opportunity to discuss the international situation in the geo-information field.
- The first two operations satellites for the European satellite navigation system, Galileo, were launched with a Soyuz rocket from the European spaceport in Kourou.
- The 2012 edition of the "Love Planet Earth" calendar, dedicated to forests, was presented; it features 12 extraordinary, very high-resolution, optical and radar satellite images from e-GEOS, which show how such a fundamental resource for life and preserving ecosystems has been threatened by growing deforestation, pollution and global warming.

Research and technological development applied to products

Research and technological development applied to space products and solutions is highly diversified and involves a wide range of applications. Satellite solutions and services can be applied in many areas, including transportation and telecommunications. Specifically, in 2011, work was carried out:

- in emergency satellite telecommunications through the development of a Ka-band satellite payload simulator and the production of a carbon fiber "field station" for fire departments (based on a Telespazio patent);
- in the maritime area, a smart box for managing communications and for gathering and monitoring data using on-board equipment;
- in critical developments in radar for the 2nd generation COSMO-SkyMed system;
- in the area of satellite navigation and infomobility, where research has continued in the field of Global Navigation Satellite Systems (GNSS) for use in a system for tracking goods;
- in space exploration, where work continued on analyzing the feasibility of large interferometers, with the possibility that they may also be used in relation to problems pertaining to space debris produced by human activities.

Telespazio initiated a study into developing a system for providing communications services, Internet access, and broadband for residential customers and small businesses in Latin America. As to the geo-information line, e-GEOS (a Telespazio and ASI company) has continued to develop innovative architectural solutions for containing production costs and improving the performance of terminals for commercial users when it comes to COSMO-SkyMed data and products.
Thales Alenia Space Italia has also made progress on numerous other projects relating to orbital infrastructures and transport systems and on-board components. These include the environmental control and life support (ECLS) systems able to regenerate resources (air, water and waste), including by using small, integrated greenhouses and energy generation systems (regenerative fuel cells).

People, the community and the environment

TECHNOLOGY SERVING DISTANCE LEARNING

Niky is a boy who, due to a particular form of asthma, lives with his parents on a schooner to take advantage of the benefits of a marine environment.
“A school for Niky”, a project developed jointly by MIUR, the Telecom Italia Foundation, Telespazio and the Tax Police (Guardia di Finanza), has made it possible for Niky to regularly attend both elementary and middle school, and to provide support in preparing for the exams to gain admission to high school.
The project enabled the partners to made advances in the development of an innovative distance learning system via satellite video conferencing, which can be expanded and extended to many situations throughout the country, like those of students living on islands or in mountain communities, or in hospitals or prisons. UNICEF chose to recognize the human and social meaning of this experience naming Niky “junior ambassador for the right of boys and girls in the Mediterranean to an education”.

SAFETY AT SEA AND RESEARCH

The contract signed between KSAT, ConocoPhillips and e-GEOS will allow monitoring of the formation and movement of Arctic ice during the 2011/2012 winter with data from the Italian COSMO-SkyMed satellite constellation provided by e-GEOS.
Satellite images in the X-SAR band make it possible to analyze, measure and monitor the daily movements of ice in the Arctic waters. For the first time, it will be possible to analyze in detail the ice formation models, the characteristics of the latter under conditions of complete freezing, the gradual spring thaw phase (both in terms of speed and considering the size and movement of the fragments). Furthermore, the images will give us better information about the size and movements of potential icebergs, thus increasing the ability to predict their trajectories.

SATELLITE CONNECTIVITY AND RENEWABLE ENERGY

Plants that generate electricity from renewable resources, such as wind and photovoltaics, are often found in destitute areas not reachable by overland connections.
Telespazio has identified a variety of solutions for overcoming these problems and for providing the satellite connectivity essential for the functioning of these systems: from monitoring generation, to video/voice communications and video surveillance services. Among these solutions, the one that makes it possible to communicate generation data to the Network Operator has earned Telespazio qualification as “concentrator of large systems connection” (plants with output of more than 10 MW) from Terna.
In 2011, this solution was used in over 20 large plants located throughout Italy.

“PAPERLESS” DOCUMENT MANAGEMENT PROCESSES

The T-COMS (Telespazio Configuration Management Standard) system, in place since 2010 for project documentation, is designed to limit the use of paper to the greatest extent possible. It was extended to management system documentation in 2011.
The system allows users to organize, prepare, approve, store and distribute documentation of any kind without the need to print documents on paper, ensuring that the main usual features of a document management system are available via computer.

DEFENCE SYSTEMS

The Defence Systems sector includes Oto Melara and Whitehead Alenia Sistemi Subacquei (WASS) and the MBDA joint venture.

At its facilities in La Spezia and Brescia, Oto Melara produces large, medium and small caliber naval guns, applying the latest technologies to offer its customers global answers. The company has research and development structures in areas ranging from artillery to armored vehicles, from guided ammunition to anti-aircraft systems, to robotics.
Through the equal share partnership with Iveco, a member of the Fiat group, Oto Melara designs, develops and manufactures tanks and wheeled combat vehicles. Its products are in use in about 60 countries on five continents.
WASS, with premises in Livorno, Genoa and Naples, is a world leader in the underwater systems segment. It manufactures heavy and light torpedoes, torpedo countermeasure systems for submarines and surface vessels, underwater surveillance and sonar systems.
MBDA is a joint venture of BAE Systems (37.5%), EADS (37.5%) and Finmeccanica (25%). With industrial facilities in four European countries (including Italy) and in the US, MBDA is considered a world leader in missiles and missile systems.

www.finmeccanica.it/Corporate/EN/Corporate/Settori/Sistemi_di_Difesa/index.sdo
www.otomelara.it
www.wass.it
www.mbda-systems.com

PERFORMANCE AND FINANCIAL HIGHLIGHTS (IN €MIL.)	2011	2010	2009
New orders	**1,044**	1,111	1,195
Order backlog	**3,656**	3,797	4,010
Revenues	**1,223**	1,210	1,195
Adjusted EBITA	**117**	107	130
Research & Development	**247**	260	235
Workforce (no.)	**4,066**	4,112	4,098

REVENUES BY CUSTOMER TYPE	2011	2010	2009
Military	**100%**	100%	100%
Civil	**0%**	0%	0%

EHS INDICATORS	UNIT OF MEASURE	2011 (*)	2010	2009
Number of sites within scope of reporting		**8**	5	5
Energy consumption	GJ	**306,239**	199,954	189,368
Total waste produced	Metric tons	**1,427**	958	1.003
Water consumption	Thousands of m^3	**175**	123	134
Accident frequency ratio		**9.37**	15.5	22.37

(*) Three of MBDA's Italian sites have been included within the scope of reporting for the first time.

Performance and outlook for the sector

In 2011, the Defence Systems sector reported a slight decline in new orders, mainly attributable to land, sea and air weapons systems, where an important new order from the Italian Ministry of Defence was reported during the previous year, in part offset by more new orders in missile systems. The order backlog likewise fell, of which about 60% related to missile systems.
Revenues were essentially unchanged from the previous year, with the increase in the land, sea and air weapons systems segment offset by the decline in revenues in the underwater systems segment.

There is expected to be a gradual decline in demand for land vehicles, following the peak in 2009, to pre-peak levels, in line with the trend of the major countries to cut their expenditure budgets and the resulting delays in major programs.
In the underwater systems segment, together with the traditional demand for on-board sonar systems and for torpedoes, Navies are tending to develop surveillance systems for protecting coastal and harbor infrastructures with multi-functions (military, security and environmental protection).
Finally, in the missile systems segment, the greatest market drivers are related to the need to renew the stock of missiles but, due to cuts in defence budgets, demand is expected to gradually shift from the US and Europe to other world markets.

Highlights 2011

- Visit by Italian President Giorgio Napolitano to Oto Melara's factory in La Spezia to celebrate the anniversary of the Italian Navy.
- The environmental remediation of a container at the port of Genoa, suspected of containing radioactive material, was successfully performed. The operation was conducted by the fire department with the help of technology and trained personnel provided by Oto Melara.
- In July 2011, after all the tests were conducted, the 127/64 Vulcano sea weapons system was installed on the first FREMM, the "Carlo Bergamini", launched on 16 July, while production of the 127/64 LW system for the German navy's F125 frigates continued.
- On 2 June, during the military parade celebrating the anniversary of the Italian Republic, in front of prestigious foreign dignitaries and high-ranking Italian officials, the prototypes of the latest-generation weapon systems that Oto Melara is developing, representing current state-of-the-art technologies, were displayed.
- On 27 September 2011, the Italian and Russian governments signed a memorandum of understanding to supply and subsequently run a test campaign in the Russian Federation on two Freccia medium armored vehicles and two Centauro armored fighting vehicles for technical/operational assessment.

Research and technological development applied to products

Research and technological development applied to products and solutions in the Defence Systems segment focused mainly on land defence systems and related components in 2011. Oto Melara has intensified development efforts geared towards solutions that improve situation awareness and enable operating capacity in asymmetric scenarios, thereby reducing soldiers' exposure to risk. These include Counter-Rocket, Artillery, and Mortar (C-RAM) defence systems and the wheeled and tracked Unmanned Ground Vehicle (UGV) families (Moving and Land Robotics).

MBDA, instead, in the area of missile systems, continued development on the application of new digital receivers to improve existing seekers (Aster Meteor) and the use of passive phased array antennas.

People, the community and the environment

PARTICIPATION IN THE MARINE TECHNOLOGIES DISTRICT IN LIGURIA

During 2011, Oto Melara continued to take part in the Marine Technologies District in Liguria. The main event was held in October 2011 with the presentation of several particularly important projects to MIUR for the improvement or sustainability of the marine environment in part for safe navigation, including protection against acts of piracy.
Specifically, Oto Melara supported the USV SWAD (Unmanned Surface Vehicle for Blue Water SWAD) project. This is a study on the development of autonomous or crewed vehicles capable of operating in "blue water" (deep water) scenarios in ongoing missions, guided by remote control. A demonstrator, complete with remote and local portable control stations, will be used to check the system's performance and operation, i.e. the feasibility of the project that will mainly be used for patrol and escort missions,

discovering and deterring “pirate” vessels and providing rapid response to vessels requiring assistance and/or protection.

VOLUNTEERING AND THE CULTURE OF SOLIDARITY

The AVIS-AIDO Oto Melara group is an “historic” blood and bone marrow donor association in the province of La Spezia. Founded in 1968 at the urging of some of the workers and the management of Oto Melara, for over 43 years the association has continued its work without interruption, despite the downsizing that involved the major companies of La Spezia and consequently the associations in the area, and has been able to reinvigorate itself. It is presently one of the few associations that are still active, participating in various promotional initiatives and events organized by local and provincial AVIS and AIDO.

The association had 210 donors at 31 December 2011 (out of about 1,048 employees, or 20%), including many young people, and 290 sustaining members, including workers and office staff, who, through their payroll contributions, provide funding for solidarity efforts for families of employees and for provincial and national humanitarian and research associations.

PARTNERING WITH LOCAL RESEARCH INSTITUTIONS

In 2011, WASS signed the second of two partnership agreements with the City of Livorno and the University Center for Logistics Systems in Livorno for the purpose of “developing the relationship between education, research and innovation using the partners’ resources and expertise in pursuing research activities” in the field of underwater robotics for civil applications in the areas of transport security and protecting marine fauna and flora. The first agreement was signed in 2009 with the City of Livorno and Sant’Anna College in Pisa.

These agreements, which are part of a broader project by the City of Livorno to improve the “Scoglio della Regina” (the Queen’s Rock) site which has been recently refurbished and will house the Marine Robotics Research Center, have already led to a successful collaboration between the various partners. This partnership led to, among other things, the funding of the start up in operations of the joint project for an underwater vehicle (“V-Fides”) to be used in the civil arena. Among its various functions, the vehicle can be used to map the amount of mercury pollution in the sea in which it operates.

THINCLIENT: GREEN IT AT WASS

This initiative developed by WASS marks a radical technological change in the traditional corporate IT infrastructure, which typically centers around a client-server LAN. Each workstation, the client (PC-notebook-workstation), has been replaced with a new “ThinClient” technology that takes fully advantage of the virtualization of the user’s desktop.
The new ThinClient is therefore a hardware terminal, which functions as a traditional PC with operating system within the network. This not only cuts overhead and management costs and improves performance from an ICT standpoint, but it especially lowers energy consumption by 90%, as well as the related indirect CO_2 emissions and the need to dispose of packaging materials.

The ThinClient project is easily applicable to medium-sized industrial firms with a high degree of variety in the software utilized by workstation users; particularly in office automation activities.

ENERGY

Finmeccanica's Energy sector was reorganized in 2011 with the sale of 45% of Ansaldo Energia to the US investment fund First Reserve Corporation. This transaction resulted in the formation of the new parent company for the sector, Ansaldo Energia Holding, of which Finmeccanica now holds 55%.

The Energy sector is an international supplier of systems and components for thermoelectric power plants, with customers ranging from governments, to independent power producers and industry. It is a direct manufacturer of gas and steam turbines and generators, all featuring advanced technology designed to satisfy the most demanding customer requirements in terms of efficiency, reliability and environmental impact.
The company has an installed capacity of over 175,000 MW in more than 90 countries. It offers a broad range of after-sale services, ranging from repairs and spare parts, to on-site work, including overhauls and upgrades, right through to full service or Long Term Service Agreements (LTSAs), even for components produced by its leading international competitors.

The Energy sector also encompasses nuclear power (plant engineering, service, waste and decommissioning) and renewable energy (wind, photovoltaic and geothermal).

www.finmeccanica.it/Corporate/EN/Corporate/Settori/Energia/index.sdo
www.ansaldoenergia.com/

PERFORMANCE AND FINANCIAL HIGHLIGHTS (IN €MIL.)	2011 (*)	2010	2009
New orders	**1,258**	1,403	1,237
Order backlog	**1,939**	3,305	3,374
Revenues	**981**	1,413	1,652
Adjusted EBITA	**91**	145	162
Research & Development	**23**	38	26
Workforce (no.)	**1,872**	3,418	3,477

(*) Figures consolidated proportionally starting from 1 July 2011.

REVENUES BY CUSTOMER TYPE	2011	2010	2009
Military	**0%**	0%	0%
Civil	**100%**	100%	100%

EHS INDICATORS	UNIT OF MEASURE	2011	2010 (*)	2009 (*)
Number of sites within scope of reporting		**4**	28	33
Energy consumption	GJ	**313,530**	527,289	528,913
Total waste produced	Metric tons	**5,863**	10,864	13,451
Water consumption	Thousands of m^3	**206**	779	696
Accident frequency ratio		**30.56**	20.1	28.32

(*) The 2010 and 2009 figures also include the Transportation sector.

Performance and outlook for the sector

The Energy market, after the contraction that began in 2009 caused by the traditional cyclical trend, but nevertheless accentuated by the worldwide crisis, showed weak signs of recovery, driven by demand for energy due to the expansion in industrial production in developing nations.

Given this, the sector reported growth in new orders in 2011 of €mil. 318, mainly due to new orders in the plants and components segment, and a decline in revenues, largely as a result of lower production volumes in the services segment. The composition of the order backlog at the end of 2011 is attributable for around 37.3% to plants and components, 58.6% to service activities (73% of which LTSA scheduled maintenance contracts), 2.0% to the nuclear segment, and the remaining 2.1% to renewable energy. At the consolidated level, by contrast, the financial and operational figures fell as compared with 2010 due to the change in the consolidation method for the period from 1 July to 31 December 2011, as a result of the sale of a portion of Ansaldo Energia.

The outlook for the future is that global demand for power plants and components for generating electricity from fossil and nuclear fuels and renewable resources will remain essentially stable, although still higher than prior to the crisis. In general, customer preferences should, more than in the past, favor components that ensure greater efficiency while reducing emissions and providing greater flexibility in operations. Growing attention to environmental issues should favor a recovery in demand for gas plants (open and combined-cycle), as compared to coal plants, for example, particularly in Western markets.

Highlights 2011

› Partnership with First Reserve: in March 2011, Finmeccanica signed an agreement with First Reserve Corporation, an American investment fund specializing in the energy sector, for the sale of 45% of Ansaldo Energia.

› Ansaldo Energia strengthens its presence in the Mediterranean with the receipt of new orders in Egypt and Algeria, and enters the new market of Turkey with an order for the construction of a turnkey combined-cycle power plant.

› The increasingly close collaboration between Ansaldo Energia and the University of Genoa was formalized with the signing of a convention that stabilizes a long-time relationship that has been very active in the region.

Research and technological development applied to products

In 2011, the Energy sector focused its innovation and product development efforts on developing innovative solutions for plants that generate electricity from fossil fuels and on related services.

The most important activities in the gas turbine field included:

› the development of gas turbines featuring proprietary technology, with the further development of the AE94.3A, an F class turbine, in order to improve its performance in terms of power and efficiency and expanding its operational flexibility and the range of fuels that can be used, and the completion of the construction engineering of the advanced version of the AE94.2 turbine;

› the development of operational flexibility in combined-cycle plants, where Ansaldo Energia is actively participating in the working group within the European Turbine Association (EUT) that contributes to the development of new European grid codes;

› servicing programs under way are aimed at installing Group advanced technology instruments for assessing the “remaining life” of critical molded parts (using non-destructive research techniques) in machinery, and at expanding the range of servicing provided for machinery using other technologies through the development of turbine blades with optimized maintenance intervals and low-emission combustion systems.

In the area of steam turbines:

› the completion of the project to develop the basic version of the ultra-super-critical (USC) turbine and continuation of work on defining the optimal parameters for the steam turbines for concentrated solar power (CSP) plants;

› the development of electric generators optimized in size to accommodate developments in gas and steam turbines. Specifically, the top-performing 400 MVA model, an air-cooled turbine, is ready to be built;

› the development of the new control system sold under the Ansaldo Energia brand, which is based on the AC800 platform (including the SIL3 protection system).

The analysis of the impact of technologies for separating CO_2 from the flue gases of power plants (Carbon Capture and Storage - CCS) on proprietary products (steam and combined-cycle plants) also continued.

Finally, significant efforts continued to be made in diversifying renewable energy sources and in the nuclear power segment through:

› the production of a staged biomass gasification plant prototype (for which the related patent application and trademark registration have already been filed) which is expected to enter service near the end of the first half of 2012, with initial testing using virgin wood biomass;

› construction of a prototype plant to produce liquid hydrocarbon from vegetable oils by means of a thermo-catalytic process, which does not require the use of methyl alcohol and does not produce glycerin as a by-product;

› continued research into Generation IV nuclear reactors, which represents an industry standard in Europe for the development of the lead-cooled fast reactor through the coordination of the EU-FP7 LEADER contract.

All activities relating to Generation IV nuclear reactors fall within the development framework established by the Sustainable Nuclear Energy - Technology Platform (SNE-TP), specifically, the European Sustainable Nuclear Industrial Initiative (ESNII), in which the leading European stakeholders are taking part.

People, the community and the environment

GENOA SMART CITY

In 2011, Ansaldo Energia renewed its commitment with the City of Genoa on the Genoa Smart City initiative, a project that has matured over the past year and that has achieved more concrete forms of collaboration. The project aims to improve the safety and quality of life of the city's residents through economic development with a low environmental impact by promoting concrete actions in a variety of areas (transportation, energy, communications, public services, infrastructure and safety).

In this context, sustainable mobility is a fundamental axis for action to make the city "smart" both in terms of emissions and energy efficiency and of the highly innovative features available. Specifically, Ansaldo Electric Drives (Ansaldo Energia group), together with Ansaldo STS and SELEX Elsag, submitted a proposal that provides for the operation of a fully electric bus designed for a specific route. The project is taking shape with the active interest of Genoa's transportation authority (AMT) and involves the use of Ansaldo STS's rapid-charging systems for trams (TRAMWAY). The fast recharge overcomes the two main factors limiting the use of fully electric buses (even blocking the adoption of medium/large vehicles): ensuring that the vehicle can cover the same distances that conventional thermal vehicles can and minimizing the impact that the batteries have in reducing the number of passengers carried.

In addition, Ansaldo Electric Drives is developing, together with AMIU, the waste collection company, a proposal for a zero-emissions waste collection system for urban areas, where one of the main benefits of completely electrifying the vehicle (including the unit that moves the hopper) is that it reduces noise pollution. In this case, too, some of the most important national players have taken part in the proposal to develop a demonstration project for which AMIU has already expressed active support.

SUSTAINABLE MOBILITY FOR EMPLOYEES OF ANSALDO ENERGIA

Since May 2011, the shuttle service that Ansaldo Energia offers its employees on a daily basis to commute between the office and the nearest train station has been enhanced with the use of a new electric vehicle.
It is a 9-seater minibus (+ driver), which has an electric motor and inverter built by Ansaldo Electric Drives. It makes a total of 10 daily runs, each an estimated distance of 6.5 km. The electric bus travels about 65 km each day and an average of 1,300 km per month without using combustible fuels.
The vehicle is owned by Ansaldo Electric Drives and has been granted to an outside firm to use without payment.

TECHNOLOGY SERVING THE ENVIRONMENT

Ansaldo Energia is continuing research that protects the environment. The installation of the VeLoNOx system – a retrofit solution that satisfies the most stringent environmental sustainability requirements, particularly for reducing NO_x and CO_2 emissions – is offered to all customers, both through engineering, procurement and construction (EPC) contracts and in servicing existing plants. The VeLoNOx system is used in new power plants built by Ansaldo Energia (Turano Lodigiano, Bayet, San Severo and Aprilia) coming into service in 2011 and 2012.

Ansaldo Energia also focuses on the environment through the design of its Zero Liquid Discharge system, which is used in all power plants it has built and recently put into service. The system reduces water consumption by the facility and eliminates the discharge of any type of liquid from the industrial site into the environment.

TRANSPORTATION

The Transportation sector includes AnsaldoBreda, BredaMenarinibus and Ansaldo STS, the latter of which is listed on the Milan Stock Exchange and of which Finmeccanica holds 40%.

AnsaldoBreda specializes in the construction of leading-edge rolling stock for rail and metro networks: high-speed trains, diesel and electrical locomotives, double-decker electric trains, Electric Multiple Units (EMU), Diesel Multiple Units (DMU), modern driverless metros and Sirio modular trams. The company has four manufacturing sites in Italy, one in France and one in the United States.

BredaMenarinibus is the second largest manufacturer of buses operating in Italy and has been involved in some of the greatest technological innovations in the sector, including disc brakes (since the early 1980s), the first short and medium-length buses with lowered floors, independent suspension on all wheels, multiplex electrical systems with on-board diagnosis, and, during the 1990s, the first methane-powered buses produced in series.

Ansaldo STS is active in the design, construction, operation and maintenance of signalling and traffic control systems (signalling and transportation solutions) and in turnkey railway and metro transport systems in which signalling systems are of fundamental importance.

www.finmeccanica.it/Corporate/EN/Corporate/Settori/Trasporti/index.sdo
www.ansaldobreda.it
www.bredamenarinibus.it/
www.ansaldo-sts.com

PERFORMANCE AND FINANCIAL HIGHLIGHTS (IN €MIL.)	2011	2010	2009
New orders	**2,723**	3,228	2,834
Order backlog	**8,317**	7,303	5,954
Revenues	**1,877**	1,962	1,811
Adjusted EBITA	**(110)**	97	65
Research & Development	**46**	69	110
Workforce (no.)	**6,876**	7,093	7,295

REVENUES BY CUSTOMER TYPE	2011	2010	2009
Military	**0%**	0%	0%
Civil	**100%**	100%	100%

EHS INDICATORS	UNIT OF MEASURE	2011	2010 (*)	2009 (*)
Number of sites within scope of reporting		**23**	28	33
Energy consumption	GJ	**345,758**	527,289	528,913
Total waste produced	Metric tons	**4,948**	10,864	13,451
Water consumption	Thousands of m^3	**481**	779	696
Accident frequency ratio		**15.04**	20.1	28.32

(*) The 2010 and 2009 figures also include the Energy sector.

Performance and outlook for the sector

In 2011, the Transportation sector reported a 15.6% decline in new orders as compared with the previous year, due mainly to fewer new orders in the vehicles segment, which benefited in 2010 from the order from Trenitalia for 50 high-speed trains. There was also a decline in revenues of 4.3%, largely as a result of the completion of several Italian projects in the signalling sector and the lack of progress on orders for Libya.
The order backlog rose 13.9% as compared with 31 December 2010 and breaks down as follows: 65.0% for signalling and transportation solutions, 34.8% for vehicles and 0.2% buses.
Over the next few years, the demand for high-volume urban and intercity transport is expected to increase globally, driven by the gradual urbanization occurring in developing nations, particularly in Brazil and China. In terms of market size, Asia has now surpassed Europe, but Western Europe will remain the area of greatest interest in terms of the technical characteristics of the products required and the rate of technological innovation. The signalling and transport systems segment is likewise expanding and we expect important programs to construct new transportation infrastructures that enable different modes and different standards to interoperate, as well as the need to increase safety, efficiency and traffic capacity.

Highlights 2011

› AnsaldoBreda published its Sustainability Report.

› For the second straight year, the AnsaldoBreda factory in Naples was awarded the "Safe Business Award 2011" by the Workplace Safety Observatory (*Osservatorio sulla sicurezza sui luoghi di lavoro*), an organization comprising INAIL (Italian Workers' Compensation Authority), the region of Campania, the province of Naples, local health authorities, trade unions and business associations, ANMIL (National Association of Injured Workers) and universities.

› An environmental product declaration (EPD) was received for the Rome metro Line C and the EPD for the Brescia Metrobus was renewed.

Research and technological development applied to products

In the Transportation sector, progress was made in 2011 in research on cross-over technologies, on which AnsaldoBreda carried out a variety of projects undertaken with national and EU funding, focusing on issues such as predictive diagnostics for carriages, basic architectures for traction converters, equipment standardization projects, polymers/thermoplastics and structural adhesives, high-performance electric motors, manufacturing processes and software engineering.

Research and development relating to solutions primarily regarded tracked transportation systems for city, suburban and heavy railway vehicles and related signalling and traffic controls systems, particularly in the areas of energy efficiency and traffic safety. Specifically:

› the European PROTECTRAIL (for which Ansaldo STS coordinates 29 European partners) and Secur ED projects in the security area, and the ALARP project, for the research, design and construction of a more efficient Automatic Track Warning System (ATWS) for train yard worker safety;

› extensive testing of the TRAMWAVE catenary-free pick-up system (magnetic ground power supply system) developed by Ansaldo STS and AnsaldoBreda for trams and integration of systems that accumulate braking energy;

› the continuation of functional testing of the axial-flow permanent magnet motor for "electric-wheel" tram applications, and implementation of techniques for controlling the converters and the permanent magnet motors;

› the development of dual-use security/safety components, including the multi-function diagnostic portal (currently in operation on RFI's Naples-Rome network) for checking that trains running up to 300 km/h are operating properly, and the completion of a tunnel-fire simulation tool;

› developments in the field of signalling (train distancing platform), with the creation of new generations of wayside and on-board European Rail Traffic Management Systems (ERTMS) for high-speed lines and Communications Based Train Control (CBTC) for metros.

People, the community and the environment

ANSALDOBREDA'S SUSTAINABILITY REPORT

In 2011, AnsaldoBreda became, after Ansaldo STS, the second Transportation sector company (and third in the Finmeccanica Group, including the Parent Company) that decided to adopt the best practice of reporting to the public on its financial, social and environmental performance, with the publication of its Sustainability Report for the first time.

AnsaldoBreda's Report for 2011, which had previously been for internal use only, marks a milestone in the company's journey that began ten years ago to make management of its manufacturing processes and product design sustainable within the context of performance/financial harmony and of continuing to develop relationships with all its stakeholders.

The Report was prepared by following the Global Reporting Initiative (GRI) guidelines and can be found on the company's website www.ansaldobreda.it.

ANSALDOBREDA'S HEALTH AND SAFETY MANAGEMENT SYSTEM UP AND RUNNING

In June 2009, AnsaldoBreda certified its management system under OHSAS 18001. This certification required the company to spread and consolidate its safety culture, as well as make continual improvements to their management. To support this commitment, new projects were launched and ongoing initiatives continued at many manufacturing sites during 2011, according to their various characteristics. These include:

- the "Culture of safety" training course: 85% of the workforce took part, during which the workers who participated in the various training sections demonstrated a greater awareness of issues related to safety and the environment;
- the "Prevention Diary" distributed to almost all the AnsaldoBreda offices. It is a support tool provided to the officers to help them in their oversight and control duties. Last year, the process began of distributing it to the Italian and foreign sites of AnsaldoBreda's Business Service Unit;
- the "ABLean" project, based on the principles of self-control and visual communication, is being carried out at all AnsaldoBreda sites.

At the Naples site, in particular, a Workplace Health and Safety noticeboard has been installed in all the production departments and office areas to improve communication channels between the safety and environment unit and all staff.
The noticeboards are updated periodically with information on workplace accidents, initiatives undertaken and any other useful news and information. Any employee may ask the safety and environment unit to post information of interest on the noticeboard. Requests are made by phone, by email or in person to the unit's office or through the FAQ area in the Environment and Safety portion of the intranet site for the Naples facility.

SUSTAINABLE MOBILITY: GENERATING AWARENESS AMONG MIDDLE SCHOOL STUDENTS

AnsaldoBreda has for years focused on issues of sustainability by continually seeking a dialogue with local communities and an exchange designed to bring mutual benefits.

In this area, between late 2011 and early 2012, AnsaldoBreda launched an information and awareness campaign aimed at middle school students on issues of sustainable mobility, the sustainability of rail transport and the social and environmental responsibility of sites and products of AnsaldoBreda.

The activities involved several middle school classes of each of the cities where AnsaldoBreda's factories are located in Italy ("San Giovanni Bosco" comprehensive school in Naples; "Cino da Pistoia" middle school in Pistoia; "Spanò Bolani" middle school in Reggio Calabria; "Salvatore Calderone" middle school in Carini, Palermo). The format included a classroom lecture followed by a forum, still in the classroom, for the exchange of ideas and opinions with the classes on the concepts discussed to stimulate reflection and awareness about the issues raised.

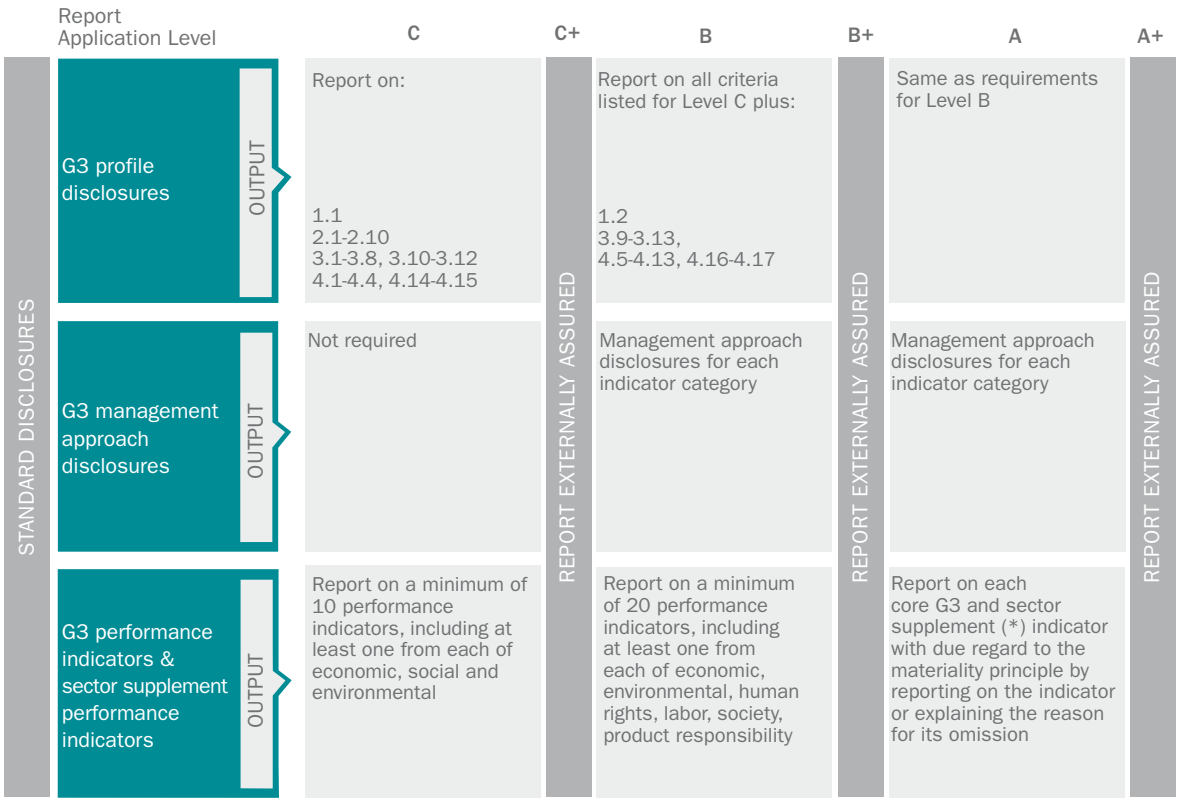
The project was concluded in April 2012 with the analysis of the results of the forum with the students who offered their ideas on the "Sustainable Railway".

appendices

REPORTING METHODOLOGY

Guidelines used and stated application level

The Finmeccanica Sustainability Report has been drawn up in accordance with version 3.1 of the guidelines set out by GRI (Global Reporting Initiative).
As in the past, the application of the GRI guidelines (disclosure) for this Report is at level B+. The content index on pages 143-150 shows how the contents of this Report align with the items to be reported under the guidelines.

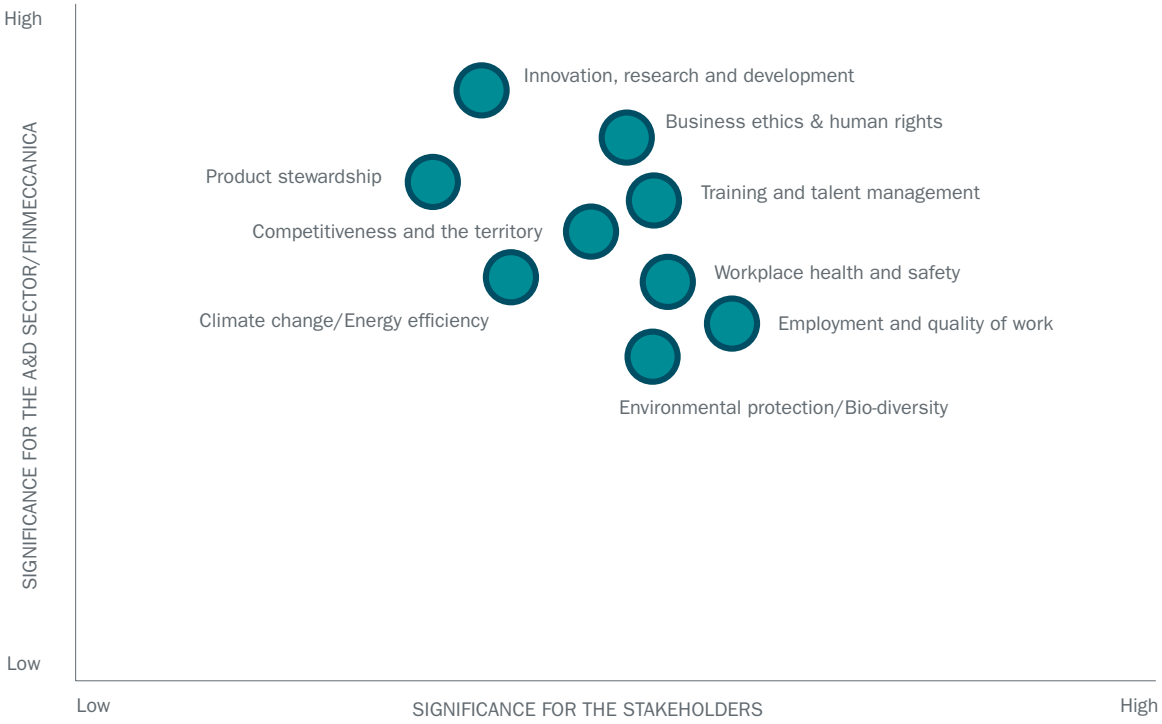


(*) Sector supplement in final version.

Materiality

The materiality of the issues addressed in the Report was assessed by taking those points raised in the ISO 26000 guidelines as a basis. These were contextualized with insights from sectoral studies and methodologies for assessing the sustainability applied by rating agencies, and integrated with the analysis of facts and events that affected the Finmeccanica Group in 2011.

MATERIALITY ANALYSIS SUMMARY



The process and scope of reporting

The data and contents provided in the Report were collected from the data owners of the Finmeccanica SpA departments and units involved and from the reporting officers of the operating companies. The entire Report preparation process was coordinated by the Finmeccanica Sustainability Work Group *(see Sustainability management and communication)*.

The scope of reporting for the Sustainability Report involves Finmeccanica SpA and a substantial portion of all the companies in the various sectors. Any differences between the scope of consolidation used in the consolidated financial statements and that used here are indicated as relevant in this document.

In particular, environmental data and performance reporting covered a total of 171 sites, one less than in 2010, representing around 64,000 workers, or 89% of the Group's workforce (84% in 2010). The sites belong to all the business sectors and geographical areas in which Finmeccanica operates, and they have been identified using the following factors:

› Finmeccanica's stake in the company;

› significance of the environmental aspects[1];

› number of employees.

NO. OF PLANTS/OFFICES			NO. OF PLANTS/OFFICES		
Sector	**2011**	**2010**	**Geographical area**	**2011**	**2010**
Aeronautics	**16**	17	Italy	**91**	89
Defence Systems	**8**	5	UK	**18**	17
Helicopters	**15**	14	USA	**40**	46
Space	**5**	4	Rest of the world	**22**	20
Defence and Security Electronics	**96**	101			
Energy and Transportation	**27**	28			
Other	**4**	3			
TOTAL	**171**	**172**	**TOTAL**	**171**	**172**

1. In line with the contents of ISO 14001 section 3.1, an environmental aspect is significant when it refers to activities that involve mechanical processes, treatment of metal and non-metal materials, heat treatment, surface treatment, gluing or resining.

Regardless of what percentage Finmeccanica holds in a company, its environmental data and information for sites included in the reporting are consolidated at 100%. It should be noted that MBDA's three Italian sites in the Defence Systems sector are included within the scope of reporting for the first time.
In order to allow a more consistent analysis of the data over time, despite the developments and the organizational changes that have affected the scope of reporting over the years, indicators of environmental performance have been represented, where appropriate, as the ratio between the environmental data and man-hours worked during the year (around 111,800,000, down 6% from 2010).

Finally, regarding the detailed review by sector, the most important companies were taken into consideration as follows:

- Helicopters: AgustaWestland;
- Aeronautics: Alenia Aermacchi;
- Defence and Security Electronics: SELEX Galileo, SELEX Sistemi Integrati, SELEX Elsag, DRS Technologies;
- Defence Systems: OtoMelara, WASS;
- Space: Telespazio;
- Energy: Ansaldo Energia;
- Transportation: AnsaldoBreda.

Reliability

After having been examined by the Sustainability Committee, the Sustainability Report 2011 was approved by the Board of Directors of Finmeccanica SpA on 2 May 2012. PricewaterhouseCoopers, which was engaged to conduct the statutory audit of the Group's consolidated financial statements, performed an independent verification of the Sustainability Report.

This verification was carried out using the limited assurance criteria indicated in the "International Standard on Assurance Engagement 300 - Assurance Engagement other than Audits of Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board.

Controls were carried out through meetings, interviews, discussions and detailed audits at the manufacturing sites with contact persons at Finmeccanica SpA headquarters and the subsidiaries, in order to:

- gain a better understanding of the processes used, to comply with the preparation standards found in the GRI-G3.1 guidelines;
- assess the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the unit responsible for preparing the Report.

Details of the activities carried out are given in the certificate of conformity enclosed with the Report.

REFERENCE TO GRI INDICATORS

The following table contains the information used to assess coverage of the information requirements provided by GRI-G3.1 accounting standards. The table is made up of three columns:

› the column **Presence** indicates the level of adherence to the standard (disclosure) based on the key provided below:

● Accounted for in full (the data/information comply in full with the requirements of the standard)

○ Accounted for in part (the data/information only complies in part with the requirements of the standard)

- Not accounted for (the data/information has not been collected or is not sufficiently representative)

n.a. Not applicable (the data/information provided by the standard is not significant or is not material);

› the column **References** indicates the pages in the Report in which the contents that relate to the standard requirement appear (pages in italics indicate detailed review by sector);

› the column **Notes/Comments** contains additional information not otherwise found in the Report or further clarification on the information provided in the Report.

Strategy and analysis

		Presence	References	Notes/Comments
1.1	Top manager statement Letter from the Chairman	●	4-7	
1.2	Description of the main impacts, risks and opportunities (in terms of sustainability)	○	8, 65-66	

Profile

		Presence	References	Notes/Comments
2.1	Name of the organization	●	Front cover	
2.2	Main activities	●	14, 18, *112, 116, 120, 124, 127, 130, 134*	
2.3	Organizational structure	●	17-19	
2.4	Location of main headquarters	●	Back cover	
2.5	Territorial control	●	15	
2.6	Shareholder structure	●	28, 49	
2.7	Markets served	●	53	
2.8-2.9	Size of the organization and significant changes in size, structure and ownership	●	14, 17	
2.10	Recognitions and awards received during the period	●	12, 69	

Report parameters

		Presence	References	Notes/Comments
3.1-3.3	Document reference period, last report published and frequency of reporting	●	Side note	The Report refers to the year 2011. The last document published is the Sustainability Report 2010. Reporting is carried out annually
3.4	Contacts and addresses	●	Back cover	
3.5-3.7	Reporting process, scope and limits	○	10, Reporting methodology	

3.8	Information on joint ventures, subsidiaries, leased plants, outsourcing and other activities	●	17-19	
3.9	Data measurement methods and bases for calculation	●	Reporting methodology	Other relevant information is provided in the Report
3.10	Explanation of the effects of any changes in information contained in previous reports, and reasons	●	Side note	Information provided in the previous reports remains unchanged
3.11	Significant changes in measurement target, scope or method used	●	Reporting methodology	
3.12	Table of G3 contents	●	Reference to GRI indicators	
3.13	Policies and practices relating to external audits	●	Reporting methodology	

Governance, commitments and stakeholder involvement

		Presence	References	Notes/Comments
4.1	Governance structure	●	28-30	
4.2	Executive functions of the Chairman	●	30	
4.3	Independence of governing bodies	●	30-31	
4.4	Mechanisms available to shareholders and employees to provide recommendations or directives to top governing bodies	○	28-29, 49	Investors are called upon to exercise their rights at the Shareholders' Meeting. For details of operation of the Shareholders' Meetings see, in the consolidated financial statements, the Corporate Governance Report and Shareholder Structure, pages 193-195 *(Shareholders' Meetings)*. Finmeccanica SpA has an Investor Relations Unit to encourage dialogue with shareholders
4.5	Connection between compensation and performance of the organization	●	Side note	See the Corporate Governance Report and Shareholder Structure in the consolidated financial statements, pages 165-166 (*Remuneration of Directors*) and page 294 (*Remuneration to key management personnel*)
4.6	Activities to guarantee the absence of conflicts of interest	●	28-35	
4.7	Processes to determine the qualifications of the highest governing body directing the strategy of the organization	●	29-30	See also the Corporate Governance Report and Shareholder Structure in the consolidated financial statements, pages 145-153 (*Appointment and composition of the BoD*)
4.8	Mission, values and Code of Conduct	●	22-25	
4.9	Procedures and committees for management of sustainability-related performance	●	10, Reporting methodology	

4.10	Assessment of the performance of members of the highest governing body	●	Side note	See the Corporate Governance Report and Shareholder Structure in the consolidated financial statements, pages 153-157 (*Role of the BoD*) and pages 163-165 (*Remuneration Committee*)
4.11	Explanation of any changes in application of the principle of prudence or prudent approach	●	41-42	See also the consolidated financial statements, pages 87-92 (*Finmeccanica and risk management*)
4.12	Signature and adoption of codes of conduct, principles and papers developed by external organizations	●	22	
4.13	Membership in industry associations	●	52	
4.14	List of stakeholders with whom the Company interacts	●	48	
4.15	Principles for the identification of stakeholders	●	48	
4.16	Approach adopted for activities to involve stakeholders	●	48-57	
4.17	Results of involvement	●	48-57	

Performance indicators

ECONOMIC INDICATORS (EC)	Presence	References	Notes/Comments
Information on management methods (EC)	●	49, 80-81	
EC1 core: economic value generated directly and distributed	●	81	
EC2 core: economic and financial implications connected to climate change	-		
EC3 core: coverage of commitments made when drawing up the pension scheme (benefit plan obligations)	●	Side note	See the consolidated financial statements, page 91 (*Finmeccanica and risk management*) and pages 267-270 (*Employee liabilities*)
EC4 core: significant government funding	●	Side note	See the consolidated financial statements, pages 243 et seq. concerning grants under Law 808/85 for national security projects
EC5 add: ratio between the wages of new hires and the minimum local wage in the most significant operating sites	-		
EC6 core: policies, practices and percentage expenditure concentrated on local suppliers	○	55	
EC7 core: procedures for hire of persons resident in the area where main activities take place and percentage of senior managers hired from the local community	-		
EC8 core: impact of investment in infrastructures for the benefit of local communities, through commercial agreements, donation of products/services or pro-bono activities	●	93-95	
EC9 add: analysis and description of the main indirect economic impacts taking into consideration the externalities generated	-		

ENVIRONMENTAL INDICATORS (EN)	Presence	References	Notes/Comments
Information on management methods (EN)	●	44-46	
EN1 core: raw materials used, by weight and volume	-		
EN2 core: percentage of materials used that derive from recycled materials	-		
EN3 core: direct energy consumption divided by primary energy source	●	99-100	Energy consumption by sector of activity is indicated in the detailed review
EN4 core: indirect energy consumption divided by primary energy source	●	99-100	
EN5 add: energy saving due to conservation and improvements in terms of efficiency	●	100-101	
EN6 add: initiatives to supply energy-efficient products or services or ones based on renewable energy sources, and reduction in energy requirements as a result of these initiatives	○	43-44, *114,* 122, 126, *132, 135*	
EN7 add: initiatives aimed at reducing indirect energy consumption, and reductions achieved	●	*114, 119, 123, 129*	
EN8 core: total water drawn, divided by source	●	103	Water drawings by sector of activity are indicated in the detailed review
EN9 add: water sources from which significant drawings were taken	○	104	
EN10 add: total percentage and volume of water that is recycled and re-used.	●	103-104	
EN11 core: location and size of land owned, rented or managed in protected areas (or adjacent areas) or in areas with a high level of biodiversity outside protected areas	●	101-102	
EN12 core: description of the main impacts of activities, products and services on the biodiversity of protected areas or of areas with a high level of biodiversity.	-		
EN13 add: protected or restored habitats	○	101-102	
EN14 add: strategies, action taken, future plans for management of impacts on biodiversity	●	101-102	
EN15 add: number of protected species whose habitat lies within the areas where the organization operates, divided by risk of extinction level	-		
EN16 core: total direct and indirect greenhouse gas emissions, by weight	●	98	
EN17 core: other significant indirect greenhouse gas emissions, by weight	●	98	
EN18 add: initiatives to reduce greenhouse gas emissions and results achieved	●	46, 99-100	
EN19 core: emissions of substances harmful for the ozone layer, by weight	●	108	
EN20 core: NO_x, SO_x and other significant emissions into the atmosphere, by type and weight	●	103	
EN21 core: total water discharged, by quality and destination	●	104	
EN22 core: total weight of waste, by type and disposal method	●	105-106	Weight of waste by sector of activity is indicated in the detailed review
EN23 core: total number and volume of significant spillages	●	102	
EN24 add: weight of hazardous waste that is transported, imported, exported or treated, and the percentage transported abroad	-		

EN25 add: identity, size, state of protection and biodiversity value of aquatic flora and fauna and relevant habitats that are affected in a significant manner by water discharge	-		
EN26 core: initiatives to mitigate the environmental impact of products and services and extent to which said impact is mitigated	○	43-44	
EN27 core: percentage of products sold and relevant packaging material recycled or re-used, by category	-		
EN28 core: monetary value of significant fines and number of non-monetary fines due to failure to respect environmental laws and regulations	●	102	
EN29 add: significant environmental impacts of transport of goods/materials used for the organization's activities and for staff movements	○	98-99	
EN30 add: expenses and investments for environmental protection, divided by type	○	45	

LABOR INDICATORS (LA)	**Presence**	**References**	**Notes/Comments**
Information on management methods (LA)	●	50-52, 68, 89-93	
LA1 core: total number of employees, divided by type, type of contract and territorial distribution	●	50, 88	
LA2 core: total number of staff and turnover rate, divided by age, sex and geographical area	○	88	
LA3 add: benefits provided for full-time workers	○	91	See also the consolidated financial statements, pages 231-232 (*Employee benefits*)
LA4 core: percentage of workers covered by collective bargaining agreements	○	Side note	The entire workforce in Italy (100%) is covered by national collective bargaining agreements (CCNL)
LA5 core: minimum notice required for changes in function (organizational changes), indicating whether or not these conditions are included in collective bargaining	○	Side note	This subject is addressed by the national collective bargaining agreements (see LA4)
LA6 add: percentage of workers represented on the health and safety coordination committee	○	92-93	
LA7 core: rate of workplace accidents, sickness, lost working days, absenteeism and total number of deaths, divided by geographical area	○	92	Accident rates by sector of activity are indicated in the detailed review
LA8 core: programs for education, training, consultation, risk prevention and control set up to support workers, their families or the community, in relation to health problems or severe illnesses	○	92-93	
LA9 add: trade union health and safety agreements	-		
LA10 core: average training hours per annum for each employee, divided by category of worker	○	68	
LA11 add: programs for the management of skills and to promote progressive training/updating to support continuing use of employees and to manage the final phases of their careers	●	69-74	

LA12 add: percentage of employees who receive regular assessments of performance and career development	○	Side note	See the consolidated financial statements, pages 115-116 (*Management Review, Succession Plans, Compensation and Incentive Systems*)
LA13 core: composition of the company's governance bodies and division of employees by category according to sex, age, protected category and other indexes of diversity	○	30, 88	
LA14 core: ratio of base salary for men compared to that for women of the same category	○	88	
LA15 core: rate of return to the workplace following maternity leave	-		

HUMAN RIGHTS INDICATORS (HR)	**Presence**	**References**	**Notes/Comments**
Information on management methods (HR)	●	36-40	
HR1 core: number and percentage of investments that include clauses on the respect of human rights	-		
HR2 core: percentage of suppliers and contractors subject to assessment on questions of human rights, and relevant action taken	○	40	
HR3 add: total training hours of employees on policies and procedures relating to human rights and percentage of workers trained	-		
HR4 core: total number of episodes related to discrimination and action taken	○	32	
HR5 core: identification of the activities in which freedom of association and collective bargaining may be exposed to significant risks, and action taken to defend these rights	●	40, 89-90	
HR6 core: identification of operations involving a high risk of child labor and measures taken to help eliminate them	●	40	
HR7 core: activities with a high risk of forced or compulsory labor and measures taken to help eliminate them	●	40	
HR8 add: percentage staff in charge of safety who have received training on procedures and policies relating to human rights	-		
HR9 add: number of violations of the rights of the local community, and action taken	-		
HR10 core: operations that were analyzed in terms of their human rights impact	○	36-40	
HR11 core: composition of disputes pertaining to respect for human rights	-		

SOCIETY INDICATORS (SO)	Presence	References	Notes/Comments
Information on management methods (SO)		52-53	
SO1 core: nature, aim and efficiency of programs and/or practices to assess and manage impact on a given community, including start-up, operating and shut-down phases	○	43-44, 46, 89-90, 105-106	
SO2 core: percentage business units analyzed for the risk of corruption	●	28-29	
SO3 core: percentage employees trained on anti-corruption measures	○	Side note	See the consolidated financial statements, page 124 (*Training by Finmeccanica SpA*)
SO4 core: actions taken in response to episodes of corruption	●	39-40	
SO5 core: positions regarding public policies, participation in the development of public policies and pressure exercised	●	52-53, 75-76	
SO6 add: total financial contributions and benefits given to political parties, politicians and institutions, by country	○	Side note	Finmeccanica SpA does not pay contributions, either direct or indirect, in any form, to political parties, movements, committees and political and trade union organizations, their representatives and candidates, except for those foreseen by specific regulations
SO7 add: total legal actions relating to unfair competition, antitrust and monopolistic activities, and relevant decisions	-		
SO8 core: monetary value of significant fines and total of non-monetary fines for non-compliance with laws or regulations	●	Side note	See the consolidated financial statements, pages 260-267 (*Provisions for risks and charges and contingent liabilities*)
SO9 core: operations with a potentially negative impact on local communities	-		
SO10 core: preventative measures adopted to mitigate the negative impact of operations on local communities	-		

PRODUCT RESPONSIBILITY INDICATORS (PR)	Presence	References	Notes/Comments
Information on management methods (PR)	●	43-44, 65-66	
PR1 core: impact of the product on health and safety	-		
PR2 add: total cases of non-compliance with voluntary regulations and codes	-		
PR3 core: consumer info and labeling	n.a.		Finmeccanica does not sell consumer goods, but products and services with a high technological content that are delivered to customers and end users accompanied by specific information and training programs
PR4 add: total cases of non-compliance with voluntary regulations or codes relating to info and labeling of products/services	n.a.		See indicator PR3
PR5 add: customer satisfaction practices	●	54	
PR6 core: support for voluntary laws, standards and codes relating to marketing activities	●	36-38	See also note SO2
PR7 add: total cases of non-compliance with voluntary regulations or codes relating to marketing activities	-		
PR8 add: number of complaints regarding violations of privacy and loss of consumer information	n.a.		See note above for indicator PR3
PR9 core: amount of fines for violation of rules on supply and use of products and services	●	Side note	See the consolidated financial statements, pages 260-267 (*Provisions for risks and charges and contingent liabilities*)

GLOSSARY

Adjusted EBITA
Adjusted EBITA is used as the primary indicator of profitability, since it allows us to analyze the Group's marginality by eliminating the impact of the volatility associated with non-recurring items or items unrelated to ordinary operations.

Atmospheric emissions
Any solid, liquid or gaseous substance coming from a plant/system and introduced into the atmosphere that may produce air pollution.

Carbon Management System
System developed by Finmeccanica to implement greenhouse gas emission reductions policy and define goals and targets. The Carbon Management System includes efficient planning, measurement, implementation and accounting.

CLP
A European regulation that came into force on 20 January 2009 for ensuring that the risks posed by chemicals are clearly communicated to workers and consumers in the European Union through the classification and labeling of chemical substances.

Cluster
In a technical and scientific context, this refers to a group of entities that are similar or closely related from the standpoint of position or composition.

CO_2
Carbon dioxide.

Directive 2003/87/EC
European Parliament and Council Directive of 13 October 2003 setting up a system for trading greenhouse gas emission allowances in the European Union.

Directive 2003/105/EC
European Council Directive modifying Directive 1986/82 concerning the control of major-accident hazards related to certain hazardous substances.

Dual use
Products, solutions and technologies that can be used both for civil and military purposes.

EAR
Export Administration Regulations, regulations implemented by the US Department of Commerce controlling exports that affect national security.

EDA
European Defence Agency, one of the youngest European Union agencies.

EHS
Environment, Health & Safety.

EMSA
European Maritime Safety Agency.

ENISA
European Network and Information Society Agency.

Environmental aspect (significant)
Element of the activities, products or services of an organization that may interact with the environment. For the purposes of this document, an environmental aspect is significant when it refers to activities that involve mechanical processes, treatment of metal and non-metal materials, heat treatment, surface treatment, gluing or resining.

Environmental impact
Any modification of the environment, detrimental or beneficial, caused in whole or in part by the environmental aspects of an organization.

Environmental Management System (EMS)
The part of an organization's system of management used to develop and implement its environmental policy and to manage its environmental aspects.

Environmental reclamation
The whole of operations suitable for eliminating sources of pollution and polluting substances or reducing concentrations of polluting substances present in the soil, in the subsoil, and in surface or subsurface water.

Frontex
European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union.

Hazardous substances
Substances which due to their intrinsic properties or conditions of use may be damaging to health or to the environment.

Hazardous waste
Pursuant to the legislation in force in the European Union, hazardous waste is defined as that having the characteristics contained in Art. 2 and in any case listed in the EC Decision 532 of 3 May 2000. Pursuant to the legislation in force in the United States, hazardous waste is defined as waste included in one of the four lists (F-list, K-list, P-list, U-list) compiled by the Environmental Protection Agency or that has at least one of the following four characteristics: explosiveness, corrosiveness, reactivity or toxicity.

Impairment
Loss in value in an asset reported in the financial statements, recognized when its carrying value is higher than the value recoverable through the sale or use of the asset.

IPPC
Integrated Pollution Prevention and Control, a tool created by the European Union to implement the principles of industrial pollution prevention and control and promote the best methods available.

ISO 14001:2004
Environmental management systems standard ("Environmental Management Systems: Requirements and Guide for Use") issued by the ISO (International Organization for Standardization).

ITAR
International Traffic in Arms Regulations, a regulation introduced by the US Department of State for controlling exports that affect national security.

KPI
Quantitative measurements that help define and measure the progress made towards achieving corporate goals.

LCA
Life Cycle Assessment: objective method for the assessment and quantification of the energy and environmental burdens and potential impacts associated with a product/process/activity over the entire life cycle, from acquisition of the raw materials to the end of their life ("from cradle to grave").

Non-hazardous waste
Pursuant to the legislation in force in the European Union, non-hazardous waste is defined as listed in the EC Decision 532 of 3 May 2000, and not having the characteristics contained in Art. 2 of the same. Pursuant to the legislation in force in the United States, non-hazardous waste is considered to be waste not included in the four lists (F-list, K-list, P-list, U-list) compiled by the Environmental Protection Agency and that do not have any of the following four characteristics: explosiveness, corrosiveness, reactivity or toxicity.

OFAC
Office of Foreign Asset Control. Under the US Department of the Treasury. Responsible for restrictions, sanctions and trade embargos on individuals, organizations and nations.

Offset
Legal, international practices in the defence and aerospace industry that do not require regulation by national governments. Also referred to as industrial compensations or partnerships, industrial cooperation, offsets, balances, juste retour.

OHSAS 18001:2007
Standard issued by the British Standards Institution that establishes the requirements that must be met by a management system for safeguarding health and safety in the workforce and that identifies an international standard (OHSAS: Occupational Health and Safety Assessment Series).

REACH
Registration, Evaluation, Authorization and Restriction of CHemical Substances. This refers to Regulation 2006/1907/EC, the aim of which is to augment the protection of human health and the environment through more effective identification of the intrinsic properties of chemical substances.

Site
Separate manufacturing unit, with its own systems and storage for the finished product.

Stakeholders
All those individuals who – whether consciously or unconsciously – are affected by and in turn affect the activities of an organization.

Supply Chain
Term that covers the Company's various logistics activities.

VIC
Volatile Inorganic Compounds.

VOC
Volatile Organic Compounds.

Waste
Pursuant to the legislation in force in the European Union, waste is considered to be any substance or object whose holder gets rid of or has decided to get rid of or has an obligation to get rid of, as provided under Directive 75/442/EEC.
Pursuant to the legislation in force in the United States, waste is considered to be any unwanted material deriving from an activity or production process.
This document does not take into consideration waste left to the public collection service for handling.

Wastewater
Water coming from domestic or comparable activities or industrial activities that are directed and subsequently discharged into surface waters, in the soil, in the subsoil, into the sewer system or managed as waste.

FINMECCANICA SPA

INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2011

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INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2011

To the Shareholders of
Finmeccanica S.p.a.

1 We have carried out the limited assurance engagement of the sustainability report as of 31 December 2011 (hereafter the "Report") of the Finmeccanica Group (hereafter the "Group") following the verification procedures summarized in paragraph 3 of the present document. The Directors of Finmeccanica S.p.a. are responsible for the preparation of the Report in accordance with "Sustainability Reporting Guidelines", version 3.1, issued by Global Reporting Initiative that are detailed in paragraph "Methodology Note" of the Report. The Directors are also responsible for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. We are responsible for the preparation of this report on the basis of the work performed.

2 Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE3000), issued by the International Auditing and Assurance Standards Board. ISAE3000 requires the compliance with ethical principles ("Code of Ethics for Professional Accountants"), including professional independence. It also requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors. A limited assurance engagement of the sustainability report consists in interviews, primarily with company's personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures.

3 The verification procedures performed on the Report are summarized as follow:

a) comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2011;
b) analysis of design and implementation of governance and management system of sustainability topics related to strategy and operations of the Group;
c) analysis of processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we have carried out the following procedures:

PricewaterhouseCoopers Advisory SpA

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- meetings and discussions with management representatives of Finmeccanica S.p.a., Finmeccanica Group Real Estate S.p.A., Finmeccanica Group Services S.p.A., WASS S.p.A., Alenia Aermacchi S.p.A., Telespazio S.p.A., AnsaldoBreda S.p.A., AgustaWestland S.p.A., AgustaWestland Philadelphia CO, DRS Technologies INC and SELEX Elsag S.p.A. to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for drawing it up. These representatives were selected on the basis of a qualitative and quantitative risk analysis;

- on-site verifications in:
  - Vergiate (VA) and Anagni (FR) of AgustaWestland S.p.A. (Helicopter sector);
  - Philadelphia (Pennsylvania) of AgustaWestland Philadelphia CO (Helicopter sector);
  - Napoli Via Argine, and Reggio Calabria of AnsaldoBreda S.p.A. (Trasport sector);
  - Livorno of WASS S.p.A. (Defence System sector);
  - Fucino of Telespazio S.p.A. (Space sector);
  - Venegono Superiore (VA), Grottaglie (TA) and Foggia of Alenia Aermacchi S.p.A. (Aeronautics sector);
  - Genova Via Negrone, and Pomezia (Roma)of SELEX Elsag S.p.A. (Defence Electronics and Security sector);
  - Parsippany (New Jersey), Florence (Kentucky) and Dallas (Texas) of DRS Technologies INC (Defence Electronics and Security sector);

d) analysis, on a sample basis, of the documentation supporting the Report, in order to confirm the reliability of data and information collected through meetings, interviews and on-site verifications and to confirm they were properly managed;
e) verification of processing of data and information generated by the audited local sites and afterwards aggregated and consolidated;
f) analysis of the completeness and internal consistency of qualitative information included in the Report in comparison with the reporting guidelines referred to in paragraph 1 of this report;
g) obtaining a representation letter, signed by the legal representative of Finmeccanica S.p.a. relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with the guidelines identified in paragraph 1 of the present document.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.
As far as data and information concerning the sustainability report of the prior year, presented for comparative purposes, are concerned, refer to the assurance report issued on 13 May 2011.

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