INTERIM FINANCIAL REPORT

AT 30 SEPTEMBER 2011

FINMECCANICA

Disclaimer

This Interim Financial Report at 30 September 2011 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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Finmeccanica Group

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The results and financial position for the first nine months of the year

Introduction

Before analysing the Group results at 30 September 2011, it should be noted that on 13 June 2011, the Group signed an agreement with First Reserve Corporation, a leading international private equity investor specialising in the energy and natural resources sector, for the sale of 45% of Ansaldo Energia.

As will be described in the section on the performance for the first nine months, this resulted in an after-tax gain of €mil. 443 and had a positive net effect on the net financial debt in the amount of €mil. 344.

As a result of the sale, the income statement figures for the Ansaldo Energia group up until 30 June 2011 were consolidated 100%, while the same figures from 1 July to 30 September 2011 were consolidated on a proportional basis at 55%. Starting from 30 June 2011, the balance sheet figures have been consolidated on a proportional basis.

It should also be noted that the US dollar depreciated against the euro by around 7% during the first nine months of 2011 (comparison of the prevailing exchange rates at 30 September 2011 and at 30 September 2010). The fluctuation in the average exchange rates for the two periods compared (30 September 2011 and 31 December 2010) had virtually no effect on balance sheet items.

Highlights

€ million	September 2011	September 2010	change	2010
New orders	**10,638**	**13,479**	**(21%)**	**22,453**
Order backlog (*)	**44,811**	**45,843**	**(2%)**	**48,668**
Revenues	**12,252**	**12,924**	**(5%)**	**18,695**
Adjusted EBITA	**(188)**	**856**	**(122%)**	**1,589**
Net profit	**(324)**	**321**	**(201%)**	**557**
Adjusted net profit	**(767)**	**321**	**(339%)**	**557**
Net capital invested (*)	**11,078**	**11,626**	**(5%)**	**10,230**
Net financial debt (*)	**4,665**	**4,897**	**(5%)**	**3,133**
FOCF	**(1,567)**	**(1,325)**	**(18%)**	**443**
ROS	***(1.5%)***	***6.6%***	***(8.1) p.p.***	***8.5%***
ROI	***4.8%***	***13.5%***	***(8.7) p.p.***	***16.0%***
ROE	***(1.3%)***	***10.4%***	***(11.7) p.p.***	***8.2%***
EVA	**(855)**	**(142)**	**(502%)**	**317**
Research & Development	**1,276**	**1,345**	**(5%)**	**2,030**
Workforce (no.) (*)	**71,050**	**75,733**	**(6%)**	**75,197**

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

Refer to the following section for definitions of the indicators.

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The Finmeccanica Group's financial results for the first half of 2011 reflected a series of deteriorations on an operational level and a number of industrial problems, particularly in the Aeronautics and Transportation (specifically the vehicles segment), and Defence and Security Electronics sectors, as compared with the same period of 2010 and with projections for that period. Moreover, this deterioration can be attributed to external sources, both the negative performance of the Western economies (resulting in intense pressures on current and projected investments in defence systems and infrastructures), and continuing international crises (the conflict in Libya, the economic crisis in certain European countries and, last but not least, the weakness of the industrial recovery in the United States).

Therefore, a thorough analysis of these industrial problems and their impact on performance and financial position was conducted to identify and launch actions for addressing and resolving these problems.
It was therefore decided to suspend the announced adjusted EBITDA guidance in order to gain a better understanding of these effects.

The analysis of the operating companies completed in recent months confirmed the difficulties identified, though of different intensities and kinds. The results at 30 September 2011 reflect the impact:

- in *Aeronautics*, of lower industrial efficiency (affected by problems in certain production processes) and by the restructuring process that has currently resulted in the identification of certain civil craft conversion programmes to be abandoned. There were also non-recurring costs connected with the B787 programme, which was marked by new, recent events that altered the existing scenario. Specifically, in September 2011, Boeing presented initial analytical evidence of damage suffered due to "non-conformities" discovered in certain products already delivered for which Alenia Aeronautica accrued a provision for risks of around €mil. 161 to cover all charges that might be claimed by the customer. Moreover, the recent certification and delivery of the first aircraft make it highly likely that the customer would exercise the option to purchase additional aircraft at a not adequately profitable price, as part of a framework agreement for a total order of about 1,000 units, of which 300 currently covered by contract. This implied the recognition of charges in the amount of around €mil. 592 to address this risk;
- in *Transportation - vehicles* segment, as a result of cost overruns on certain contracts, particularly with regard to railway products for foreign markets. The change in management in a Danish customer company that placed an important order led to an unforeseen development in negotiations currently under way with prior management to finally settle the order. Specifically, the customer began testing the performance of units already delivered in order to ascertain and "shelve" the optimal configuration. Based on the partial results we have

received, we can estimate at present the extra costs that will be incurred to adapt the vehicles to that configuration;

- in *Defence and Security Electronics,* as a result of the decline in revenues of DRS, lower profits in certain business areas in the *information technology and security* segment, and the recently ended conflict in Libya, which continued in the reporting period, in the *command and control systems* segment. In addition, the division also felt the impact of costs connected to the corporate reorganisation and concentration plan.

Although this analysis is nearly complete, the Group is currently carrying out other work to fully plan the evaluations of certain possible effects on performance and financial position that could be reflected in the results at the end of 2011. More specifically:

- in *Aeronautics,* the costs connected with reorganising the entire division under the recently presented industrial reorganisation plan that is being finalised. In addition, negotiations continue to settle contractual disputes with a Turkish customer;
- in *Transportation - vehicles* segment, the costs related to the plan to strategically reposition AnsaldoBreda being defined by the company's recently-appointed management. It could involve abandoning certain lines of business whose profitability does not seem likely to rebound given current conditions. More generally, an analysis is under way for the preparation and implementation of a plan to reposition the entire Transportation division;
- in *Defence and Security Electronics,* the effects of the suspension of certain contracts in Libya due to the current conflict and of the contraction in the Italian, UK and US defence budgets, which could have an impact on important government programmes currently under way.

The Group must also evaluate the possible impact of this reduced defence expenditure in its domestic markets on the recoverability of recognised goodwill in light of the business plans currently being prepared, particularly in the *Defence and Security Electronics* division.

The reorganisation actions - and related costs - herein described that fall under specific efficiency enhancement and restructuring plans should have a positive impact on performance and financial position as soon as 2012, with the process to be fully completed by the end of 2014.

Therefore, the Finmeccanica Group's results at 30 September 2011 show significant deteriorations as compared with the same period of 2010.

The primary changes that marked the Group's performance compared with the figures for the first nine months of 2010 and with the year as a whole, where appropriate. A deeper analysis can be found in the section covering the trends in each business segment.

The following table shows the primary performance indicators by segment:

September 2011 (€ million)

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	2,007	11,308	2,750	287	10.4%	293	13,416
Defence and Security Electronics	3,447	10,253	4,291	267	6.2%	482	27,620
Aeronautics	2,158	8,902	1,866	(768)	(41.2%)	219	12,093
Space	514	2,441	699	27	3.9%	43	4,118
Defence Systems	483	3,450	811	65	8.0%	186	4,079
Energy	1,047	2,030	720	54	7.5%	16	1,848
Transportation	1,146	7,159	1,372	(10)	(0.7%)	33	6,981
Other activities	267	290	197	(110)	n.a.	4	895
Eliminations	(431)	(1,022)	(454)				
	10,638	**44,811**	**12,252**	**(188)**	**(1.5%)**	**1,276**	**71,050**

September 2010 (€ million)

	New orders	Order backlog at 31 Dec. 2010	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.) at 31 Dec. 2010
Helicopters	2,965	12,162	2,556	252	9.9%	285	13,573
Defence and Security Electronics	5,235	11,747	4,978	426	8.6%	508	29,840
Aeronautics	1,586	8,638	1,857	71	3.8%	239	12,604
Space	762	2,568	616	15	2.4%	39	3,651
Defence Systems	661	3,797	802	61	7.6%	189	4,112
Energy	610	3,305	994	92	9.3%	25	3,418
Transportation	2,026	7,303	1,373	57	4.2%	55	7,093
Other activities	68	113	159	(118)	n.a.	5	906
Eliminations	(434)	(965)	(411)				
	13,479	**48,668**	**12,924**	**856**	**6.6%**	**1,345**	**75,197**

Change

	New orders delta %	Order backlog delta %	Revenues delta %	Adj. EBITA delta %	ROS % delta p.p.	R&D delta %	Workforce (no.) delta %
Helicopters	(32%)	(7%)	8%	14%	0,6 p.p.	3%	(1.2%)
Defence and Security Electronics	(34%)	(13%)	(14%)	(37%)	(2.3) p.p.	(5%)	(7.4%)
Aeronautics	36%	3%	n.s.	(1182%)	(45.0) p.p.	(8%)	(4.1%)
Space	(33%)	(5%)	13%	80%	1,4 p.p.	10%	12.8%
Defence Systems	(27%)	(9%)	1%	7%	0,4 p.p.	(2%)	n.s.
Energy	72%	n.a.	(28%)	(41%)	(1.8) p.p.	(36%)	n.a.
Transportation	(43%)	(2%)	n.s.	(118%)	(4.9) p.p.	(40%)	(1.6%)
Other activities	293%	157%	24%	(7%)	n.a.	n.a.	(1.2%)
	(21%)	**(8%)**	**(5%)**	**(122%)**	**(8.1) p.p.**	**n.s.**	**(5.5%)**

From a commercial perspective, the Group reported a decrease in **new orders,** which amounted to €mil. 10,638 at the end of the first nine months of 2011 compared with €mil.13,479 for the same period of 2010.

The divisions that reported declines in results were:

- *Helicopters,* attributable to the delay, until 2012, in certain important government contracts which had been expected in the first half of 2011. The same period of the previous year also benefited from a significant order from the Indian Air Force for 12 AW101 helicopters worth about €mil. 560;
- *Defence and Security Electronics,* which benefitted from important new orders in the first half of 2010 for the third lot of the EFA programme, as well as significant orders from the US Army by DRS Technologies (DRS). However, delays in the approval of the US defence budget are starting to have an effect on orders from the US Army;
- *Transportation,* due to lower new orders in the *vehicles* segment, which benefited significantly in the third quarter of 2010 from the order from Trenitalia for 50 high-speed trains as part of the temporary joint venture with Bombardier.

These declines were partially offset by improvements in:

- *Energy,* important new orders in the *plants and components* segment, specifically the order for an 800 MW combined-cycle plant located in Gebze, Turkey (Q1), and the order for two open-cycle plants (total 550 MW) in Algeria (Ain Djasser II and Labreg) (Q3);
- *Aeronautics,* due to more orders in the *civil* (ATR aircraft and the B787 and A380 programmes) segment.
- *Other Activities*, due mainly to more new orders for Fata.

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The **order backlog** at 30 September 2011 amounted to €mil. 44,811, a decrease of €mil.3,857 from 31 December 2010 (€mil. 48,668).

The net change is mainly due to the effect of the change in the method of consolidating Ansaldo Energia’s order backlog (€mil. 1,450 at the date it began to be consolidated proportionally).

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

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Income statement		*For the nine months ended 30 September*	
	Note	***2011***	***2010***
€ million			
Revenue		12,252	12,924
Raw materials and consumables used and personnel costs	*(*)*	(11,233)	(11,586)
Amortisation and depreciation	*25*	(429)	(411)
Other net operating income (expenses)	*(**)*	(778)	(71)
Adjusted EBITA		**(188)**	**856**
Non-recurring (income) costs		(310)	-
Restructuring costs		(44)	(24)
Amortisation of intangible assets acquired through a business combination	*25*	(61)	(64)
EBIT		**(603)**	**768**
Net finance income (costs)	*(***)*	170	(222)
Income taxes	*27*	109	(225)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**(324)**	**321**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**(324)**	**321**

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

(*) Includes "Raw materials and consumables used and personnel costs" net of "Restructuring costs" and of "Non-recurring income/(costs)".

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

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

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Revenue at 30 September 2011 came to €mil. 12,252, compared with €mil. 12,924 for the same period of 2010, a decrease of €mil. 672.

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

- *Defence and Security Electronics*, due mainly to the projected decline in production volumes for DRS as a result of the completion of important programmes for the US military. The revenues for the period also began to reflect the loss of the contribution of important orders that were being carried out for or were in the process of being received from Libya;

- *Energy,* attributable to lower production volumes in the plants and components segment.

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

Adjusted EBITA at 30 September 2011 came to negative €mil. 188, compared with €mil. 856 for the same period of the previous year, for a decrease of €mil. 1,044.

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

- *Aeronautics,* due to lower industrial efficiency, affected by problems in certain production processes and non-recurring costs, totalling around €mil. 753, connected with the B787 programme, which was marked by new, recent events that altered the existing scenario, as described above;
- *Defence and Security Electronics,* as a result of the mentioned decline in revenues of DRS, lower profits in certain business areas in the *information technology and security* segment and in the *command and control systems* segment, reflecting the impact of the recently ended conflict in Libya, which continued in the reporting period, and decreased activity in *value-added services for security applications* as a result of the slowdown in the Environmental Ministry's SISTRI programme;
- *Energy,* due to lower revenues and the impact of lower industrial profitability on certain orders in the plant engineering and service segments;
- *Transportation,* mainly attributable to the *vehicles* segment, largely due the cost overruns incurred for certain orders, particularly with regard to foreign orders. The *bus* segment also reported a decline due to cost overruns for certain orders.

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

- *Helicopters,* due to a better mix of revenues;

- *Space,* due to higher revenues and profitability in the manufacturing segments;
- *Defence Systems,* as a result of a better mix of the various business segments.

It should be noted, before analysing the effective **tax rate** at 30 September 2011, that taxes on the gain of €mil. 458 from the partial sale of Ansaldo Energia amounted to €mil.15. Therefore, the effective tax rate, excluding the impact of this transaction, was negative 14.0% (positive 41.0% for the first nine months of 2010).

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

- Regional tax on productive activities (IRAP) of €mil. 61, or 6.9% (at 30 September 2010 it was €mil. 74, or 13.4%); this is due to the use of a different taxable base than is used in calculating IRES, which has not been changed by the negative results;
- Corporate income tax (IRES) of €mil. 276, or -31.0% (at 30 September 2010 it was €mil. 78, or 14.3%); this is due to the lower pre-tax profit as a result of the factors described above;
- Other taxes (mainly relating to foreign companies) of €mil. 90, or 10.1% (at 30 September 2010 it amounted to €mil. 73, or 13.3%).

The Group's **net result** for the first nine months of 2011 amounted to negative €mil.324 (positive €mil. 321 for the same period of 2010); the primary items contributing to this result are attributable to: the deterioration in adjusted EBITA (€mil. 1,044), the deterioration in adjustment costs (€mil. 327 – please refer to the section on "Non-GAAP" performance indicators for more details), the deterioration in net finance costs (€mil. 38) and the impact of equity investments (€mil. 28), partially offset by the decline in taxes (€mil. 349), and the net gain on the partial sale of Ansaldo Energia (€mil. 443).

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Balance Sheet ***€ million***	***Note***	***30 Sept. 2011***	***31 Dec. 2010***
Non-current assets		13,723	13,641
Non-current liabilities	*(*)*	(3,196)	(2,583)
		10,527	**11,058**
Inventories		4,647	4,426
Trade receivables	*(**) 13*	9,667	9,242
Trade payables	*(***) 21*	(12,515)	(12,996)
Working capital		**1,799**	**672**
Provisions for short-term risks and charges	*18*	(826)	(762)
Other net current assets (liabilities)	*(****)*	(422)	(738)
Net working capital		**551**	**(828)**
Net capital invested		**11,078**	**10,230**
Capital and reserves attributable to equity holders of the Company		6,121	6,814
Non-controlling interests in equity		293	284
Shareholders' equity		**6,414**	**7,098**
Net financial debt (cash)	*17*	**4,665**	**3,133**
Net (assets) liabilities held for sale	*(*****)*	**(1)**	**(1)**

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:
(*) Includes all non-current liabilities except "Non-current borrowings".
(**) Includes "Contract work in progress - net."
(***) Includes "Advances from customers- net".
(****) Includes "Income tax receivables, "Other current assets" and "Derivative assets", excluding "Income tax payables", "Other current liabilities" and "Derivative liabilities".
(*****) Includes the net amount of "Non-current assets held for sale" and "Liabilities directly correlated with assets held for sale".

At 30 September 2011 the consolidated **net capital invested** came to €mil. 11,078, compared with €mil. 10,230 at 31 December 2010, for a net increase of €mil. 848.

More specifically, there was a €mil. 1,379 increase in **net working capital** (positive €mil.551 at 30 September 2011, compared with negative €mil. 828 at 31 December 2010), mainly attributable to the net effect of the use of cash during the period (Free Operating Cash Flow) and by the different consolidation method (proportional) used for Ansaldo Energia (net working capital lower by €mil. 199).

As to **capital assets**, there was a decrease of €mil. 531 (€mil. 10,527 at 30 September 2011, compared with €mil. 11,058 at 31 December 2010), mainly due to the impact of provisions made in the period in the Aeronautics division (€mil. 450) and the translation of financial statements into euros as a result of the change in the dollar/euro exchange rate, reflected in the goodwill of foreign companies (€mil. 46).

Compared with the same period of the previous year, return on sales (ROS) came to negative 1.5% (6.6% at 30 September 2010), return on investment (ROI) stood at 4.8% (13.5%), EVA came to a negative €mil. 855 (negative €mil. 142) and return on equity (ROE) amounted to negative 1.3% (10.4%)

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The ***Free Operating Cash Flow*** (FOCF) is to be analysed in the context of the period, and seasonal factors have to be taken into account. The structural balance between trade collections and payments reveals that payments are particularly higher than collections until the fourth quarter of the year. At 30 September 2011, FOCF was negative (use of cash) in the amount of about €mil. 1,567, compared with negative €mil. 1,325 at 30 September 2010, for a deterioration of €mil.242.

In the first nine months of 2011, investing activity, needed for product development, was concentrated in Aeronautics (32%), Defence and Security Electronics (26%) and Helicopters (26%).

	For the nine months ended 30 September			
	2011		*2010*	
Cash and cash equivalents at 1 January	**1,854**		**2,630**	
Gross cash flow from operating activities	1,091		1,446	
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(869)		(849)	
Funds From Operations (FFO)		**222**		**597**
Changes in working capital	(1,221)		(1,286)	
Cash flow generated from (used in) operating activities	**(999)**		**(689)**	
Cash flow from ordinary investing activities	(568)		(636)	
Free Operating Cash Flow (FOCF)		**(1,567)**		**(1,325)**
Strategic operations	473		(98)	
Change in other investing activities (**)	8		19	
Cash flow generated from (used in) investing activities	**(87)**		**(715)**	
Dividends paid to shareholders	(258)		(257)	
Net change in borrowings	27		(134)	
Cash flow generated from (used in) financing activities	**(231)**		**(391)**	
Exchange gains/losses and other changes	(36)		25	
Cash and cash equivalents at 30 September	**501**		**860**	

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

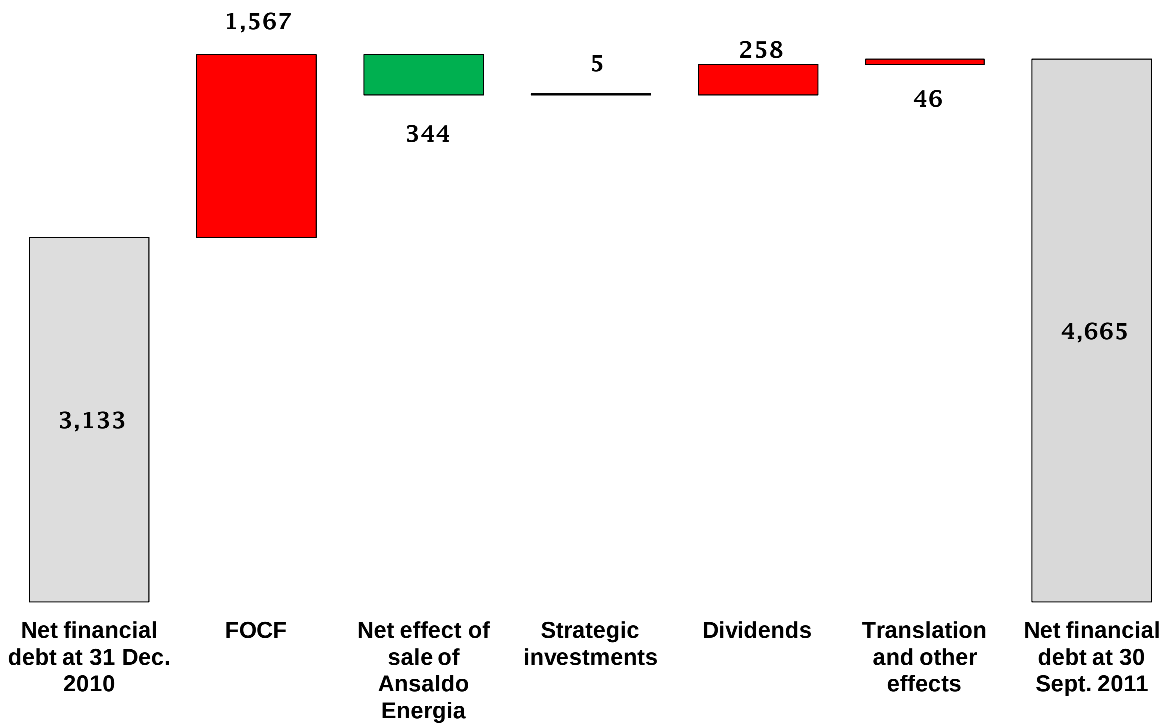
(**) Includes "Other investing activities", dividends received from subsidiaries and loss coverage for subsidiaries.

* * * * * * * *

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 30 September 2011 came to €mil. 4,665 (€mil. 3,133 at 31 December 2010), for a net increase of €mil. 1,532. Once again for September 2011, consistent with the approach adopted in the presentation of the accounts in previous years, the net debt figure does not include the net fair value of derivatives at the date the accounts were closed (positive balance of €mil. 190).

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

Net financial debt at 30 September 2011 (€ million)



As stated above, the debt figure at the end of the period under review shows a significant net use of cash (with a FOCF of €mil -1,567) and benefits from the positive impact of €mil. 344 from the sale of 45% of Ansaldo Energia to the US investment fund First Reserve Corporation (described in more detail in the Industrial Transactions and Financial Transactions sections) and the resulting proportional consolidation of the Energy group companies.

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

- the payment of €mil. 237 relating to the ordinary dividends paid out by the Group Parent to its shareholders for 2010;
- the payment of €mil. 21 relating to the non-controlling interest portion of the ordinary dividends paid out by other Group companies (including €mil. 20 from Ansaldo STS) to its shareholders for 2010.

During the period, the Group made assignments of non-recourse receivables totalling around €mil. 332 (€mil. 712 at 30 September 2010).

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

The net financial debt breaks down as follows:

€ millions	*30 Sept. 2011*	*31 Dec. 2010*
Short-term borrowings	531	456
Medium/long-term borrowings	4,540	4,437
Cash and cash equivalents	(501)	(1,854)
NET BANK DEBT AND BONDS	**4,570**	**3,039**
Securities	(35)	(1)
Financial receivables from related parties	(193)	(34)
Other financial receivables	(708)	(779)
FINANCIAL RECEIVABLES AND SECURITIES	**(936)**	**(814)**
Borrowings from related parties	850	714
Other short-term borrowings	90	88
Other medium/long-term borrowings	91	106
OTHER BORROWINGS	**1,031**	**908**
NET FINANCIAL DEBT (CASH)	**4,665**	**3,133**

As regards the composition of the net debt items, with particular regard to bank borrowings and bonds, which went from €mil. 3,039 at 31 December 2010 to €mil. 4,570 at 30 September 2011, the main changes were as follows:

- short-term borrowings rose from €mil. 456 at 31 December 2010 to €mil. 531 at 30 September 2011 due to the use of short-term credit lines and to the net effect of the recognition of the coupons on bond issues maturing over the next 12 months and payments made during the period;
- medium/long-term borrowings rose from €mil. 4,437 at 31 December 2010 to €mil. 4,540 at 30 September 2011, essentially due to the recognition of the medium-term bank loan received as part of the sale of Ansaldo Energia, and to

the repurchase during the third quarter of a nominal €mil. 76 in bonds from the €mil. 1,000 maturing in December 2013 and issued in 2008 by the Luxembourg subsidiary Finmeccanica Finance (see the Financial Transactions section);

- cash and cash equivalents went from €mil. 1,854 at 31 December 2010 to €mil.501 at 30 September 2011. The change in cash and cash equivalents as compared with the end of 2010 is mainly due to the considerable use of cash by the Group companies during the period, to the payment of dividends and to the loan for the early repurchase of the bonds maturing in 2013, having benefited from the proceeds from the partial sale of Ansaldo Energia. In addition to the cash of the Parent Company and its subsidiaries, the cash and cash equivalents also include that of companies and joint ventures outside the scope of the centralisation of treasury functions.

The item "financial receivables and securities" equal to €mil. 936 (€mil. 814 at 31 December 2010) includes, among other things, the amount of €mil. 642 (€mil. 742 at 31 December 2010) in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group's scope of consolidation on a proportionate basis. The item also includes the financial receivables from the Ansaldo Energia joint venture in the amount of €mil. 124, equal to the amount not eliminated through proportional consolidation.

The item "borrowings from related parties" amounting to €mil. 850 (€mil. 714 at 31 December 2010) includes the debt of €mil. 640 (€mil. 673 at 31 December 2010) of Group companies in the MBDA and Thales Alenia Space joint ventures for the unconsolidated portion, and the debt of €mil. 71 (€mil. 27 at 31 December 2010) to the company Eurofighter, of which Alenia Aeronautica owns 21%. In regard to this, under the existing treasury agreements, surplus cash and cash equivalents at 30 September 2011 were distributed among the partners. The item also includes the debt of Group companies in the new Ansaldo Energia joint venture, amounting to €mil. 130 for the unconsolidated portion.

To meet the financing needs for ordinary Group activities, Finmeccanica obtained a revolving credit facility with a pool of banks, including leading Italian and foreign banks in September 2010 for €mil. 2,400, (final maturity in September 2015), which remained entirely unused at 30 September 2011.
Moreover, Finmeccanica had additional confirmed short-term credit lines for €mil. 50 and unconfirmed credit lines for around €mil. 662, of which €mil. 150 was used at 30 September 2011. Finally, there are also unconfirmed guarantees of around €mil. 2,437.

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Research and development costs at 30 September 2011 came to €mil. 1,276, down as compared with the same period of the previous year (€mil. 1,345).

In the *Helicopters* division, R&D costs amounted to €mil. 293 (about 23% of the Group's total R&D costs) and were mainly concerned with maintaining existing products and development of:

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

In the *Defence and Security Electronics* division, research and development costs totalled €mil. 482 (about 38% of the Group's total), relating to:

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

programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal (CWP));

- *integrated communications networks* segment for the development of TETRA technology products, wideband data link and software defined radio products; satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions.

Finally, in the *Aeronautics* division, R&D costs for first nine months of 2011 totalled €mil. 219 (about 17% of the Group's total) and reflect the progress made in the main programmes under development (M346, C27J, B787, ATR MP and UAV) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, Tornado and Neuron) and civil (C-series and the derivative B787-9) programmes commissioned by customers.

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The **workforce** at 30 September 2011 came to 71,050, a net decrease of 4,147 from 75,197 at 31 December 2010, essentially due to the above-mentioned change in the consolidation method used for Ansaldo Energia (1,522 employees at the date it began to be consolidated proportionally) and staff reduction and efficiency efforts undertaken as part of the ongoing Group reorganisation and industrial restructuring process, especially in the *Defence and Security Electronics* and *Aeronautics* divisions.
The geographical distribution of the workforce at the end of the first nine months of 2011 was substantially stable compared with 31 December 2010, breaking down into 57% of the workforce in Italy and 43% in foreign countries, largely the United States (15%), the United Kingdom (13%) and France.

* * * * * * * *

Transactions with related parties

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

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

Moreover, the application of the revised version of IAS 24 had an impact on disclosures made concerning related parties, leading to a change in the comparative data solely with respect to related parties shown in the income statement and balance sheet to take account of companies subject to the control or significant influence of the Ministry for the Economy and Finance (MEF).

The section "Analysis of the financial statements at 30 September 2011" contains a summary of income statement and balance sheet balances attributable to transactions with related parties, as well as the percentage impact of these transactions on the respective total balances (Note 22).

Results for the quarter

The Finmeccanica Group's results for the third quarter of 2011 were lower than those of the same period of 2010.

New orders for the third quarter of 2011 came to €mil. 3,072, down (about 44%) from the same period of 2010 (€mil. 5,429).

Revenues amounted to €mil. 3,828, down 10% from the €mil. 4,234 reported for the third quarter of 2010. Adjusted EBITA amounted to €mil. 627, compared with €mil.268 for the same period a year earlier.

Income Statement		***For the three months ended 30 September***	
€ millions	**Note**	***2011***	***2010***
Revenue		3,828	4,234
Raw materials and consumables used and personnel costs	*(*)*	(3,569)	(3,809)
Depreciation and amortisation		(135)	(135)
Other net operating income (expenses)	*(**)*	(751)	(22)
Adjusted EBITA		**(627)**	**268**
Non-recurring income (costs)		(259)	-
Restructuring costs		(17)	(8)
Amortisation of intangible assets acquired through a business combination		(20)	(21)
EBIT		**(923)**	**239**
Net finance income (costs)	*(***)*	(82)	(36)
Income taxes		225	(78)
NET PROFIT (LOSS)		**(780)**	**125**

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

(*) *Includes "Purchases and personnel costs" excluding "Restructuring costs" and "Non-recurring income (costs)".*

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

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

As described in the analysis of the results for the first nine months, the decline in adjusted EBITA is largely attributable to the following divisions:

- *Aeronautics*, due to lower industrial efficiency, affected by problems in certain production processes, and to non-recurring costs, totalling around €mil. 753, connected with the B787 programme, which was marked by new, recent events that altered the existing scenario, as described in the section on Group results at 30 September 2011;

- *Defence and Security Electronics,* as a result of the mentioned decline in revenues of DRS and lower profits in certain business areas in the *information technology and security* segment and in the *command and control systems* segment, partly as a result of the recently ended conflict in Libya, which continued in the reporting period;
- *Energy,* due to lower revenues and the impact of lower industrial profitability on certain orders in the plant engineering and service segments;
- *Transportation,* mainly attributable to the *vehicles* segment, largely due to cost overruns incurred for certain orders, particularly with regard to foreign orders.

This performance led to a ROS (ratio of Adjusted EBITA to revenues) of -16.4% for the third quarter of 2011 (-22.7 p.p.) compared with the third quarter of 2010.

EBIT also reflects higher adjustment costs (€mil. 269) as compared with the third quarter of 2010, mainly attributable to the following divisions:

- *Aeronautics*, due to the abandonment of certain civil conversion programmes;
- *Transportation,* as a result of extra costs arising from the unforeseeable development in negotiations currently under way with prior management to finally settle the order, caused by the change in management at the Danish customer. Specifically, the Danish customer began testing the performance of units in order to ascertain the optimal configuration;
- *Defence and Security Electronics,* attributable to the impact of the division's company reorganisation and concentration plan.

€ millions	1 July – 30 Sept. 2011			1 July – 30 Sept. 2010		
Divisions	Revenues	Adjusted EBITA	EBIT	Revenues	Adjusted EBITA	EBIT
Helicopters	922	99	97	803	72	65
Defence and Security Electronics	1,373	88	(16)	1,699	134	113
Aeronautics	569	(809)	(877)	592	17	17
Space	219	17	17	204	9	9
Defence Systems	252	16	16	266	24	23
Energy	158	12	12	317	25	25
Transportation	419	(19)	(141)	447	22	22
Other Activities	66	(31)	(31)	45	(35)	(35)
Eliminations	(150)	-	-	(139)	-	-
	3,828	**(627)**	**(923)**	**4,234**	**268**	**239**

The Group's **net result** for the third quarter of 2011 amounted to negative €mil. 780 (positive €mil. 125 for the same period of 2010). The primary factors contributing to this change are: the deterioration in EBIT (€mil. 1,162), the deterioration in net finance costs (€mil. 24) and the impact of equity investments (€mil. 22), partially offset by the decline in taxes (€mil. 303). The taxes for the period reflect the impact of net income for IRES, and therefore amount to a positive €mil. 225 (negative €mil. 78 in the same period of 2010), for a net increase of €mil. 303, mainly as a result of the pre-tax loss resulting from the factors described above.

“Non-GAAP” performance indicators

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

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

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

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

  Adjusted EBITA is then used, on a 12-month basis, to calculate return on sales (ROS) and return on investment (ROI) (which is calculated as the ratio of adjusted

EBITA to the average value of capital invested during the two periods being compared).

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

	For the first nine months ended 30 September		
€ millions	**2011**	**2010**	***Note***
EBIT	(603)	768	
Amortisation of intangible assets acquired through a business combination	61	64	*25*
Non-recurring costs (revenues)	310	-	
Restructuring costs	44	24	*23/24*
Adjusted EBITDA	**(188)**	**856**	

More specifically, the non-recurring costs relate to:

- a re-assessment of the Group's areas of activity, which led to the abandonment of certain programmes, particularly in the Aeronautics (€mil. 112) division;
- the corporate restructuring and concentration process in the Defence and Security Electronics division (€mil. 81);
- extra costs arising from an unforeseeable development in negotiations that were under way with the prior management of a Danish customer to finally settle an order in the Transportation division following a change in management in the customer company. Specifically, the customer began testing the performance of units already delivered in order to ascertain and "shelve" the optimal configuration. Based on the partial results we have received, we can estimate as of now the extra costs that will be incurred to adapt the vehicles to that configuration (€mil. 117).

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

The adjusted net result for the two periods being compared is as follows:

	For the nine months ended 30 September		
€ millions	**2011**	**2010**	***Note***
Net result	(324)	321	
Net gain on the sale of Ansaldo Energia	(458)		*5/26*
Adjusted result before taxes	**(782)**	**321**	
Tax effect of the adjustments	15		
Adjusted net result	**(767)**	**321**	

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

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

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

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

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

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

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

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

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

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

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

Performance by division

<u>HELICOPTERS</u>

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	2,007	2,965	760	474	5,982
Order backlog	11,308	10,222	n.a.	n.a.	12,162
Revenues	2,750	2,556	922	803	3,644
Adjusted EBITA	287	252	99	72	413
ROS	10.4%	9.9%	10.7%	9.0%	11.3%
R&D	293	285	90	111	409
Workforce (no.)	13,416	13,886	n.a.	n.a.	13,573

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

The total volume of **new orders** at 30 September 2011 came to €mil. 2,007, a 32.3% decrease from the same period of 2010 (€mil. 2,965). New orders break down into 57.3% for helicopters (new helicopters and upgrading) and 42.7% for product support (spare parts and inspections), engineering and manufacturing. The decline in total volumes is attributable to the delay, until 2012, in certain important government contracts which had been expected in the first half of 2011. The same period of the previous year also benefited from a significant order from the Indian Air Force for 12 AW101 helicopters worth €mil. 560.

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

- the order for two AW101 helicopters in VVIP configuration for a southern Mediterranean customer (Q1);

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

In the *civil-government* segment, new orders for 90 helicopters were received in the first nine months of 2011. Particularly important new orders include:

- the contract with Gulf Helicopters for five AW139 helicopters in the off-shore configuration to provide support for oil rigs in the Middle East (Q2).
- the contract with Exclases Holdings Ltd. for 11 AW139 helicopters for the Russian market; this order brings the total number of AW139 helicopters sold to Russia and the CIS over the last two years to more than 20 (Q3).
- the contract with Zhonghao Natural Gas Chemical Co. Ltd for two AW139 helicopters in the VIP transport configuration; this contract serves to strengthen AgustaWestland’s presence in the Chinese market (Q3).

The value of the **order backlog** at 30 September 2011 came to €mil. 11,308, down by 7.0% from 31 December 2010 (€mil. 12,162), and is sufficient to guarantee coverage of production for an equivalent of about 3 years.

Revenues at 30 September 2011 came to €mil. 2,750, up 7.5% from 30 September 2010 (€mil. 2,556). This increase in attributable to the different mix of revenues, with certain product lines in the helicopter segment posting significant growth (AW139, AW109 LUH). There was also good performance reported in product support (up 16.1%).

Adjusted EBITA came to €mil. 287 at 30 September 2011, up 13.9% compared with the €mil. 252 reported at 30 September 2010. This improvement is correlated with the different revenue mix mentioned above. **ROS** also improved, up 0.5 percentage points over the same period of the previous year (10.4% compared with 9.9% at 30 September 2010).

Research and development costs for the first nine months of 2011 came to €mil. 293 (up 2.8% on the €mil. 285 at 30 September 2010) and were concerned with maintaining existing products and development of:

- technologies, primarily for military use, for a new 6-7 tonne class helicopter named the AW149;
- multi-role versions of the BA609 convertiplane for national security;
- a new twin-engine helicopter of the 4.5-tonne class named the AW169.

The **workforce** at 30 September 2011 came to 13,416 (13,573 employees at 31 December 2010). The decrease is due to the completion of the reorganisation of the Polish PZL-WIDNIK group acquired last year and to normal turnover.

DEFENCE AND SECURITY ELECTRONICS

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	3,447	5,235	909	2,190	6,783
Order backlog	10,253	12,615	n.a.	n.a.	11,747
Revenues	4,291	4,978	1,373	1,699	7,137
Adjusted EBITA	267	426	88	134	735
ROS	6.2%	8.6%	6.4%	7.9%	10.3%
R&D	482	508	150	167	810
Workforce (no.)	27,620	29,784	n.a.	n.a.	29,840

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

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

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

New orders at 30 September 2011 totalled €mil. 3,447, down from the figure posted for the same period of the previous year (€mil. 5,235) during which orders for the third lot of the EFA programme were received, as well as significant orders from the US Army by DRS. However, delays in the approval of the US defence budget are starting to have an effect on DRS in relation to orders from the US Army.
The main new orders received include the following:

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics equipment and radar for the third lot, Praetorian Defensive Aids Sub Systems (DASS), as well as logistics (Q1-Q2-Q3); orders for countermeasure systems (1-Q2); orders for the NH90 helicopter programme (Q1-Q2-Q3); laser system orders for the US market (Q1); a contract for additional Grifo combat radar systems for Brazilian F-5 aircraft (Q2); initial orders under the partnership with King Abdulaziz City for Science and Technology (KACST) in Saudi Arabia for research and development in the radar field (Q2); orders for attitude sensors for the Iridium NEXT programme (Q1); customer support (Q1-Q2-Q3), including extension of the Integrated Merlin Operational Support (IMOS) contract with the UK Ministry of Defence for its fleet of AW101 Merlin helicopters;
- *major integrated defence and security systems*: the supplemental contract with the Italian Ministry of Defence for systems support services for the management and

development of the System Management & System Security Operations Centre under the main Integrated Defence Network management programme (Q2);

- *command and control systems:* in the defence systems segment: order for two Kronos radar systems from the Thai Armed Forces (Q3); the contract, through Orizzonte Sistemi Navali, to supply a complete combat system for an amphibious logistics support vessel from the Algerian Defence Ministry (Q2); the supplemental agreement to the SILEF (Eurofighter Logistics Information System) contract for integrated info-logistic support for the Eurofighter with NETMA (NATO Eurofighter and Tornado Management Agency) (Q1); in the civil systems segment: a contract with the Federal Aviation Administration for next-generation DME (Distance Measuring Equipment) systems for use in the US (Q2); orders from the Ukrainian Air Traffic Control Agency for technological upgrades at various airports (Q1); the order from the UK for a primary radar combined with an advanced multilateration solution for the Isle of Man and Jersey airport (Q1); the contracts to upgrade an airport in Estonia and to upgrade the air traffic control centre in Subang - Kuala Lumpur in Malaysia (Q1);
- *integrated communication networks and systems*: the order for development and provision of transportable and semi-permanent ground communication stations and satellite data traffic management services from the Saudi Arabian National Guard (Q3); orders for communications systems for helicopter platforms (Q1-Q2-Q3); various orders under the EFA programme to supply a variety of communications equipment (Q1-Q2-Q3); the supplemental order for the Defense Fields Telephone System (DFTS) from British Telecom (Q1); TETRA network orders from Russia (Q1); the order from the Italian Ministry of Defence to upgrade the communications systems at various airports (Q1);
- *information technology and security*: the order from the European Food Safety Authority to provide ICT development, support and consulting services (Q3); the order for an automated postal sorting centre for the city of Rostov-On-Don in Russia (Q2); the order for five CFSM (Compact Flat Sorter Machines) for post offices in Dublin and other places in Ireland (Q2); the order from DHL Express Italy for a new package sorting system (Q2); orders for various security-related programmes and services for INPS (Q2-Q3); the order for a ticketing and access

control system for the new Milan metro Line 4 (Q2); the order from Aeroporti di Roma for ordinary maintenance and management support for equipment installed at Leonardo da Vinci Airport in Fiumicino (Q1); the contract from the Chilean national police for APFIS (Automated Palmprints and Fingerprints Identification Systems) equipment (Q1); the order for video surveillance systems from Banca Nazionale del Lavoro (Q1);

- *DRS*: additional orders for Thermal Weapon Sight (TWS) system issued to soldiers (Q1); order to X-band satellite up-links and ground transport services for the US military deployed in Southwest Asia (Q2); orders for assembly parts critical for LRAS3 (Long Range Advanced Scout Surveillance System) infra-red systems (Q2-Q3); the contract with the US Air Force to service and adjust Tunner systems for loading and moving air cargo (Q1); the order for Joint Service Transportable Decontamination Systems - Small Scale (JSTDS-SS) for decontaminating materials and sites (Q3).

The **order backlog** came to €mil. 10,253 at 30 September 2011, a decrease of €mil. 1,494 from 31 December 2010 (€mil. 11,747). One-third of the order backlog related to the avionics and electro-optical systems segment, and about one-fifth each to major integrated systems and command and control systems and to the activities in the United States.

Revenues at 30 September 2011 amounted to €mil. 4,291, down €mil. 687 from the figure reported at 30 September 2010 (€mil. 4,978) due mainly to the projected decline in production volumes of DRS deriving from the completion of important programmes for the US military. The revenues for the period also began to reflect the loss of the contribution of important orders that were being carried out for or were in the process of being received from Libya.

Revenues resulted mainly from the following segments:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub-System (DASS) production and the production of avionics equipment and radar for the EFA programme; countermeasure systems;

equipment for the helicopter and space programmes; combat and surveillance radar for other fixed-wing platforms; customer support and logistics;

- *major integrated defence and security systems:* continuation of the Forza NEC programme and the contract with the Italian Department of Civil Protection for the emergency management system; progress on activities related to the Phase 2 Coastal Radar programme; continuation of work under the S.I.Co.Te. programme for the General Command of the Carabinieri Force; activities related to the Panama Maritime Security System programme;
- *command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading; the Medium Extended Air Defence System (MEADS) international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;
- *integrated communication systems and networks*: the continuation of activities relating to the construction of the national TETRA network; the development and manufacture of equipment for the EFA and the NH90; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;
- *information technology and security*: activities relating to postal automation and industrial services, to monitoring and physical security for domestic customers and ICT services for government agencies;
- *DRS*: additional orders for the TWS system issued to soldiers; additional deliveries for programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; activity pertaining to the repair and provision of spare parts for the MMS system for helicopters; the continuation of deliveries of rugged computers and displays; deliveries of Tactical Quiet Generators (TQG); work on transportable decontamination systems; provision of services and products for the Rapid Response contract and satellite communications services.

Adjusted EBITA reached €mil. 267 at 30 September 2011, down from the figure reported at 30 September 2010 (€mil. 426), as a result of:

- the mentioned decline in revenues of DRS (equal to €mil. 535) compared with the same period of 2010, for a decrease of around €mil. 100 in adjusted EBITA, although this circumstance is essentially in line with expectations;
- lower profits in certain business areas in the *information technology and security* segment as a result of the revision of the profitability for certain orders performed at the end of 2010 and to the lack of adequately profitable new orders;
- a worse mix of activities carried out and, especially, the recognition of higher costs for certain programmes nearing completion in the *command and control systems* segment, which also felt the impact of the continuation of the conflict in Libya during the reporting period that only recently has reached an end, with a lower contribution to revenues and adjusted EBITA, valued at around €mil. 100 and just over €mil. 20, respectively;
- decreased activity in *value-added services for security applications* as a result of the slowdown in the Environmental Ministry's SISTRI programme.

As a result, **ROS** came to 6.2%, (8.6% at 30 September 2010).

Research and development costs at 30 September 2011 totalled €mil. 482 (€mil. 508 at 30 September 2010), relating to:

- *avionics and electro-optical system* segment: development for the EFA programme; new systems and sensors for Unmanned Aerial Vehicles (UAV); new electronic-scan radar systems for both surveillance and combat; improvements to avionics suites to satisfy the demands of the new fixed and rotary-wing platforms;
- *major integrated systems* and *command and control systems* segment: the continuation of the activity on the 3D Kronos radar surveillance system and the active multi-functional MFRA; upgrading of the current SATCAS products; the programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal (CWP));

- *integrated communications networks* segment: the development of TETRA technology products, wideband data link and software defined radio products; satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions.

The **workforce** at 30 September 2011 came to 27,620 as compared with 29,840 at 31 December 2010, a net decrease of 2,220 attributable to the transfer of business to the Space division and to the ongoing reorganisation process in some segments.

AERONAUTICS

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	2,158	1,586	570	780	2,539
Order backlog	8,902	8,710	n.a.	n.a.	8,638
Revenues	1,866	1,857	569	592	2,809
Adjusted EBITA	(768)	71	(809)	17	205
ROS	n.s.	3.8%	n.s.	2.9%	7.3%
R&D	219	239	63	78	369
Workforce (no.)	12,093	12,856	n.a.	n.a.	12,604

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

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

New orders at 30 September 2011 came to €mil. 2,158, up 36.1% from the €mil. 1,586 reported at 30 September 2010, due to more orders in the *civil* (ATR aircraft and the B787 and A380 programmes) segment.

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

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

- in the *civil* segment:
  - for the ATR aircraft, GIE-ATR received new orders for 145 ATR aircraft (61 in the third quarter) from various airlines including: 18 from Indonesian carrier Lion Air (Q1-Q2), 10 from Taiwan Uni Air (Q2), 15 from GE Capital Aviation Services - the aircraft leasing unit of General Electric - (Q2), 12 from Danish carrier Nordic Aviation Capital (Q2-Q3), eight from Australian airline Virgin Blue (Q1) and 31 from various Brazilian airlines (Q2-Q3);
  - for aerostructures, orders for additional lots of the B787, B767, B777, ATR, A380 and A321 programmes and for engine nacelles (Q1-Q2-Q3);
  - for the Maritime Patrol version of the ATR 42MP aircraft, the order from the Italian Harbour Authority to convert the third aircraft (Q1).

The **order backlog** at 30 September 2011 came to €mil. 8,902 (€mil. 8,638 at 31 December 2010) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (37%), B787 (17%), ATR (18%), M346 (5%) and C27J (4%) programmes.

Revenues at 30 September 2011 came to €mil. 1,866, in line with the figure reported at 30 September 2010 (€mil. 1,857). As to individual programmes specifically, there was an upturn in work on the M346, ATR and JSF programmes, which offset reduced revenues in the EFA and B767 programmes.

Adjusted EBITA at 30 September 2011 came to €mil. (768), an €mil. 839 deterioration as compared with the €mil. 71 reported at 30 September 2010, generated mostly in the third quarter of 2011. This deterioration is due to:

- lower industrial efficiency, affected by problems in certain production processes for which corrective actions have been taken to address the situation;
- non-recurring costs, totalling around €mil. 753, connected with the B787 programme, which was marked by new, recent events that altered the existing scenario, as described in the section on Group results at 30 September 2011.

In addition to lower industrial efficiency, the reduced profitability of the Aeronautics division reflects the growing competitive pressure on the aerostructures business and export sales. To address this situation, in September 2011 a restructuring, reorganisation and revitalisation plan (currently being finalised) was approved which should, beyond those actions already under way, lead to a significant reduction in operating costs, a greater recovery in efficiency and a rationalization of the “product portfolio”. In brief this plan consists in cutting operating costs and regaining efficiency through the rationalisation of current manufacturing sites (closing of Casoria and Venice sites and the Rome headquarters by transferring activities to other locations), the improvement of industrial processes (creation of integrated production centres and reorganisation of the engineering under three heads of design), the rationalisation of the supply chain, rebalancing and optimizing the workforce in terms of headcount and skills, the introduction of organisational changes in order to better integrate the division’s companies (merger of Alenia Aermacchi into Alenia Aeronautica effective as from 1 January 2012) and the outsourcing of certain activities (inventory management, logistics and security services).

The rationalisation of the product portfolio will mainly involve: the abandonment of certain civil craft transformation programmes, the reinforcement of its leadership in proprietary products, extension and reinforcement of its role in joint programmes, abandoning or reducing the manufacture of products with lower technological content and little future opportunities.

Research and development costs for first nine months of 2011 totalled €mil. 219 (€mil. 239 at 30 September 2010) and reflect the progress made in the main programmes under development (M346, C27J, B787, ATR MP and UAV) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, Tornado and Neuron) and civil (C-series and the derivative B787-9) programmes commissioned by customers.

The **workforce** at 30 September 2011 numbered 12,093, a net decrease of 511 from the 12,604 at 31 December 2010, essentially due to staff reduction and efficiency efforts undertaken as part of the ongoing reorganisation and industrial restructuring process.

SPACE

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	514	762	143	265	1,912
Order backlog	2,441	1,775	n.a.	n.a.	2,568
Revenues	699	616	219	204	925
Adjusted EBITA	27	15	17	9	39
ROS	3.9%	2.4%	7.8%	4.4%	4.2%
R&D	43	39	12	13	68
Workforce (no.)	4,118	3,636	n.a.	n.a.	3,651

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

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

As a result of this acquisition and business reorganisation, Telespazio Holding Srl currently focuses on *satellite services* in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, valued-added services), satellite operations (in-orbit satellite control, telemetry services, command and control and Launch and Early Operation Phase (LEOP) services, operational management of infrastructures and systems for satellite communications and television broadcasting); satellite systems and applications (earth centre design, development and management, consulting and engineering services, development of navigation, training and meteorology applications) and geoinformation (data, thematic maps, operational services, monitoring services and territorial surveillance).

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

From a commercial perspective, in 2011, the Group acquired **new orders** in the amount of €mil. 514, down 32.6% from the same period of 2010 (€mil. 762), mainly attributable to the *manufacturing* segment.

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

- in the *commercial telecommunications* segment*:* the order for payloads for the Express AM8, AT1 and AT2 Russian communications satellites (Q1-Q2) and the payload for the KAZSAT 3 satellite (3T); new orders for TV satellite capacity and services (Q1-Q2-Q3) and satellite telecommunications services (Q1-Q2-Q3);
- in the *military and government telecommunications* segment: additional lots of the orders from the Italian Space Agency (ASI) and the French Space Agency (CNES) for the Athena Fidus satellite (Q1); the contract to provide operating services in connection with launches of the CNES satellite at the Guiana Space Center (Q3) and orders for military satellite telecommunications services (Q1-Q2-Q3);
- in the *earth observation* segment: orders for Cosmo data and stations (Q1-Q2); the order for GeoEye data (Q1-Q2-Q3); the order for services related to the management and development of the National Agricultural Information System (SIAN) (Q2);

- in the *satellite navigation* segment*:* the order related to the Egnos programme (Q2); the order for the "Ground Mission Segment" and the "Space Segment" for the Full Operation Capability (FOC) phase under the Galileo Programme (Q1-Q2);
- in the *science programmes* segment*:* an additional lot for the Bepi-Colombo (Q1) and Exomars (Q3) programmes and the order from the European Space Agency to develop the atmospheric reentry demonstrator IXV (Intermediate eXperimental Vehicle) (Q3).

The **order backlog** at 30 September 2011 totalled €mil. 2,441, a decrease of 4.9% from the figure at 31 December 2010 (€mil. 2,568). The backlog at 30 September 2011 is composed of manufacturing activities (66%) and satellite services (34%).

Revenues for the period came to €mil. 699, up 13.5% from the same period of the previous year (€mil. 616), due largely to higher production in both the manufacturing and satellite services segments. Production mainly relates to the continuation of activities in the following segments:

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

Adjusted EBITA at 30 September 2011 came to €mil. 27, an increase of €mil. 12 over the figure reported at 30 September 2010 (€mil. 15), due to higher production volumes and the higher profitability of both the manufacturing and satellite services segments. As a result, **ROS** amounted to 3.9%, compared with 2.4% at 30 September 2010.

Research and development costs at 30 September 2011 came to €mil. 43, an increase of €mil. 4 from the figure posted for the same period of 2010 (€mil. 39).
Activities in this area largely included the continued development of systems, solutions and applications for security, emergency management, homeland security (GMES-Kopernikus programme) and for navigation/infomobility services (Galileo programme); aerial communications solutions (SESAR); solutions for optimising the satellite band; processing systems for earth observation SAR data; flexible payloads for military telecommunications applications; studies on landing systems for planetary exploration and on technologies for orbiting structures and life-support systems.

The **workforce** at 30 September 2011 came to 4,118, for an increase of 467 employees over the 3,651 reported at 31 December 2010, mainly as a result of the change in the scope of the *satellite services* segment due to the transfer of business activity from the Defence and Security Electronics division.

DEFENCE SYSTEMS

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	483	661	165	247	1,111
Order backlog	3,450	3,748	n.a.	n.a.	3,797
Revenues	811	802	252	266	1,210
Adjusted EBITA	65	61	16	24	107
ROS	8.0%	7.6%	6.3%	9.0%	8.8%
R&D	186	189	62	64	260
Workforce (no.)	4,079	4,096	n.a.	n.a.	4,112

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

New orders at 30 September 2011 came to €mil. 483, down compared with the €mil. 661 posted at 30 September 2010, due mainly to *land, sea and air weapons systems*, where an important new order from the Italian Ministry of Defence was reported during the same period of the previous year, and to *missile systems*, which received significant new orders from the UK Ministry of Defence in the first nine months of 2010.

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

- in the *missile systems* segment: the contract to provide support for the Sea Viper surface-to-air missile system for the British Navy’s Type 45 class ships (Q2); the order for Exocet anti-ship missiles from a foreign customer (Q2); additional orders for customer support activities (Q1-Q2-Q3);

- in the *land, sea and air weapons systems* segment: orders to grade the Vulcano 127 and 155 Extended Range guided ammunition from the Italian Navy (3T); the order for the Davide kit to upgrade the guns on two Italian Navy frigates (Q2) and to develop and supply automatic loading systems for guns on Italian Navy FREMM frigates (Q3); the order for one 76/62 SR gun and a 25 mm machine gun system as part of the order from Algeria placed with SELEX Sistemi Integrati for a combat system for a naval vessel (Q2); an order for pintle mount systems for AgustaWestland helicopters for the Italian Air Force (Q2); the order for Hitfist turrets kits for Poland (Q1) and logistics orders from various customers;
- in *underwater systems:* the order for 25 A244 light torpedoes (Q2), for 27 upgrade kits for the A244 light torpedo and for C303 counter-measure systems (Q1) from a foreign customer, and various logistics orders.

The **order backlog** at 30 September 2011 came to €mil. 3,450 (€mil. 3,797 at 31 December 2010), of which about 60% related to *missile systems*.

Revenues at 30 September 2011 came to €mil. 811, essentially in line with the figure reported at 30 September 2010 (€mil. 802).

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

- *missile systems*: activities for the production of Aster and Mistral surface-to-air missiles, Spada air defence missile systems, Mica air-to-air missiles and Exocet anti-ship missiles; activities relating to the development of the air defence system in connection with the Medium Extended Air Defence System (MEADS) programme; customer support;
- *land, sea and air weapons systems*: the production of MAVs and semi-propelled PZH 2000 howitzers for the Italian Army; Hitfist turrets kits for Poland and 76/62 SR naval guns for various foreign customers; FREMM programme activities; production of SampT missile launchers and logistics;

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

Adjusted EBITA at 30 September 2011 totalled €mil. 65, up on the figure reported for 30 September 2010 (€mil. 61), mainly as a result of a better mix of the various business segments. As a result, **ROS** amounted to 8.0% at 30 September 2011 (7.6% at 30 September 2010).

Research and development costs at 30 September 2011 totalled €mil. 186, compared with €mil. 189 at 30 September 2010. Some of the key activities included the achievement of important milestones in the MEADS programme, and those for the SCALP Naval cruise missile and the Marte MK2 anti-ship missile, and activities for the development programme for the UK Ministry of Defence, and the continuation of development of the Meteor air-to-air missile in the *missile systems* segment; activities for guided ammunition programmes and for the development of the 127/64 LW gun in the *land, sea and air weapons systems* segment; and activities relating to the Black Shark heavy torpedo in the *underwater systems* segment.

The **workforce** at 30 September 2011 came to 4,079, essentially in line with the figure reported at 31 December 2010 (4,112).

ENERGY

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	1,047	610	249	236	1,403
Order backlog	2,030	2,950	n.a.	n.a.	3,305
Revenues	720	994	158	317	1,413
Adjusted EBITA	54	92	12	25	145
ROS	7.5%	9.3%	7.6%	7.9%	10.3%
R&D	16	25	4	9	38
Workforce (no.)	1,848	3,427	n.a	n.a.	3,418

As concerns the Energy division, it should be remembered that on 13 June 2011 Finmeccanica sold 45% of the share capital of the Ansaldo Energia group to the US investment fund First Reserve Corporation.

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

Finmeccanica is active in the Energy division through Ansaldo Energia Holding SpA (a joint venture held for 55%) and its investees, Ansaldo Energia SpA, Ansaldo Nucleare SpA, Ansaldo Fuel Cells SpA, Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen group.
The Energy division specialises in providing *plants and components* for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), *post-sale services* and *nuclear* activities (plant engineering, services, waste and decommissioning) and services related to power generation from *renewable energy* resources.

Before analysing the difference between the two periods compared, it should be noted that the figures at 30 September 2010 (for the period running from 1 July 2010 to 30 September 2010) were consolidated 100%. In order to provide an accurate picture of the division's performance, changes in income statement items will sometimes be reported on a uniform basis of accounting for the periods compared, accompanied by an explanation of these changes.

New orders in the first nine months of 2011 amounted to €mil. 1,047, up €mil. 437 from the same period of 2010 (€mil. 610). Using a uniform basis of accounting, new orders rose by €mil. 543, mainly due to important new orders in the *plants and components* segment.

The most significant new orders for the period include:

- in the plants and components segment: the order from Turkey for an 800 MW combined-cycle plant located in Gebze, Turkey (Q1); the order for two open-cycle plants (total 550 MW) in Algeria (Ain Djasser II and Labreg) (Q3); the order for a steam turbine and alternator in Egypt (Banha) (Q3);
- in the *service* segment: receipt of new long-term service agreements (LTSA) for the Gebze, Turkey order; repair (spare parts) contracts for two plants in Algeria (Q3); new solution contracts (changing parts of the turbine) (Q1-Q2-Q3);
- in the *nuclear* segment: as regards the *plant engineering* side, new contracts from Argentina (for the Embalse power station turbine) (Q1), orders from Westinghouse in the US (for development of the AP1000 reactor) (Q2-Q3) and orders relating to the Mochovce (Slovakia) plant (Q3); on the *service*-related side, the new Superphoenix reactor support contract for the Creys Malville power station in France (Q1-Q2);
- in the *renewable energy* segment: orders for the construction of photovoltaic plants in Matera (Stigliano) (Q1) and Avellino (Bisaccia) (Q2);

The **order backlog** at 30 September 2011 came to €mil. 2,030, compared with €mil. 3,305 at 31 December 2010. The decline is attributable to the aforementioned change

in consolidating all items on a line-by-line basis to a proportional basis for certain items for €mil. 1,450 (at the date it began to be consolidated proportionally).
The composition of the backlog is attributable for around 50.4% to *plants and components*, 45.2% to *service* activities (91% of which LTSA scheduled maintenance contracts), 2.2% to the *nuclear* segment, and the remaining 2.2% to *renewable energy*.

Revenues at 30 September 2011 amounted to €mil. 720, a decrease of €mil. 274 from the €mil. 994 reported for the first nine months of 2010. Using the same basis of accounting, revenues fell by €mil. 131, mainly attributable to lower production volumes in the *plants and components* segment.

Revenues were mainly generated by the following activities:

- *plants and components:* orders from Italy (Aprilia, Turano, San Severo and Torino Nord), Tunisia (Sousse), Egypt (El Sabtia - Cairo), Turkey (Gebze) and France (Bayet);
- *services:* LTSAs for Italy (Sparanise and Rizziconi) and gas turbine spare parts order from India (Valuthur);
- *nuclear:* as to *plant engineering*, activities continued on the Sanmen project in China with Westinghouse and engineering on the Mochovce power station in Slovakia; as to *services*, activity involved the Embalse (Argentina) and Creys Malville (France) plants; and in *waste and decommissioning*, work involved resin treatment at Vercelli (Trino) and the treatment and storage of radioactive waste from submarines in Russia (Andreeva Bay);
- *renewable energy:* work on the Matera (Stigliano) and Syracuse (Francofonte) orders for photovoltaic plants and the order from Avellino (Bisaccia) for construction of a 66 MW wind farm and related maintenance.

Adjusted EBITA at 30 September 2011 came to €mil. 54, down €mil. 38 from the first nine months of 2010 (€mil. 92). Using the same basis of accounting, adjusted EBITDA fell by €mil. 27, mainly due to lower revenues and the impact of the profitability of certain orders in the plant engineering and service segments, as a result of a different production mix as compared with the same period of the previous year.

ROS at 30 September 2011 stood at 7.5%, compared with 9.3% for the same period of 2010.

Research and development costs at 30 September 2011 totalled €mil. 16, down €mil.9 from the same period of 2010 (€mil. 25). Using the same basis of accounting, R&D costs fell by €mil. 5. Activities primarily focused on the development of large-scale gas and steam turbines and continued work on the new air-cooled generator.

The **workforce** stood at 1,848 at 30 September 2011, compared with 3,418 at 31 December 2010. The decrease is largely due to the different consolidation method used as mentioned above.

TRANSPORTATION

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	1,146	2,026	302	1,293	3,228
Order backlog	7,159	6,684	n.a.	n.a.	7,303
Revenues	1,372	1,373	419	447	1,962
Adjusted EBITA	(10)	57	(19)	22	97
ROS	(0.7%)	4.2%	(4.5%)	4.9%	4.9%
R&D	33	55	9	19	69
Workforce (no.)	6,981	7,243	n.a.	n.a.	7,093

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

New orders at 30 September 2011 came to €mil. 1,146, down €mil. 880 from the same period of 2010 (€mil. 2,026), due mainly to lower new orders in the vehicles segment, which benefited in the third quarter of 2010 from the order from Trenitalia for 50 high-speed trains as part of the temporary joint venture with Bombardier. The following were the most important new orders for the period:

- in the *signalling and transportation solutions* segment:
    - in *signalling:* the order to upgrade the technology for the conventional lines on the Turin-Padua route (Q1); the order for the Red Line of the Stockholm metro (Q1); the contract for the maintenance of metro and tram signalling systems in Paris (Q1); the order to design, supply, install and implement the Level 2 ERTMS/ETCS signalling systems along the Berlin-Rostock line (Q3); various components orders and service and maintenance orders;

  - in *transportation solutions:* the order for trains for the new Copenhagen metro line (Cityringen) (Q3); the order for the Milan metro Line 5 extension (Q1); contracts under the framework agreement with Rio Tinto Iron Ore, in Australia (Q1-Q2);
- in the *vehicles* segment: the order for trains for the Milan metro Line 5 extension (Q1) and service orders;
- in the *bus* segment: various orders for a total of 86 buses.

At 30 September 2011 the **order backlog** amounted to €mil. 7,159, down €mil. 144 from 31 December 2010 (€mil. 7,303). The order backlog breaks down as follows: 63.8% for signalling and transportation solutions, 35.7% for vehicles and 0.5% buses.

Revenues at 30 September 2011 were equal to €mil. 1,372, in line with the same period of 2010 (€mil. 1,373). The improved activity in the vehicles and bus segments, still below expectations, largely offset the decline in production volumes in the signalling and transportation solutions segment, mainly due to the completion of several Italian signalling projects, which in part reflect the lack of progress on orders for Libya.

Major orders include:

- in the *signalling and transportation solutions* segment:
  - in *signalling:* orders for automated train control systems (SCMT) and the project related to the Turin-Padua route for Italy; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; orders for Australian Rail Track Co. (ARTC) in Australia; the Cambrian Line in the UK; the Rhin-Rhone high-speed train line in France; the order for the Union Pacific Railroad project and for the interlocking system for the Lexington Avenue and Fifth Avenue stops in New York in the US; various orders for components;
  - in *transportation solutions:* the metro systems of Naples Line 6, Rome Line C, Copenhagen, Riyadh and Brescia;
- in the *vehicles* segment: trains for the Danish railways; trains for the Dutch and Belgian railways; double-decker train cars for Trenitalia; trains for the Milan,

Riyadh (Saudi Arabia), Rome Line C, Fortaleza (Brazil) and Brescia metros; various Sirio tram orders and service orders;

- in the *bus* segment: various orders for buses (86% of revenues for the segment) and for post-sales services.

Adjusted EBITA stood at a negative €mil. 10 at 30 September 2011, a decrease of €mil. 67 compared with the same period of the previous year (€mil. 57). This decrease is mainly attributable to vehicles segments, mainly due the cost overruns incurred for certain orders, particularly with regard to foreign orders. The bus segment also reported a decline due to cost overruns for certain orders, as did the signalling and transportation solutions segment, mainly reflecting the mentioned decrease in revenues and a different production mix. **ROS** for the division came to a negative 0.7%, compared with a positive 4.2% at 30 September 2010.

Specifically concerning the vehicles segment, performance at 30 September 2011 reflected the problems that affected industrial performance as described in the 30 June 2011 report. This is mainly coupled with the difficulties that have arisen in the resolution of the complexities related to certain products, essentially products for foreign markets. It should be emphasised that non-recurring costs relating to adjustments to adjusted EBITA (following the change in management at a Danish customer, which led to an unforeseeable development in negotiations then under way with prior management to finally settle the order) include the currently estimated extra costs that will be incurred to adapt vehicles to the configuration deemed optimal by the customer. In fact, the Danish customer began testing the performance of units already delivered in order to ascertain and “shelve” the optimal configuration.

Other problems include the delay in expected domestic vehicle orders, that, in addition to having an impact in terms of lower adequate profitability volumes could also have an effect on the coverage of the production capacity. In addition, the crisis that has also stricken other domestic operators, some in temporary joint ventures with AnsaldoBreda, could have further negative repercussions.

The actions aimed at achieving a competitive reorganisation of the vehicle segment are the mainstay of the strategic repositioning plan that AnsaldoBreda’s new management is preparing. We are still assessing the potential impact on the 2011 results.

Research and development costs at 30 September 2011 were equal to €mil. 33 (€mil.55 at 30 September 2010) and mainly regarded projects in the signalling and transportation solutions segment.

The **workforce** stood at 6,981 at 30 September 2011, a 112 employee decrease from 7,093 reported at 31 December 2010.

OTHER ACTIVITIES

€ million	30 Sept. 2011	30 Sept. 2010	Q3 2011	Q3 2010	31 Dec. 2010
New orders	267	68	37	30	105
Order backlog	290	132	n.a.	n.a.	113
Revenues	197	159	66	45	243
Adjusted EBITA	(110)	(118)	(31)	(35)	(152)
ROS	n.s.	n.s.	n.s.	n.s.	n.s.
R&D	4	5	4	4	7
Workforce (no.)	895	805	n.a.	n.a.	906

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

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

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

From a commercial standpoint, Fata received **new orders** totalling €mil. 267 at 30 September 2011, up €mil. 199 compared with the first nine months of 2010 (€mil. 68).
Fata's **revenues** at 30 September 2011 came to €mil. 91, down €mil. 16 from the previous year (€mil. 107).

Fata's **workforce** at 30 September 2011 totalled 327 employees, compared with 300 employees at 31 December 2010.

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

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

Industrial transactions

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

On 12 October 2011, SELEX Elsag and the City of Genoa signed a protocol agreement to jointly establish a model for "Genoa smart city". The agreement seeks to improve the quality of citizens' lives by focusing on economic development based on innovative solutions and technologies that respect the environment and are sustainable and energy efficient. The main areas of cooperation between SELEX Elsag and the city will concern saving energy and security.

By taking part in this project, SELEX Elsag joins the "Genoa smart city" association, a group of institutions, bodies and enterprises that support the participation of the Ligurian capital in the "smart city" programme, a European programme that aims to drastically cut greenhouse gas emissions by 2020, in accordance with Kyoto Protocol levels.

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

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

On 12 October 2011, **Ansaldo Nucleare** (a subsidiary of Ansaldo Energia) signed a partnership agreement with UK nuclear industry firms Nuvia and Cammell Laird to design and build heavy modules and components for the UK's civil nuclear programme.

Financial transactions

There were no new bond issues by the Finmeccanica Group during the period ended 30 September 2011. In fact, during the period, the Group redeemed in advance and repurchased a portion of the bonds outstanding at 31 December 2010. Specifically:

- it fully redeemed (for a total of \$mil. 17) the remaining bonds placed on the US market by DRS. The bonds had been largely redeemed in January 2009 following the purchase of the company by Finmeccanica;
- during the third quarter of 2011, Finmeccanica Finance repurchased several tranches on the bond market for a nominal €mil. 76 for bonds issued in 2008, bringing the total nominal value to €mil. 1,000, with a 8.125% coupon and maturing in December 2013. This transaction, conducted on an arm's length basis for an average repurchase price of 107.5, should result in a significant saving in borrowing costs and confirms Finmeccanica's stated intention to use the proceeds of the partial sale of Ansaldo Energia to partially refinance the bond maturing in December 2013. As provided in the rules for the EMTN programme under which they were issued, the bonds issued were cancelled and can no longer be traded. Between 30 September 2011 and the date of publication of this report, Finmeccanica Finance repurchased additional bonds for a total nominal value of around €mil. 54.

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

Issuer		**Year of issue**	**Maturity**	**Nominal Amount (€mil)**	**Annual coupon**	**Type of offer**	**IAS recog. amts €mil. (9)**
Finmeccanica Finance SA	(1)	2003	2018	500	5.75%	European institutional	520
Finmeccanica Spa	(2)	2005	2025	500	4.875%	European institutional	508
Finmeccanica Finance SA	(3)	2008	2013	924(*)	8.125%	European institutional	987
Finmeccanica Finance SA	(4)	2009	2022	600	5.25%	European institutional	612

Issuer		**Year of issue**	**Maturity**	**Nominal Amount (GBPmil)**	**Annual coupon**	**Type of offer**	**IAS recog. amts €mil.** (10)
Finmeccanica Finance SA	(5)	2009	2019	400	8,00%	European institutional	466

Issuer		**Year of issue**	**Maturity**	**Nominal Amount (US$mil)**	**Annual coupon**	**Type of offer**	**IAS recog. amts €mil. (9)**
Meccanica Holdings USA Inc	(6)	2009	2019	500	6.25%	American institutional Rule 144A/Reg. S	372
Meccanica Holdings USA Inc	(7)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	220
Meccanica Holdings USA Inc	(8)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	372

(*) *nominal amount remaining after the repurchase of €mil. 76 in several tranches in the third quarter of 2011*

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

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

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

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

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

(5) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and were completely used to partly repay the Senior Loan Facility. In the first quarter of 2011, GBPmil. 100 of this was converted into a floating-rate bond, completed during the second quarter for a profit of around €mil. 4.5. Analogous transactions were performed in 2010 on a total of GBPmil. 400, which generated revenues of around €mil. 37, for a profit of around €mil. 24. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.

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

(7) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue, as well as of that referred to in footnote (6), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.

(8) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (7). No rate transactions on the issue were made.

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

All the bond issues of Finmeccanica Finance and Meccanica Holdings are irrevocably and unconditionally secured by Finmeccanica, and are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody’s), Standard and Poor's and Fitch. Finmeccanica’s current credit ratings are: Baa2 with a stable outlook (Moody’s), BBB with a negative outlook (Fitch) and BBB with a negative outlook (Standard and Poor’s). It should be noted that:

- in December 2010, while Standard and Poor’s confirmed its BBB rating for Finmeccanica’s medium/long-term debt, it gave it a negative outlook;
- in June 2011, Moody’s decided to place the rating for Italy’s debt under review for a possible downgrade, which also had a negative effect on Finmeccanica’s rating;
- in October, following the close of the third quarter, Moody’s downgraded Italy’s rating from Aa2 to A2 with a negative outlook following a period of observation that began in June. As a result, Finmeccanica’s debt rating, in part reflecting the announced industrial restructuring programme for the Aeronautics and Transportation (Vehicles) divisions and the reorganisation of certain companies in the Defence and Security Electronics division, was also downgraded from A3 to Baa2, with a stable outlook. Moody’s has used the so-called Government Related Issuer (GRI) method in determining its rating for Finmeccanica since June 2005. This method allows it to take account of the strong interest that the government has in companies, making it possible to give them a higher rating than they would have otherwise received on a stand alone basis;
- in August, Fitch downgraded its rating for Finmeccanica’s medium/long-term debt by one notch from BBB + to BBB, with a negative outlook.

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

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

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

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

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

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

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

September 2011, the €mil. 300 medium-term loan and the €mil. 273 vendor loan had been completely used.

Other events

In July 2011, the €mil. 640 contract for the construction and maintenance of an 865 MW combined-cycle plant in Kocaeli-Gezbe, an industrial zone of Istanbul, took effect. In addition to its usual role of being the “turn-key” builder, Ansaldo Energia will also be an investor in the plant. The approximately €mil. 86 investment will be for a 40% stake in the company Yeni Elektrik Uretim AS and will be made by Ansaldo Energia in partnership with the majority shareholder, Unit Investment NV, a seasoned player in the Turkish electricity market. The plant is being financed by a pool of four Turkish banks with limited recourse against the shareholders and, in the case of Ansaldo Energia, also against its parent company, Finmeccanica, for the usual project financing risks, including the dynamics of the Turkish energy market which is in the process of being liberalised.

Outlook

The results at 30 September 2011 reveal an adjusted EBITA of negative €mil. 188, an adjustment cost of €mil. 415 and a net loss of €mil. 324.

In this interim financial report we reported that, even though the analysis of industrial problems and their impact on performance and financial position to identify and launch actions for addressing and resolving these problems is nearly complete, the Group is currently carrying out other work to fully plan the evaluations of certain possible effects on performance and financial position that could be reflected in the results at 31 December 2011. More specifically:

- in *Aeronautics:*
  - the costs connected with reorganising the entire division under the recently presented industrial reorganisation plan that is being finalised;
  - continuing negotiations to settle contractual disputes with a Turkish customer;
- in *Transportation - vehicles* segment*:*
  - the costs related to the plan to strategically reposition AnsaldoBreda being defined by the company's recently-appointed management that could involve abandoning certain lines of business.

The Group must also evaluate the possible impact of reduced defence expenditure in its domestic markets (Italy, the UK and the US) on the recoverability of recognised goodwill in light of the business plans currently being prepared by the companies, particularly in the Defence and Security Electronics division.

These factors may have an impact on the expected net result for the end of the year, which could prove to be significantly worse than that reported at 30 September 2011.

Revenues at 31 December 2011 are expected to be between €bil. 17.0 and 17.5, after the effect of the deconsolidation in the second half of the year of around €mil. 400 following the sale of 45% of Ansaldo Energia.

Given the non-recurring nature of these events, which do not take account of adjusted EBITA, this is expected to come, for the year as a whole, to a negative value of about €mil. 200.

As to the Group’s financial performance, we expect a negative FOCF for the year of around €mil. 400, given the investment in the development of products that, as in 2010, will focus on the Aeronautics, Helicopters and Defence and Security Electronics divisions in particular.

Finally, as to the Group’s cash situation, we expect it to be abundantly positive at the end of the year, although it bought back a portion of the bonds maturing in December 2013, which is the most immediate of the Group’s steps towards refinancing over the next several years.

Analysis of the financial statements at 30 September 2011

Separate Income Statement

(€mil.)	Note	For the nine months ended 30 September 2011	Of which with related parties	For the nine months ended 30 September 2010	Of which with related parties (Note 4)
Revenue		12,252	*1,394*	12,924	*1,256*
Raw materials and consumables used and personnel costs	*24*	(11,324)	*(127)*	(11,606)	*(104)*
Amortisation, depreciation and impairment	*25*	(553)		(491)	
Other operating income (expenses)	*23*	(978)	*1*	(59)	*1*
		(603)		**768**	
Finance income (costs)	*26*	212	*(6)*	(208)	*(3)*
Share of profit (loss) of equity accounted investments		(42)		(14)	
Profit (loss) before taxes and the effect of discontinued operations		**(433)**		**546**	
Income taxes	*27*	109		(225)	
Profit (loss) from discontinued operations		-		-	
Net profit (loss)		**(324)**		**321**	
. equity holders of the Company		*(358)*		*284*	
. non-controlling interests		*34*		*37*	
Earnings (loss) per Share	*29*				
Basic		*(0.620)*		*0.492*	
Diluted		*(0.619)*		*0.492*	

(€mil.)	Note	For the three months ended 30 September 2011	Of which with related parties	For the three months ended 30 September 2010	Of which with related parties (Note 4)
Revenue		3,828	*466*	4,234	*371*
Raw materials and consumables used and personnel costs	*24*	(3,618)	*(51)*	(3,815)	*(42)*
Amortisation, depreciation and impairment	*25*	(181)		(160)	
Other operating income (expenses)	*23*	(952)	*2*	(20)	*1*
		(923)		**239**	
Finance income (costs)	*26*	(49)	*(2)*	(25)	*(1)*
Share of profit (loss) of equity accounted investments		(33)		(11)	
Profit (loss) before taxes and the effect of discontinued operations		**(1,005)**		**203**	
Income taxes	*27*	225		(78)	
Profit (loss) from discontinued operations		-		-	
Net profit (loss)		**(780)**		**125**	
. equity holders of the Company		*(790)*		*112*	
. non-controlling interests		*10*		*13*	
Earnings (loss) per Share	*29*				
Basic		*(1.370)*		*0.194*	
Diluted		*(1.368)*		*0.194*	

Statement of Comprehensive Income

€ millions	For the nine months ended 30 September			
	2011		***2010***	
Profit (loss) for the period		**(324)**		**321**
Reserves of income (expense) recognised in equity		-		-
- Actuarial gains (losses) on defined-benefit plans:		(78)		(95)
. plan measurement	*(78)*		*(91)*	
. exchange gains (losses)	-		*(4)*	
- Changes in cash flow hedges:		23		(41)
. fair value adjustment	*26*		*(44)*	
. transferred to separate income statement	*(3)*		*3*	
. exchange gains (losses)	-		-	
- Translation differences		(52)		186
Tax on expense (income) recognised in equity		6		28
. fair value adjustment/measurement	*(1)*		*28*	
. transferred to separate income statement	*7*		*(1)*	
. exchange gains (losses)	-		*1*	
Income (expense) recognised in equity		(101)		78
Total comprehensive income (expense) for the period		**(425)**		**399**
Attributable to:				
- Equity holders of the Company		(453)		356
- Non-controlling interests		28		43

Balance Sheet

(€mil.)	*Note*	***30.09.11***	*Of which with related parties*	***31.12.10***	*Of which with related parties (Note 4)*
Non-current assets					
Intangible assets	*9*	8,850		8,931	
Property, plant and equipment	*10*	3,119		3,272	
Deferred tax assets		916		656	
Other assets	*12*	838	*12*	782	*10*
		13,723		**13,641**	
Current assets					
Inventories		4,647		4,426	
Trade receivables, including net contract work in progress	*13*	9,667	*819*	9,242	*798*
Financial receivables		901	*193*	813	*34*
Derivatives	*14*	289		219	
Other assets	*15*	1,073	*20*	886	*9*
Cash and cash equivalents		501		1,854	
		17,078		**17,440**	
Non-current assets held for sale		1		1	
Total assets		**30,802**		**31,082**	
Shareholders' equity					
Share capital	*16*	2,517		2,517	
Other reserves		3,604		4,297	
Capital and reserves attributable to equity holders of the Company		**6,121**		**6,814**	
Non-controlling interests in equity		293		284	
Total shareholders' equity		**6,414**		**7,098**	
Non-current liabilities					
Borrowings	*17*	4,631		4,543	
Employee liabilities	*19*	1,008		1,041	
Provisions for risks and charges	*18*	1,023		393	
Deferred tax liabilities		485		496	
Other liabilities	*20*	680		653	
		7,827		**7,126**	
Current liabilities					
Trade payables, including net advances from customers	*21*	12,515	*118*	12,996	*128*
Borrowings	*17*	1,471	*850*	1,258	*714*
Income tax payables		50		56	
Provisions for risks and charges	*18*	826		762	
Derivatives	*14*	99		131	
Other liabilities	*20*	1,600	*46*	1,655	*25*
		16,561		**16,858**	
Liabilities directly correlated with assets held for sale		-		-	
Total liabilities		**24,388**		**23,984**	
Total liabilities and shareholders' equity		**30,802**		**31,082**	

Statement of Cash Flows

(€mil.)	*Note*	*For the nine months ended 30 September* **2011**	*of which related parties*	**2010**	*of which related parties (Note 4)*
Cash flow from operating activities:					
Gross cash flow from operating activities	*28*	1,091		1,446	
Changes in working capital	*28*	(1,221)	*285*	(1,286)	*17*
Changes in other operating assets and liabilities, taxes, finance costs and provisions for risks		(869)	*(125)*	(849)	*(145)*
Net cash used in operating activities		**(999)**		**(689)**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	*11*	(4)		(98)	
Sale of Ansaldo Energia		477		-	
Purchase of property, plant and equipment and intangible assets		(596)		(655)	
Proceeds from sale of property, plant and equipment and intangible assets		29		19	
Other investing activities		7	*(4)*	19	*1*
Net cash used in investing activities		**(87)**		**(715)**	
Cash flow from financing activities:					
Net change in other borrowings		27	*(28)*	(134)	*2*
Dividends paid to Company's shareholders		(237)		(237)	
Dividends paid to non-controlling interests		(21)		(20)	
Net cash used in financing activities		**(231)**		**(391)**	
Net increase (decrease) in cash and cash equivalents		(1,317)		(1,795)	
Exchange-rate differences and other changes		(36)		25	
Cash and cash equivalents at 1 January		1,854		2,630	
Cash and cash equivalents at 30 September		**501**		**860**	

Statement of changes in shareholders’ equity

	Share capital	Retained earnings and consolidation reserve	Cash-flow hedge reserve	Reserve for stock-option and stock-grant plans	Reserve for actuarial gains (losses) posted to shareholders’ equity	Translation reserve	Total capital and reserves attributable to equity holders of the Company	Non-controlling interests in equity
1 January 2010	2,512	4,605	60	24	(81)	(769)	6,351	198
Dividends paid		(237)					(237)	(20)
Capital increases							-	15
Profit (loss) for the period		284					284	37
Other comprehensive income (expense)			(30)		(77)	179	72	6
Stock option/grant plans								
- services rendered				30			30	2
Other changes		(9)	2				(7)	(2)
30 Sept. 2010	2,512	4,643	32	54	(158)	(590)	6,493	236
1 January 2011	2,517	4,870	16	43	(96)	(536)	6,814	284
Dividends paid		(237)					(237)	(21)
Capital increases							-	-
Profit (loss) for the period		(358)					(358)	34
Other comprehensive income (expense)			24		(70)	(49)	(95)	(6)
Stock option/grant plans								
- services rendered							-	1
Other changes		(2)	(7)		6		(3)	1
30 Sept. 2011	2,517	4,273	33	43	(160)	(585)	6,121	293

1. GENERAL INFORMATION

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

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

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 30 September 2011 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended.
These notes are presented in a condensed form and do not include all the information required to be disclosed in the annual financial statements because they relate only to those items whose amount, breakdown or changes are key to the understanding of the financial condition of the Group. Therefore, this interim financial report must be read in conjunction with the 2010 consolidated financial statements.
Likewise, the balance sheet and the income statement are presented in a condensed form as compared with the annual financial statements. The reconciliation between the quarterly and the year-end balance sheet and income statement is provided in the relevant notes for the items contained in the condensed financial statements.
The accounting principles and basis of preparation that have been used in the drawing-up of this interim financial report are the same as those used in the preparation of the consolidated financial statements at 31 December 2010 and the interim financial report at 30 September 2010, with the exception of minor changes that, as indicated below (Note 4), had no significant effect on the interim financial report.

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

The interim financial report was not audited.

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

Treatment of income taxes

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

Cash flows relating to operations

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

4. EFFECT OF CHANGES IN ACCOUNTING POLICIES ADOPTED

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

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

As a result of this transaction, the income statement items pertaining to the new Ansaldo Energia group are consolidated on a line-by-line basis up until 30 June and on a proportional basis from 1 July to 30 September in Finmeccanica's interim financial report, while the balance sheet items are consolidated on a proportional basis.

The transaction had the following major effects:

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

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

6. SCOPE OF CONSOLIDATION

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

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

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

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS INC	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucarest (Romania)		99.976	99.976
SELEX ELSAG CYBERLABS SRL ex DIGINT SRL	Milan		49	49
SELEX ELSAG HOLDINGS LTD ex SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (UK)		100	100
SELEX ELSAG LTD ex SELEX COMMUNICATIONS LTD	Chelmsford, Essex (UK)		100	100
SELEX ELSAG SPA ex SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX GALILEO INC	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (UK)	100		100
SELEX GALILEO SPA	Campi Bisenzio (Florence)	100		100
SELEX KOMUNIKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SELEX SYSTEMS INTEGRATION GMBH	Neuss (Germany)		100	100
SELEX SYSTEMS INTEGRATION INC	Delaware (USA)		100	100
SELEX SYSTEMS INTEGRATION LTD	Portsmouth, Hampshire (UK)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		100	100
SISTEMI E TELEMATICA SPA	Genoa		100	100
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA (IN LIQ.)	Genoa	100		100
SISTEMI SOFTWARE INTEGRATI SPA ex SPACE SOFTWARE ITALIA SPA	Taranto		100	100
T - S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM LLC	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC	Wilmington, Delaware (USA)		100	40.0656
UNIVERSAL POWER SYSTEMS INC	Wilmington, Delaware (USA)		100	100
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germania)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)		100	100
WHITEHEAD ALENIA SIST. SUBACQUEI SPA	Livorno	100		100
WING NED BV	Rotterdam (the Netherlands)		100	100
WORLD'S WING SA	Geneva (Switzerland)		94.944	94.944
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-SWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)		93.8748	93.8748
ZAKLAD NARZEDZIOWY W SWIDNIKU SP.ZO.O.	Narzedziowa 16 - U1, Swidnik (Poland)		51.65785	48.4937
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Swidnik (Poland)		100	93.8748
ZAKLAD REMONTOWY SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		100	93.8748
ZAKLAD UTRZYMANIA RUCHU SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	93.8748

List of companies consolidated using the proportionate method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Roma		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
THALES ALENIA SPACE DEUTHCHLAND SAS	Germany		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
SPACEOPAL GMBH	Munich (Germany)		50	33.5
VEGA SPACE GMBH	Darmstadt (Germany)		100	67
VEGA SPACE LTD	Welwyn Garden City, Herts (UK)		100	67
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	67
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (Fance)		100	67
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E - GEOS SPA	Matera		80	53.6
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	53.6
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.774	66.1786
TELESPAZIO NORTH AMERICA INC	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucarest (Romania)		61.061	40.911
FILEAS SA	Paris (France)		100	67
AURENSIS SL	Barcelona (Spain)		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (U.K.)		100	25
MBDA FRANCE SAS	Paris (France)		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		100	25
MBDA INTERNATIONAL LTD	UK		100	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		99.99	25
MBDA UAE LTD	London (U.K.)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		99.99	25
MBDA REINSURANCE LTD	(Dublin) Ireland		100	25
MBDA SERVICES SA	Paris (France)		99.68	24.92
LFK-LENKFLUGKORPERSYSTEME GMBH	UnterschleiBheim (Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (U.K.)		50	50
ROTORSIM SRL	Sesto Calende (Varese)		50	50
CONSORZIO ATR GIE e SPE	Toulouse (France)		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262
KAZAKHASTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)		49	19.632
ANSALDO ENERGIA HOLDING SPA ex ANSALDO ELECTRIC DRIVES SPA	Genoa	54.55		54.55
ANSALDO ENERGIA SPA	Genoa		100	54.55
ANSALDO ESG AG	Wurenlingen (Switzerland)		100	54.55
ANSALDO FUEL CELLS SPA	Genoa		100	54.55
ANSALDO NUCLEARE SPA	Genoa		100	54.55
ANSALDO THOMASSEN BV	Rheden (the Netherlands)		100	54.55
ANSALDO THOMASSEN GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	26.548
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	54.55
YENIAEN INSAAT ANONIM SIRKETI	Istanbul (Turkey)		100	54.55

List of companies consolidated using the equity method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
A4ESSOR SAS	Neuilly Sur Seine (France)		21	21
ABRUZZO ENGINEERING SCPA (IN LIQ.)	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
ALENIA HELLAS SA (IN LIQ.)	Kolonaki, Athens (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)		100	100
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO AMERICA LATINA SA ex ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.993	54.546
ANSALDO – E.M.IT. SCRL (IN LIQ.)	Genoa		50	50
ANSALDO ENERGY INC	Wilmington, Delaware (USA)		100	54.55
ANSALDO STS SISTEMAS DE TRANSORTE E SINALIZACAO LTDA	Rio De Janeiro (Brazil)		100	40.0656
ANSERV SRL	Bucarest (Romania)		100	54.55
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)		40	40
BELL AGUSTA AEROSPACE COMPANY LLC	Wilmington, Delaware (USA)		40	40
BRITISH HELICOPTERS LTD	Yeovil, Somerset (U.K.)		100	100
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basildon, Essex (U.K.)		100	100
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		43.96	43.96
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi		24	24
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
ECOSEN SA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SLOVAKIA SRO (IN LIQ.)	Bratislava (Slovakia)		100	100
ELSACOM SPA (IN LIQ.)	Rome		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)		49	49
EURISS NV	Leiden (the Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERNATIONAL LTD	London (U.K.)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germania)		24	24
EUROMIDS SAS	Paris (France)		25	25
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH SPA	Amaro (Udine)	11.08		11.08
FATA GULF CO WLL	Doha (Qatar)		49	49
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	99.999		99.999
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	100		100
FINMECCANICA UK LTD	London (U.K.)	100		100
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)		100	67
IAMCO SCRL	Mestre (Venice)		20	20
ICARUS SCPA	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)		100	100
IMMOBILIARE FONTEVERDE SRL (IN LIQ.)	Rome		60	48
INTERNATIONAL METRO SERVICE SRL	Milan		49	19.63
I.M. INTERMETRO SPA (IN LIQ.)	Rome		33.332	23.343
IVECO - OTO MELARA SCRL	Rome		50	50
JIANGXI CHANGE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)		40	40
JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT	Moscow (Russian Federation)		25.0001	25.0001
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Lybia)	25	25	50
LMATTS LLC	Georgia (USA)		100	100
MACCHI HUREL DUBOIS SAS	Plaisir (France)		50	49.99
METRO 5 SPA	Milan		31.9	17.16
MUSINET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyon (France)		40	21.82
NOVACOM SERVICES SA	Toulouse (France)		39.73	26.62
ORIZZONTE – SISTEMI NAVALI SPA	Genoa		49	49
PEGASO SCRL	Rome		46.87	18.778
POLARIS SRL	Genoa		49	26.73
QUADRICS LTD (IN LIQ.)	Bristol (U.K.)		100	100
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO MUAS SPA	Rome		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Arabia Saudita)		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (U.K.)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	Saint Petersburg (Russia)		35	35
SIRIO PANEL INC	Dover, Delaware (USA)		100	100
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (U.K.)		100	100
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)		99.99	99.99
WITG L.P. INC	Kent, Dover, Delaware (USA)		24	24
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	20
XAIT SRL	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

List of companies valued at fair value

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

List of subsidiaries and associates valued at cost

Company name	***Registered office***	***% Group ownership***		***% Group shareholding***
		Direct	***Indirect***	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	100
COREAT S.C. A R.L.	Rieti		30	30
CCRT SISTEMI SPA (IN FALL.)	Milan		30.34	30.34
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.939	25.189
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ.)	Bruxelles (Belgium)	18.939	18.939	25.189
IND. AER. E MECC. R. PIAGGIO SPA (AMM.STR.)	Genoa	30.982		30.982
SAITECH SPA (IN FALL.)	Passignano sul Trasimeno (Perugia)		40	40
SCUOLA ICT SRL (IN LIQ.)	L'Aquila	20		20
SELEX SISTEMI INTEGRATI DO BRASIL LTDA	Rio De Janeiro (Brazil)		99.9998	99.9998
SEL PROC SCRL	Rome		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN FALL.)	San Giorgio Jonico (Taranto)		50.614	50.614
YENI ELEKTRIK URETIM ANONIM SIRKETI	Istanbul (Turkey)		40	21.82

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

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

  on 1 January 2011, Nahuelsat SA (in liquidation), Westland Helicopters Inc. and Euro Patrol Aircraft GmbH (in liquidation) were removed from the Company Register and deconsolidated accordingly;
- starting from 1 January 2011, Yeni Anonim Insaat Sirketi is consolidated on a line-by-line basis;
- on 3 January 2011, following the reorganisation of the Defence and Security Electronics division, Vega Space Ltd, Vega Consulting & Technology SL, Vega

Technologies SAS and Vega Space GmbH were transferred from SELEX Systems Integration Ltd to Telespazio SpA and are consolidated on a proportional basis from that date;

- on 21 February 2011, SELEX Galileo MUAS SpA was formed and is consolidated using the equity method;
- on 2 April 2011, Fata Gulf Co. WLL was formed and is consolidated using the equity method;
- on 31 May 2011, ABS Technology SpA was sold and deconsolidated accordingly;
- on 1 June 2011, Elsag Datamat SpA was merged into SELEX Communications SpA, which changed its name to SELEX Elsag SpA;
- in February 2011, Finmeccanica Spa sold 45% of Ansaldo Energia Holding SpA (formerly Ansaldo Electric Drives SpA). In June 2011, Finmeccanica Spa sold 100% of Ansaldo Energia SpA and its subsidiaries to Ansaldo Energia Holding SpA. As a result of this transaction, Ansaldo Energia Holding SpA and its subsidiaries are consolidated on a proportional basis as from that date;
- on 9 June 2011, AgustaWestland India Private Ltd was acquired and is consolidated on a line-by-line basis;

  on 24 June 2011, Sirio Panel Inc was acquired and is consolidated using the equity method;
- on 25 July 2011, Contact Srl was sold and deconsolidated accordingly.

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

- DRS Sonar Systems LLC to Advanced Acoustic Concepts LLC;
- DRS Condor Holdco LLC to DRS CENGEN LLC;
- Space Software Italia SpA to Sistemi Software Integrati SpA;
- Agusta SpA to AgustaWestland SpA;
- Westland Helicopters Ltd to AgustaWestland Ltd;
- Agusta Aerospace Corporation to AgustaWestland Philadelphia Co;
- SELEX Communications Holdings Ltd to SELEX Elsag Holdings Ltd;
- SELEX Communications Ltd to SELEX Elsag Ltd;
- Ansaldo Argentina SA to Ansaldo America Latina SA;
- Digint Srl to SELEX Elsag Cyberlabs Srl.

During the first nine months of 2011, the following companies were placed in liquidation:

- Alenia Hellas SA;
- Elsacom Slovakia SRO:
- Ansaldo E.M.I.T. Scrl.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first nine months of 2011 were again marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 30 September 2011 and the average exchange rates for the period showed, for the main currencies, these changes from 2010: final exchange rates for the period (euro/US dollar +1.06% and euro/sterling pound +0.69%); average exchange rates for the period (euro/US dollar +6.85% and euro/sterling pound +1.57%).

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

	At 30 September 2011		At 31 December 2010	At 30 September 2010	
	average exchange rate for the period	final exchange rate for the period	final exchange rate for the year	average exchange rate for the period	final exchange rate for the period
US dollar	1.40627	1.35030	1.33620	1.31609	1.36480
Pound sterling	0.87127	0.86665	0.86075	0.85779	0.85995

8. SEGMENT INFORMATION

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

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

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

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

	Helicopters	**Defence and Security Electronics**	**Aeronautics**	**Space**	**Defence Systems**	**Energy**	**Transportation**	**Other activities**	**Eliminations**	**Total**
For the nine months ended 30 Sept. 2011										
Revenues	2,750	4,291	1,866	699	811	720	1,372	197	(454)	**12,252**
of which from related parties	*138*	*640*	*529*	*36*	*130*	*6*	*234*	*135*	*(454)*	***1,394***
Adjusted EBITA	287	267	(768)	27	65	54	(10)	(110)	-	**(188)**
Investments	130	143	165	18	24	17	13	10	-	**520**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
For the nine months ended 30 Sept. 2010										
Revenues	2,556	4,978	1,857	616	802	994	1,373	159	(411)	**12,924**
of which from related parties	*120*	*625*	*493*	*28*	*96*	*9*	*224*	*72*	*(411)*	***1,.256***
Adjusted EBITA	252	426	71	15	61	92	57	(118)	-	**856**
Investments	114	161	210	30	24	24	33	13	-	**609**

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

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
30 Sept. 2011										
Fixed assets	2,359	5,621	1,747	524	574	94	252	798	-	**11,969**

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

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

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Total
For the nine months ended 30 Sept. 2011									
Adjusted EBITA	**287**	**267**	**(768)**	**27**	**65**	**54**	**(10)**	**(110)**	**(188)**
Impairment									
Amortisation of intangible assets acquired through a business combination	(6)	(53)	-	(1)	(1)	-	-	-	**(61)**
Restructuring costs	-	(14)	(20)	-	(2)	-	(8)	-	**(44)**
Non-recurring (income) costs	-	(81)	(112)	-	-	-	(117)	-	**(310)**
EBIT	**281**	**119**	**(900)**	**26**	**62**	**54**	**(135)**	**(110)**	**(603)**

	Helicop-ters	Defence and Security Electro-nics	Aeronau-tics	Space	Defence Systems	Energy	Transpor-tation	Other Activities	Total
For the nine months ended 30 Sept. 2010									
Adjusted EBITA	**252**	**426**	**71**	**15**	**61**	**92**	**57**	**(118)**	**856**
Impairment									
Amortisation of intangible assets acquired through a business combination	(6)	(57)	-	-	(1)	-	-	-	**(64)**
Restructuring costs	(12)	(8)	(1)	-	(2)	-	(1)	-	**(24)**
Non-recurring (income) costs	-	-	-	-	-	-	-	-	-
EBIT	**234**	**361**	**70**	**15**	**58**	**92**	**56**	**(118)**	**768**

9. INTANGIBLE ASSETS

Below is a breakdown of intangible assets:

	30 Sept. 2011	*31 Dec. 2010*
Goodwill	6,111	6,177
Development costs	652	673
Non-recurring costs	798	710
Concession of licences and trademarks	108	113
Acquired through business combinations	883	942
Other	298	316
Total intangible assets	**8,850**	**8,931**

In particular, the most significant changes were as follows:

- net decrease in goodwill (€mil. 66), mainly due to the negative translation differences on goodwill arising on assets denominated in pounds sterling and US dollar;
- amortisation of €mil. 206 (€mil. 190 at 30 September 2010) (Note 25) and impairment of €mil. 39 (€mil. - at 30 September 2010) especially due to the writedown of development costs in the Aeronautics division;
- investments in the overall amount of €mil. 258 (€mil. 267 at 30 September 2010), broken down as follows:

	For the nine months ended 30 September	
	2011	***2010***
Development costs	55	107
Non-recurring costs	136	95
Concession of licences and trademarks	1	7
Other	66	58
Total intangible assets	**258**	**267**

Purchase commitments for intangible assets are recorded in the amount of €mil. 24 (€mil. 22 at 31 December 2010).

With regard to goodwill, the Group is analysing the possible repercussions of recently announced additional cuts to the defence budgets of the Group's main domestic markets on its medium and short-term outlook for these countries. To that end, the Group is updating its own plans, based upon which it will evaluate whether and how amounts recognised can be recovered, particularly in the Defence and Security Electronics division.

10. PROPERTY, PLANT AND EQUIPMENT

Below is a breakdown of property, plant and equipment:

	30 Sept. 2011	***31 Dec. 2010***
Land and buildings	1,196	1,257
Plant and machinery	593	668
Equipment	689	688
Other	641	659
Total property, plant and equipment	**3,119**	**3,272**

In addition to the negative translation differences arising on assets denominated in pounds sterling and US dollar (€mil. 15), the most significant changes related in particular to:

- the decrease of €mil. 69 as a result of the change in the scope of consolidation following the sale of 45% of Ansaldo Energia and its subsidiaries (as described in more detail elsewhere in this document) and its subsequent consolidation using the proportional method;
- depreciation of €mil. 284 (€mil. 285 at 30 September 2010);
- investments in the overall amount of €mil. 262 (€mil. 342 at 30 September 2010), broken down as follows:

	For the nine months ended 30 September	
	2011	***2010***
Land and buildings	12	11
Plant and machinery	36	42
Equipment	56	60
Other	158	229
Total property, plant and equipment	**262**	**342**

Property, plant and equipment includes €mil. 61 (€mil. 64 at 31 December 2010) of assets held under contracts that can be qualified as finance leases, and "other assets" includes €mil. 40 (€mil. 64 at 31 December 2010) for aircraft owned by the GIE ATR group as well as for those that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, to recognise the sale, despite the fact that sales contracts have been concluded with external customers, and €mil. 34 (€mil. 24 at 31 December 2010) of aircraft owned by the AgustaWestland group.

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

11. BUSINESS COMBINATIONS

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

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

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

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

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	30 September 2011	***31 December 2010***
Third-party financing	67	64
Security deposits	23	22
Receivables for finance leases	2	5
Deferred receivables under Law 808/85	95	58
Net asset defined-benefit retirement plans (Note 19)	36	32
Financial receivables from related parties (Note 22)	9	9
Other	35	32
Non-current receivables	**267**	**222**
Deferred expenses	20	19
Equity investments	276	316
Non-recurring costs awaiting interventions under Law 808/1985	272	224
Other receivables from related parties (Note 22)	3	1
Non-current assets	**571**	**560**
Total other non-current assets	**838**	**782**

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

The item “Deferred receivables under 808/85” includes the receivables from the Ministry for Economic Development relating to the current value of the interventions pursuant to Law 808/85 in national security and similar projects for which collections were deferred. The portion for which collection is expected within 12 months, €mil. 13 (€mil. 14 at 31 December 2010), is classified among other current assets (Note 15). Non-recurring costs awaiting interventions under Law 808/85 include the portion of non-recurring expenses paid on programmes that benefit from the provisions of Law 808/85 and classified as being functional to national security, and whose expenses have not been assessed yet by the issuer. After the legal requirements for the recognition of the receivable from the Ministry are fulfilled, the recognised amount is reclassified as a receivable (current or non-current, based on the expected payment schedule). The amount shown is calculated based on an estimate made by management that reflects the reasonable probability that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

Non-controlling equity investments mainly fell due to the writedown of joint stock company Sukhoi Aircraft (€mil 47), the revaluation of Elettronica SpA (€mil. 3), the collection of dividends (€mil. 7) and the capital increase for Metro 5 SpA (€mil. 8).

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	30 Sept. 2011	***31 Dec. 2010***
Receivables	4,552	4,630
Impairment	(217)	(216)
Receivables from related parties (Note 22)	819	798
	5,154	5,212
Work in progress (gross)	8,831	7,794
Advances from customers	(4,318)	(3,764)
Work in progress (net)	4,513	4,030
Total trade receivables and net contract work in progress	**9,667**	**9,242**

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

14. DERIVATIVES

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

	30 Sept. 2011		***31 Dec. 2010***	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	132	86	105	111
Embedded derivatives	35	-	41	-
Forex options	-	1	-	-
Interest rate swaps	122	12	60	7
Other equity derivatives	-	-	13	13
	289	**99**	**219**	**131**

The change in the fair value of forward instruments is mainly due to the volatility of the US dollar against the euro: the exchange rate went from 1.3362 at 31 December 2010 to 1.3503 at 30 September 2011.

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

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

15. OTHER CURRENT ASSETS

		30 Sept. 2011		*31 Dec. 2010*
Income tax receivables		172		221
Assets available for sale		35		1
Other current assets:		866		664
Accrued income - current portion	*109*		*124*	
Equity investments	*1*		*1*	
Receivables for contributions	*80*		*68*	
Receivables from employees and social security	*47*		*44*	
Indirect tax receivables	*346*		*213*	
Deferred receivables under Law 808/85	*13*		*14*	
Other receivables from related parties (Note 22)	*20*		*9*	
Other assets	*250*		*191*	
Total other current assets		**1,073**		**886**

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

Other assets include, among others, receivables from Bombardier Transportation for €mil 26 (€mil. 26 at 31 December 2010), from Ariane Space for €mil. 40 (€mil. 20 at 31 December 2010) and sundry advances in the amount of €mil. 19 (€mil. 9 at 31 December 2010).

16. SHAREHOLDERS' EQUITY

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

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

At 30 September 2011, the Ministry for the Economy and Finance owned around 30.204% of the shares, Deutsche Bank Trust Company Americas owned 3.600% and Arab Bkg Corp/Libyan Investment, Man owned 2.010%. In addition, Tradewinds Global Investors LLC held 5.382% as investment manager, as did BlackRock Inc. 2.240%.

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

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

	Group			*Non-controlling interests*		
	Amount before taxes	Tax effect	Amount net of tax effect	Amount before taxes	Tax effect	Amount net of tax effect
Actuarial gains (losses) on defined-benefit plans	(77)	7	(70)	(1)	-	(1)
Changes in cash-flow hedges	26	(2)	24	(3)	1	(2)
Exchange gains/losses	(49)	-	(49)	(3)	-	(3)
Total	**(100)**	**5**	**(95)**	**(7)**	**1**	**(6)**

17. BORROWINGS

	30 Sept. 2011	***31 Dec. 2010***
Bonds	4,057	4,110
Bank borrowings	1,014	783
Finance leases	2	4
Borrowings from related parties (Note 22)	850	714
Other borrowings	179	190
Total borrowings	**6,102**	**5,801**
Of which:		
Current	1,471	1,258
Non-current	4,631	4,543

The decrease in bonds is essentially related to the net effect deriving from the recognition of coupons maturing during the period, payments made, as well as the effect of the repurchase, during the third quarter, of a nominal €mil. 76 in bonds out of the €mil. 1,000 issued in 2008 by Finmeccanica Finance, a Luxembourg subsidiary.

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

Borrowings from related parties are commented on in Note 22.

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

€ millions	***30 Sept. 2011***	***31 Dec. 2010***
Cash and cash equivalents	(501)	(1,854)
Securities held for trading	(35)	(1)
LIQUIDITY	**(536)**	**(1,855)**
CURRENT FINANCIAL RECEIVABLES	**(901)**	**(813)**
Current bank payables	272	182
Current portion of non-current borrowings	259	274
Other current borrowings	940	802
CURRENT NET FINANCIAL DEBT	**1,471**	**1,258**
CURRENT NET FINANCIAL DEBT (CASH)	**34**	**(1,410)**
Non-current bank payables	742	601
Bonds issued	3,798	3,836
Other non-current payables	91	106
NON-CURRENT NET FINANCIAL DEBT	**4,631**	**4,543**
NET FINANCIAL DEBT	**4,665**	**3,133**

18. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	30 September 2011		***31 December 2010***	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	16	32	36	34
Restructuring	7	55	9	58
Penalties	234	38	62	21
Product guarantees	105	127	95	136
Other	661	574	191	513
	1,023	**826**	**393**	**762**

The “provision for penalties”, amounting to €mil. 272 (€mil. 83 at 31 December 2010), mainly increased for allocations made to cover contractual charges in the Aeronautics division.

Other provisions for risks and charges came to a total of €mil. 1,235 (€mil. 704 at 31 December 2010) and specifically include:

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

- the provision for risks and contractual charges in the amount of €mil. 722 (€mil. 110 at 31 December 2010). This increase is primarily attributable to the Aeronautics division for provisions made to cover contractual obligations and costs arising from the recent development in negotiations under way with the customer to recalculate the compensation for certain programmes, and to the Transportation division for cost overruns for certain contracts, particularly in the foreign railways segment. This provision also includes amounts allocated for the Defence and Security Electronics, Space, Defence Systems and Other Activities segments;

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

- the provision for taxes in the amount of €mil. 82 (€mil. 94 at 31 December 2010);

- the provision for disputes with employees and former employees in the amount of €mil. 33 (€mil. 30 at 31 December 2010);

- the provision for pending litigation in the amount of €mil. 96 (€mil. 104 at 31 December 2010);

- the provisions for risk on contract-related losses in the amount of €mil. 22 (€mil. 25 at 31 December 2010);

- other provisions in the amount of €mil. 195 (€mil. 252 at 31 December 2010).

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

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

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

Of particular note:

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

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

Tax Commission recently upheld the arguments of the Tax Authority and the Company is now considering whether to appeal to Court of Cassation.

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

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

- in May 2007 Finmeccanica voluntarily intervened in a suit brought by Calyon SA (now Credit Agricole Corporate and Investment Bank) against the Agenzia delle Entrate before the Court of Rome seeking payment of a tax receivable of roughly €mil. 71, plus interest of €mil. 34, transferred by Finmeccanica in May 2004. The Agenzia delle Entrate challenged on the grounds that Calyon lacked standing since Finmeccanica had, in the past, transferred the same tax receivable to Mediofactoring SpA (the sale was later rescinded due to breach and the receivable was returned to Finmeccanica) and that the action on the receivable was time-barred. Finmeccanica intervened on behalf of Calyon and to protect its own interests related to any resulting right to restitution of the credit by Calyon.

On 30 December 2009, the Tax Authorities repaid the credit to Calyon, also in view of the positive outcome of the action initiated at the same time by Calyon before the Tax Commission. The judge dismissed the action due to the parties' failure to appear for a second time at the 30 September 2010 hearing. As one year has passed since that hearing without the parties having revived the action, the action has been definitively dismissed;

- in January 2009, Pont Ventoux Scrl initiated an arbitration with the joint venture formed by Ansaldo Energia, as representative (31%), Alstom Power Italia SpA (17%) and Voith Siemens Hydro Power Generation SpA (52%) concerning a contract worth €mil. 15 to supply two electric generators as part of the project to build a hydroelectric plant in Val di Susa (Italy). The plaintiff is seeking payment for alleged damages, both direct and consequential, and harm to its image, totalling about €mil. 90. It asserts that the serious fault renders the clause that limits the liability of the joint venture to the contract amount inapplicable. Ansaldo Energia maintains that it supplied the products required and that it carried out its responsibilities as representative with the greatest diligence, underlining that it has nothing to do with the objections raised by Pont Ventoux regarding delays and non-performance of the contract. On 6 June 2011, the court expert's report was submitted and a hearing has been scheduled for 17 November 2011 to attempt reconciliation;

- In April 2010 the company OS Italia Srl brought an action against Trimprobe SpA in liquidation before the Court of Milan to have the latter be held liable in contract and in tort in relation to a contract for the distribution of medical equipment called TRIMprob. The plaintiff claims that Trimprobe hid a product defect thereby causing total damages of around €mil. 19. In appearing before the court, Trimprobe fully challenged the plaintiff's claims and filed a counterclaim of €mil. 2. On 14 July 2011, OS Italia entered bankruptcy and so the receiver must seek to reinstate the case by 25 November 2011;

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

- In February 2011, G.M.R. SpA., as the sole shareholder of Firema Trasporti, brought an action against Finmeccanica and Ansaldobreda before the Court of Santa Maria Capua Vetere asking that the court find the companies liable, through their actions, for the insolvency of Firema Trasporti and that they be ordered to pay damages. The plaintiff asserts that, during the time when Finmeccanica was a shareholder of Firema Trasporti (from 1993 to 2005), that company was subject to the direction and coordination of Finmeccanica to its detriment and was managed in the sole interests of the Finmeccanica Group and that, even after Finmeccanica sold its stake in the company, Firema Trasporti, under various contracts in place with Ansaldobreda, was in fact financially dependent upon the Group, which behaved in an abusive manner. Finmeccanica and Ansaldobreda appeared before the court, requesting that the plaintiff's action be denied as wholly lacking foundation. Following the first hearing held on 31 May 2011, the Court decided to reserve judgement on the preliminary objections raised by the defendants.

Moreover, certain Group contracts are experiencing considerable problems due to difficulties encountered in meeting customer configuration specifications, particularly in the vehicles segment of the Transportation division for certain foreign orders, and in the Aeronautics division with regard to a contract with an important Turkish customer. In response to the problems that it can foresee at present, the Group has adjusted the estimated costs of performing these contracts. However, negotiations with customers to agree on the final configurations are still under way and how these costs will be adjusted will depend upon the outcome of these negotiations.

With respect to the investigations of Group companies being carried out by judicial authorities, as described in the half-year financial report at 30 June 2011, following is a summary of the changes that have occurred since the date of publication of that report (27 July 2011) of which the internal control bodies are aware:

- Finmeccanica received i) two orders from the Naples Public Prosecutor's Office to produce papers and information relating to the process of selecting, evaluating and appointing parties to conclude foreign orders, as well as the outcome of inspections performed by the Company in relation to a specific job order; ii) a request to produce administrative, accounting and banking documents relating to contracts between Finmeccanica and/or Group companies and the Government of Panama and two consulting firms, as well as copy of the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 and the minutes of the meetings of Finmeccanica's Surveillance Body and those of the Group companies involved in the Panama job orders held starting from 1 January 2010. The Company complied with the request for information under point i) in a timely fashion and, as of the date of this report, was in the process of gathering the documentation requested under point ii);
- SELEX Service Management SpA and Seicos SpA (an indirect wholly-owned subsidiary of Finmeccanica SpA through SELEX Elsag SpA), as part of the investigation by judicial authorities into the awarding of the contract for the development and management of the SISTRI (waste tracking system) infrastructure, received two search and seizure orders for documentation relating to dealings between the companies and another firm, a limited-liability company that is not a part of the Finmeccanica Group and a law firm;
- As part of the investigation by judicial authorities into allegations of corruption and tax violations committed in the awarding of contracts by ENAV SpA for 2008 through 2010, SELEX Sistemi Integrati SpA received two orders for the seizure of copies of i) its financial statements and financial records for 2009 and 2010 and ii) the documentation related to one order and contracts, if any, with a supplier, together with the income-tax return for tax year 2010.

With regard to the events already described in the half-year financial report at 30 June 2011 and those mentioned above, the Board of Directors believes, based on the information we currently have and the analyses made, that Finmeccanica's financial position, present and prospective, is not at risk.

Finally, on 20 September 2011 Ansaldo Energia SpA (wholly owned by Ansaldo Energia Holding SpA, in turn held 54.55% by Finmeccanica) was ordered by the Milan Court (4th Criminal Section) to pay an administrative fine of € 150,000.00 for violations committed pursuant to Art. 25(3) of Legislative Decree 231/2001. This order came down as part of an investigation begun in 2004 by the Milan Public Prosecutor's Office concerning the alleged payment of bribes for the award of contracts to certain companies, including Ansaldo Energia SpA. In accordance with Art. 19 of Legislative Decree 231/01, the Court also ordered the confiscation, which however is not enforceable, of the equivalent of € 98,700,000.00. As this is a decision of the court of first instance, Ansaldo Energia plans to appeal once it examines the court's reasoned decision, which is not yet available.

19. EMPLOYEE LIABILITIES

	30 Sept. 2011			***31 Dec. 2010***		
	Liabilities	***Assets***	***Net***	***Liabilities***	***Assets***	***Net***
Severance obligations	583	-	583	610	-	610
Defined-benefit plans	330	36	294	341	32	309
Share of MBDA joint venture pension obligation	72	-	72	64	-	64
Defined-contribution plans	23	-	23	26	-	26
	1,008	**36**	**972**	**1,041**	**32**	**1,009**

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

	30 Sept. 2011	*31 Dec. 2010*	*31 Dec. 2009*	*31 Dec. 2008*	*31 Dec. 2007*
Present value of obligations	1,637	1,567	1,409	1,055	1,038
Fair value of plan assets	(1,343)	(1,258)	(1,038)	(846)	(886)
Plan excess (deficit)	**(294)**	**(309)**	**(371)**	**(209)**	**(152)**
of which related to:					
- net liabilities	(330)	(341)	(382)	(248)	(152)
- net assets	36	32	11	39	-

The decrease in the total net deficit is essentially attributable to the AgustaWestland plan for €mil. 26, partially offset by the increase attributable to DRS (€mil. 12).

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

	For the nine months ended 30 September	
	2011	*2010*
Costs of current services	24	46
Total "personnel costs"	24	46
Interest expense	90	79
Expected return on plan assets	(72)	(54)
Costs booked as "finance costs"	18	25
	42	**71**

20. OTHER LIABILITIES

	Non-current		Current	
	30 Sept. 2011	*31 Dec. 2010*	*30 Sept. 2011*	*31 Dec. 2010*
Employee obligations	56	55	495	474
Deferred income	59	28	115	89
Social security payable	6	6	258	295
Payable to MED Law 808/85	271	268	64	64
Payable to MED for monopoly rights Law 808/85	105	96	35	35
Other liabilities Law 808/85	118	109	-	-
Indirect tax payables	-	-	135	202
Other payables to related parties (Note 22)	-	-	46	25
Other payables	65	91	452	471
	680	**653**	**1,600**	**1,655**

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

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

Other payables include:

- the payable to Bell Helicopters of €mil. 53 (€mil. 70 at 31 December 2010), of which €mil. 32 carried as a non-current liability (€mil. 52 at 31 December 2010), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW139, previously owned by Bell Helicopters;

- the payable to EADS NV due from GIE ATR (50/50 joint venture between Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 8 (€mil. 4 at 31 December 2010);
- the payable for customer deposits in the amount of €mil. 58 (€mil. 44 at 31 December 2010);
- the payable for contractual penalties in the amount of €mil. 36 (€mil. 37 at 31 December 2010);
- royalties due in the amount of €mil. 25 (€mil. 21 at 31 December 2010);
- the payable for contractual penalties in the amount of €mil. 16 (€mil. 16 at 31 December 2010);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 5 (€mil. 7 at 31 December 2010);
- payables for insurance in the amount of €mil. 3 (€mil. 7 at 31 December 2010).

21. TRADE PAYABLES, INCLUDING NET ADVANCES FROM CUSTOMERS

	30 Sept. 2011	*31 Dec. 2010*
Trade payables	4,293	4,602
Trade payables to related parties (Note 22)	118	128
	4,411	4,730
Advances from customers (gross)	16,246	18,008
Work in progress	(8,142)	(9,742)
Advances from customers (net)	8,104	8,266
Total trade payables	**12,515**	**12,996**

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

22. TRANSACTIONS WITH RELATED PARTIES

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

(millions of euros) ***RECEIVABLES AT 30 SEPTEMBER 2011***	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Elsacom NV			8			8
Other companies with unit amount lower than €mil. 5			11	6	2	19
Associates						
Eurofighter Jagdflugzeug GmbH				188		188
NH Industries Sarl				70		70
Iveco - Oto Melara Scarl				31		31
Abruzzo Engineering Scpa (in liq.)				22		22
Joint Stock Company Sukhoi Aircraft				12	4	16
Orizzonte - Sistemi Navali SpA				11		11
Eurosysnav SAS				7		7
Macchi Hurel Dubois SAS				6		6
Other companies with unit amount lower than €mil. 5		2	1	26		29
Joint ventures (*)						
Ansaldo Energia			124	13		137
MBDA				69		69
Telespazio	4		25	1		30
Thales Alenia Space	2		4	15		21
GIE ATR			3	16	11	30
Superjet International SpA			14	6		20
Other companies with unit amount lower than €mil. 5	3	1	2	4	1	11
Consortiums (**)						
Saturno				18		18
Ferroviario Vesuviano				14		14
Trevi - Treno Veloce Italiano				5		5
Other consortiums with unit amount lower than €mil. 5			1	19	2	22
Subsidiaries/under significant influence by MEF						
Ferrovie dello Stato Italiane				139		139
Other				121		121
Total	**9**	**3**	**193**	**819**	**20**	**1,044**
% incidence on the total for the period	***11.6***	***8.0***	***21.4***	***15.9***	***0.1***	

(millions of euros) **_PAYABLES AT 30 SEPTEMBER 2011_**	**Non-current borrowings**	**Other non-current payables**	**Current borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
<u>Subsidiaries</u>							
SESM- Soluzioni Evolute per Sistemistica e i modelli Scarl				5		5	
Other companies with unit amount lower than €mil. 5			4	11	1	16	
<u>Associates</u>							
Eurofighter Jagdflugzeug Gmbh			71	5		76	
Consorzio Start SpA				39		39	
Iveco Oto Melara Scarl				1	7	8	
Other companies with unit amount lower than €mil. 5			5	8		13	
<u>Joint ventures</u> (*)							
MBDA			514	9	1	524	94
Thales Alenia Space			126	12		138	2
Ansaldo Energia			130	1	25	156	
Telespazio							207
Other companies with unit amount lower than €mil. 5				8	4	12	
<u>Consortiums</u> (**)							
Other consortiums with unit amount lower than €mil. 5				5	1	6	
<u>Subsidiaries/under significant influence by MEF</u>							
Other				14	7	21	
Total	**-**	**-**	**850**	**118**	**46**	**1,014**	**303**
% incidence on the total for the period	***-***	***-***	***57.8***	***2.7***	***3.1***		

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

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

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

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

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

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

For the nine months ended 30 September 2011 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Finmeccanica North America Inc.			8			
Finmeccanica UK Ltd			7			
Other companies with unit amount lower than €mil. 5	3		11	1		
Associates						
Eurofighter Jagdflugzeug Gmbh	511		4			
NH Industries Sarl	139					
Orizzonte Sistemi Navali SpA	89		1			
Iveco - Oto Melara Scarl.	74		1	1		3
Macchi Hurel Dubois SAS	13					
Eurofighter Simulation Sistem GmbH	12					
Metro 5 SpA	7					
Abu Dhabi Systems Integration Llc	6					
A4ESSOR SAS	5					
Consorzio Start SpA	1		29			
Other companies with unit amount lower than €mil. 5	16		9			
Joint ventures (*)						
GIE ATR	67					
MBDA	78					5
Thales Alenia Space	21		9			
Telespazio SpA			5			
Rotorsim Srl		2	5			
Other companies with unit amount lower than €mil. 5	11	1	2		3	1
Consortiums (**)						
Saturno	9		2			
Other consortiums with unit amount lower than €mil. 5	9		2			
Subsidiaries/under significant influence by MEF						
Ferrovie dello Stato Italiane	205		4			
Other	118		28			
Total	**1,394**	**3**	**127**	**2**	**3**	**9**
% incidence on the total for the period	***11.4***	***1.0***	***1.6***	***0.3***	***0.3***	***1.3***

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

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

For the nine months ended 30 September 2010 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Alifana Due Scrl	5		7			
Finmeccanica UK Ltd			6			
Finmeccanica North America Inc			6			
Other companies with unit amount lower than €mil. 5	3		9			
Associates						
Eurofighter Jagdflugzeug Gmbh	477					
NH Industries Sarl	123					
Orizzonte Sistemi Navali SpA	68		1			
Iveco - Oto Melara Scarl.	65		1	1		1
Metro 5 SpA	14					
Eurofighter Simulation Sistems GmbH	13					
Macchi Hurel Dubois SAS	10					
Eurosysnav SAS	6					
A4Essor SAS	6					
Consorzio Start SpA	1		20			
Other companies with unit amount lower than €mil. 5	9	1	8			
Joint ventures (*)						
GIE ATR	53					
MBDA SAS	64					3
Thales Alenia Space SAS	21		3			
Telespazio SpA			5			
Rotorsim Srl		1	5			
Other companies with unit amount lower than €mil. 5	2				1	
Consortiums (**)						
Saturno	26		2			
Other consortiums with unit amount lower than €mil. 5	7		1			
Subsidiaries/under significant influence by MEF						
Ferrovie dello Stato Italiane	172		3			
Other	111		27			
Total	**1,256**	**2**	**104**	**1**	**1**	**4**
% incidence on the total for the period	***9.7***	***0.6***	***1.3***	***0.2***	***0.1***	***0.4***

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

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

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

- “trade receivables”: the most significant amounts relate to the non-eliminated portion of receivables from joint ventures, and to: Eurofighter (EFA programme) totalling €mil. 188 (€mil. 172 at 31 December 2010) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Iveco/Oto Melara consortium amounting to €mil. 31 (€mil. 41 at 31 December 2010) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on VBM Freccia, Siccona and PZH2000 self-propelled vehicle for the Italian Army); receivables from NH Industries amounting to €mil. 70 (€mil. 34 at 31 December 2010) for transactions for the final sale of the NH90 helicopter; receivables from Abruzzo Engineering amounting to €mil. 22 (€mil. 22 at 31 December 2010) for a project for the construction of the regional infrastructures functional to the resolution of the Digital Divide, ordered by the Abruzzi Region, and receivables from the Saturno consortium amounting to €mil. 18 (€mil. 23 at 31 December 2010) for work on high-speed train lines; receivables from Orizzonte-Sistemi Navali amounting to €mil. 11 (€mil. 8 at 31 December 2010) relating to the FREMM programme and the Ferrovie dello Stato Italiane group amounting to €mil. 139 (€mil. 146 at 31 December 2010) for the supply of engines for long-distance trains, high-speed trains and train control systems, as well as service and maintenance activities*;*

- “trade payables”: the most significant amounts relate to the non-eliminated portion of payables from joint ventures, and relate to the Start Consortium amounting to €mil. 39 (€mil. 34 at 31 December 2010) for the supply of software for defence and security systems;

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

- “borrowings”: these amounted to €mil. 850 (€mil. 714 at 31 December 2010) and include payables amounting to €mil. 640 (€mil. 673 at 31 December 2010) due by

Group companies to the JV MBDA and Thales Alenia Space, for the unconsolidated portion, payables amounting to €mil. 71 (€mil. 27 at 31 December 2010) to Eurofighter, held by Alenia Aeronautica (21%), which uses the cash surplus at 30 September 2011 with its shareholders, based on agreements previously made. The item also includes borrowings of Group companies from the joint venture Ansaldo Energia, for the unconsolidated portion, amounting to €mil. 130.

- “revenue”: the most significant amounts relate to the non-eliminated portion of receivables from joint ventures, and to: Eurofighter (EFA programme) totalling €mil. 511 (€mil. 477 at 30 September 2010) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Iveco/Oto Melara consortium amounting to €mil. 74 (€mil. 65 at 30 September 2010) for production and post-sales assistance on defence and security ground vehicles; receivables from NH Industries amounting to €mil. 139 (€mil. 123 at 30 September 2010) for transactions for the final sale of the NH90 helicopter; receivables from Orizzonte - Sistemi Navali amounting to €mil. 89 (€mil. 68 at 30 September 2010) relating to the FREMM programme and the Ferrovie dello Stato Italiane group amounting to €mil. 205 (€mil. 172 at 30 September 2010) for the supply of high-speed trains and local transport, train control systems, as well as service, maintenance and revamping activities.

23. OTHER OPERATING INCOME (EXPENSES)

These regard:

	30 September 2011			*30 September 2010*		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Grants for research and development	49	-	49	55	-	55
Exchange rate difference on operating items	115	(126)	(11)	169	(175)	(6)
Indirect taxes	-	(32)	(32)	-	(37)	(37)
Gains/losses on sales of assets	1	-	1	-	(3)	(3)
Insurance reimbursements	21	-	21	18	-	18
Reversal of impairment of receivables	2	-	2	8	-	8
Restructuring costs	-	(4)	(4)	-	(4)	(4)
Reversals of/Accruals to provisions	59	(1,052)	(993)	41	(103)	(62)
Other operating income (expenses)	50	(62)	(12)	54	(83)	(29)
Other operating income (expenses) attributable to related parties (Note 22)	3	(2)	1	2	(1)	1
Total	**300**	**(1,278)**	**(978)**	**347**	**(406)**	**(59)**

The most significant changes in "Reversals of/Accruals to provisions" compared with the same period of 2010 relate to the allocations to the provision for risks and contractual charges made by the Aeronautics and Transportation divisions (Note 18). Other changes related to product guarantees, the provision for penalties and other provisions.

Other operating income and expenses for the third quarter of 2011 came to €mil. 952 (€mil. 83 in income and €mil. 1,035 in expense) compared with €mil. 20 in net expense (€mil. 75 in income and €mil. 95 in expense) in the third quarter of 2010. This item reflects the above-mentioned allocations made by the Aeronautics and Transportation divisions in the third quarter.

24. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

In particular, these include:

	For the nine months ended 30 September			
	2011		2010	
Raw materials and consumables used		4,118		4,290
Purchase of services		4,067		4,046
Costs to related parties (Note 22)		127		104
Personnel costs		3,558		3,572
Wages, salaries and contributions	*3,240*		*3,263*	
Cost of stock grant plans	*1*		*38*	
Cost of performance cash plan	*16*		*-*	
Costs related to defined-benefit plans	*24*		*46*	
Costs related to defined-contribution plans	*109*		*105*	
Restructuring costs	*40*		*20*	
Other personnel costs	*128*		*100*	
Changes in inventories of work in progress, finished and semi-finished products		(207)		(27)
Work performed by the Group and capitalised		(339)		(379)
Total raw materials and consumables used and personnel costs		**11,324**		**11,606**

Regarding personnel, the average workforce went from 75,359 in the first nine months of 2010 to 72,167 in the same period of the current year, for a net decrease of 3,192 mainly due mainly to the company reorganisation, rationalisation and efficiency enhancement process begun last year, particularly in the Aeronautics, Helicopters, Defence and Security Electronics and Transportation divisions. The decrease in the average workforce was also due to the change in the scope of consolidation, in particular due to the aforementioned sale of 45% of Ansaldo Energia SpA, which is consolidated on a proportional basis as from 1 July 2011, and for the transfer of some business units in companies held as joint ventures, using the proportional consolidation method accordingly.

The workforce at 30 September 2011 came to 71,050, down a net of 4,147 employees from the 75,197 reported at 31 December 2010, as a result of the restructuring and efficiency enhancement process currently under way, the effect of centrally coordinating turnover in Italy, as well as the change in the scope of consolidation due to the partial sale of Ansaldo Energia, which contributed to this decrease by 1,522 employees.

Personnel costs came to €mil. 3,558 in the first nine months of 2011 as compared with €mil. 3,572 in the same period of 2010, for a net decrease of €mil. 14, which reflects the change in the scope of consolidation, the reduced workforce and the rise in restructuring costs and other early-retirement incentives. Medium and long-term stock award plans accounted for different amounts in the periods at issue. To that end, it should be noted that a new stock incentive plan (Performance Cash Plan) was introduced with a different distribution scheme over the three-year period as compared with the previous plan, reported last year under “cost of stock grant plans”.

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

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

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

Personnel costs for the third quarter of 2011 totalled €mil. 1,112, compared with €mil.1,147 for the third quarter of 2010.

Purchase of services include, among other things, costs for acquisition of satellite capacity of the Telespazio joint venture, which were more than offset by revenue from sales (€mil. 44 from €mil. 48 at 30 September 2010) and costs of rents, operating leases and hires (€mil. 171 from €mil. 170 at 30 September 2010).

Purchase of services and raw materials and consumables for the third quarter of 2011 came to €mil. 2,619, compared with €mil. 2,832 for the third quarter of 2010.

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	For the nine months ended 30 September			
	2011		***2010***	
Depreciation and amortisation:				
• Amortisation of intangible assets (Note 9)		206		190
Development costs	*59*		*42*	
Non-recurring costs	*20*		*19*	
Acquired through a business combination	*61*		*64*	
Other	*66*		*65*	
• Depreciation of property, plant and equipment		284		285
Impairment:				
• non-current assets and investment properties		51		4
• goodwill		-		-
• operating receivables		12		12
Total amortisation, depreciation and impairment		**553**		**491**

Amortisation and depreciation for the period amounted to €mil. 155 (amortisation €mil.63 and depreciation €mil. 92) compared to €mil. 156 (amortisation €mil. 64 and depreciation €mil. 92) in the corresponding prior year period. Impairment totalled €mil.31 vs. €mil. 4 in the third quarter of 2010.

26. FINANCE INCOME AND COSTS

Below is a breakdown of finance income and costs:

	For the nine months ended 30 September					
	2011			***2010***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Gain on sale of Ansaldo Energia	458	-	458	-	-	-
Interest	16	(227)	(211)	15	(246)	(231)
Premiums paid/received on IRS	12	(30)	(18)	32	(34)	(2)
Commissions (including commissions on non-recourse items)	-	(31)	(31)	1	(34)	(33)
Fair value adjustments through profit or loss	112	(39)	73	114	(85)	29
Premiums paid/received on forwards	5	(6)	(1)	5	(4)	1
Exchange-rate differences	273	(313)	(40)	508	(465)	43
Interest cost on defined-benefit plans (less expected returns on plan assets) (Note 19)	-	(18)	(18)	-	(25)	(25)
Finance income (costs) - related parties (Note 22)	3	(9)	(6)	1	(4)	(3)
Other finance income and (costs)	43	(37)	6	18	(5)	13
	922	**(710)**	**212**	**694**	**(902)**	**(208)**

More specifically:

- during the period the Group benefited from the recognition of the gain on the sale of 45% of Ansaldo Energia;
- net interest expense includes €mil. 198 (€mil. 215 for the same period of 2010) in interest on bonds;
- the net premiums paid on interest rate swaps (IRS) reflect the timing mismatch between payments and collections, with collections concentrated at the end of the year for an amount that is identifiable such that we expect to recognise net income at 31 December 2011. Premiums on IRS deteriorated as compared with 30 September 2010 since, during the same period of the previous year, the Group benefitted from an extraordinary early closing of IRS positions on the pound sterling issue (€mil. 24 in premiums received);

- net income from the application of fair value to the income statement, as detailed below:

	For the nine months ended 30 September					
	2011			***2010***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Foreign-currency swaps	31	(9)	22	7	(47)	(40)
Forex options	-	(1)	(1)	9	(1)	8
Interest rate swaps	62	(1)	61	94	-	94
Ineffective component of hedging on swaps	6	(9)	(3)	4	(12)	(8)
Embedded derivatives		(6)	(6)	-	(18)	(18)
Other equity derivatives	13	(13)	-	-	(7)	(7)
	112	**(39)**	**73**	**114**	**(85)**	**29**

  - net income on foreign-currency swaps, deriving from the fair value measurement of the hedges on payables and receivables in foreign currencies, was partially offset by costs for the realignment of the exchange rates for such hedged payables and receivables at period-end, classified under "Exchange-rate differences";
  - fair value income on interest rate swaps benefited, during the same period of the previous year, from earned income of €mil. 94 as a result of the significant reduction in interest rates which had marked the first nine months of 2010. Despite the strong recovery in interest rates in the first half of 2011, income amounted to €mil. 61 for the period since interest rates fell during the quarter, effectively negating the gains made over the previous six months;
- other net finance income includes, *inter alia,* costs arising from the buy-back of a portion of existing bonds issues (described in more detail in the Financial Transactions section). This transaction should lead to significant savings in interest expense over the next two years.

During the third quarter of 2011, the Group reported a €mil. 24 increase in net finance costs compared with the same period of 2010 (€mil. 49 in net costs in the third quarter of 2011 compared with €mil. 25 in 2010). This change is mainly due to higher costs relating to exchange-rate differences, only partially offset by the effects of the application of the fair value method. Interest on bond issues came to €mil. 66, compared with €mil. 69 in interest in the third quarter of 2010.

27. INCOME TAXES

Income tax expense can be broken down as follows:

	For the nine months ended 30 September	
	2011	***2010***
Corporate income tax (IRES)	93	129
Regional tax on productive activities (IRAP)	61	74
Benefit under consolidated tax mechanism	(79)	(51)
Other income taxes	81	78
Tax related to previous periods	(7)	(24)
Provisions for tax disputes	16	2
Deferred tax liabilities (assets) - net	(274)	17
	(109)	**225**

The decrease in IRES is mainly due to the decrease in the taxable base. The increase in the benefit under consolidated tax mechanism results from greater losses in the period.

Income taxes for the third quarter of 2011 amounted to €mil. (225), compared with €mil. 78 for the same period of the previous year.

28. CASH FLOW FROM OPERATING ACTIVITIES

	For the nine months ended 30 September	
	2011	***2010***
Net profit (loss)	(324)	321
Depreciation, amortisation and impairment	553	491
Share of profit (loss) of equity accounted investments	42	14
Income taxes	(109)	225
Costs of pension and stock grant plans	25	86
Net finance costs (income)	(212)	208
Net allocations to the provisions for risks	1,028	-
Other non-monetary items	88	101
	1,091	**1,446**

Costs of pension and stock grant plans include the portion of costs relating to defined benefit pension plans that is recognised as a personnel cost (the portion of costs relating to interest is carried among net finance costs). The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and exchange gains/losses, are as follows:

	For the nine months ended 30 September	
	2011	***2010***
Inventories	(451)	(78)
Contract work in progress and advances received	(568)	(725)
Trade receivables and payables	(202)	(483)
Changes in working capital	**(1,221)**	**(1,286)**

29. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

Basic EPS	***For the nine months ended 30 September***	
	2011	***2010***
Average number of shares for the period (in thousands)	577,438	577,006
Net result (not including non-controlling interests) (€mil.)	(358)	284
Result of continuing operations (not including non-controlling interests) (€mil.)	(358)	284
Basic EPS	(0.620)	0.492
Basic EPS from continuing operations	(0.620)	0.492

Diluted EPS	***For the nine months ended 30 September***	
	2011	***2010***
Average number of shares for the period (in thousands)	578,097	577,665
Adjusted result (not including non-controlling interests) (€mil.)	(358)	284
Adjusted result of continuing operations (not including non-controlling interests) (€mil.)	(358)	284
Diluted EPS	(0.619)	0.492
Diluted EPS from continuing operations	(0.619)	0.492

For the Board of Directors
the Chairman
(Pier Francesco Guarguaglini)

Declaration of the officer responsible for the interim financial report at 30 September 2011 pursuant to art. 154-bis, paragraph 2 of Legislative Decree 58/98, as amended

I, Alessandro Pansa, as the Manager in charge of preparing the company's accounting documents and General Manager and Chief Financial Officer for Finmeccanica Spa, hereby declare, in accordance with the provisions of Article 154*bis*, paragraph 2, of Legislative Decree 58/98, that the interim financial report for the period ended 30 September 2011 corresponds to the related accounting records, books and supporting documentation.

Rome, 14 November 2011

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