INTERIM FINANCIAL REPORT
AT 31 MARCH 2012
FINMECCANICA

Disclaimer

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Finmeccanica Group

Report on operations at 31 March 2012

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

Highlights

€ millions	March 2012	March 2011	Change	2011
New orders	**3,480**	**3,816**	**(9%)**	**17,434**
Order backlog	**45,721**	**48,038**	**(5%)**	**46,005**
Revenues	**3,686**	**3,855**	**(4%)**	**17,318**
Adjusted EBITA	**173**	**215**	**(20%)**	**(216)**
ROS	***4.7%***	***5.6%***	***(0.9) p.p.***	***(1.2%)***
Net profit	**25**	**7**	**257%**	**(2,306)**
Net capital invested	**9,121**	**11,051**	**(17%)**	**8,046**
Net financial debt	**4,515**	**4,051**	**11%**	**3,443**
FOCF	**(1,138)**	**(998)**	**(14%)**	**(358)**
ROI	***8.1%***	***8.1%***	***0.0 p.p.***	***(2.4%)***
ROE	***2.1%***	***0.4%***	***1.7 p.p.***	***(39.4%)***
EVA	**(61)**	**(99)**	**38%**	**(956)**
Research & Development	**409**	**384**	**7%**	**2,020**
Workforce (no.)	**69,652**	**74,497**	**(7%)**	**70,474**

Refer to the following section for definitions of the indicators.

The Finmeccanica Group (the Group) at 31 March 2012 achieved results that were weaker than those for the same period of 2011 (in part due to the change in the method of consolidating the Ansaldo Energia group, as described further on), although they still surpassed the expectations formulated in preparing the 2012 budget.

Before commenting on the period results, there are certain factors that, as discussed in the outlook section of the 2011 consolidated financial statements, are also expected to have an impact in 2012. In the Group’s main markets (Italy, the UK and the US), budgets for military systems and security experienced a sharp slowdown in investment in 2010.

Internally in 2011 - though to different degrees depending upon the company - the Group addressed issues related to industrial efficiency and to the complexity and burdensomeness of the corporate

structures through the preparation and implementation of in-depth, detailed plans (setting out the steps to be taken, the costs/benefits, timing, constraints and conditions for execution) to improve levels of competitiveness, efficiency and industrial reorganization in each company. The monitoring performed by the Parent Company and the companies during the period confirmed that the actions under these plans are in line with the physical progress timetables and that the quantitative targets in terms of overall benefits are also being reached.
From a performance and financial perspective, the impact of these benefits at 31 March 2012 was still limited since the gradual expansion in these benefits is closely tied to rising revenues in certain cases, such as purchasing and controllable costs.
It should be noted that, in general, the Finmeccanica Group's consolidated results for the first quarter are not entirely representative of the trend for the financial year as a whole (since more than half of the Group's business is concentrated in the second half of the year).

Before analysing the main indicators under comparison, it should be noted that the euro depreciated against the US dollar by around 4.0% and against the pound sterling by around 2.0% (comparison of the average exchange rates for the first quarters of 2012 and 2011). The fluctuations in the prevailing exchange rates at 31 March 2012 and at 31 December 2011 caused instead a 3% appreciation in the euro against the US dollar and a substantial alignment with the pound sterling to be reflected in the balance-sheet items.

Also for comparative purposes, it should be mentioned 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 a result of this transaction, the income statement items pertaining to the Ansaldo Energia group were consolidated on a line-by-line basis up until 30 June 2011 and on a proportional basis (55%) from 1 July to 31 December 2011. The balance-sheet items have been consolidated on a proportional basis since 30 June 2011.

The primary changes that marked the Group's performance compared with the first quarter of 2011 are described below. A deeper analysis can be found in the section covering the trends in each business segment.
The following table shows the primary performance indicators by segment:

Primary Finmeccanica Group indicators by segment

March 2012 (€ million)	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	826	12,095	853	88	10.3%	90	13,161
Defence and Security Electronics	1,076	9,282	1,276	55	4.3%	165	26,539
Aeronautics	873	8,929	584	13	2.2%	67	12,162
Space	110	2,387	218	10	4.6%	11	4,151
Defence Systems	314	3,722	250	15	6.0%	61	4,018
Energy	83	1,887	139	11	7.9%	4	1,866
Transportation	267	8,140	447	8	1.8%	11	6,858
Other activities	7	228	63	(27)	n.a.	-	897
Eliminations	(76)	(949)	(144)		0.0%		
	3,480	**45,721**	**3,686**	**173**	**4.7%**	**409**	**69,652**

March 2011 (€ million)	New orders	Order backlog at 31 Dec. 2011	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.) at 31 Dec. 2011
Helicopters	680	12,121	815	81	10.0%	77	13,303
Defence and Security Electronics	1,213	9,591	1,343	98	7.3%	148	27,314
Aeronautics	535	8,656	567	4	0.7%	62	11,993
Space	103	2,465	219	-	n.a.	19	4,139
Defence Systems	119	3,656	260	12	4.6%	59	4,066
Energy	730	1,939	266	21	7.9%	6	1,872
Transportation	639	8,317	458	22	4.8%	13	6,876
Other activities	15	256	48	(23)	n.a.	-	911
Eliminations	(218)	(996)	(121)				
	3,816	**46,005**	**3,855**	**215**	**5.6%**	**384**	**70,474**

Changes	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	21%	n.s.	5%	9%	0.3 p.p.	17%	(1.1%)
Defence and Security Electronics	(11%)	(3%)	(5%)	(44%)	(3.0) p.p.	11%	(2.8%)
Aeronautics	63%	3%	3%	225%	1.5 p.p.	8%	1.4%
Space	7%	(3%)	(%)	n.s.	n.a.	(42%)	n.s.
Defence Systems	164%	2%	(4%)	25%	1.4 p.p.	3%	n.s.
Energy	(89%)	(3%)	(48%)	(48%)	0.0 p.p.	(33%)	n.s.
Transportation	(58%)	(2%)	(2%)	(64%)	(3.0) p.p.	(15%)	n.s.
Other activities	(53%)	(11%)	31%	17%	n.a.	n.a.	(1.5%)
	(9%)	**(1%)**	**(4%)**	**(20%)**	**(0.9) p.p.**	**7%**	**(1.2%)**

From a commercial perspective, **new orders** for the Group in the first quarter of 2012 amounted to €mil. 3,480, compared with €mil. 3,816 for the same quarter of 2011, for a decrease of €mil. 366. However, new orders rose in the Aerospace and Defence segments. New orders at 31 March 2011 would have been about €mil. 3,487 had the Energy group been consolidated on the same percentage basis at 31 March 2012.

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

- *Energy,* as a result of changing the method of consolidation (from line-by-line to proportional) and to fewer new orders in the *plants and components* segment. During the first quarter of 2011, the segment benefitted from the receipt of a new order from Turkey for an 800 MW combined-cycle plant and related scheduled maintenance (worth around €mil. 638);
- *Transportation*, due mainly to the *signalling and transportation solutions* segment where, in the first quarter of 2011, significant new orders were reported in both *signalling* (Turin-Padua line) and *transportation solutions* (Milan metro Line 5 extension).

This deterioration was partially offset by the growth in the Aerospace and Defence sectors, mainly in:

- *Helicopters,* primarily as a result of the sale of new models of the AW169 and the AW189 (for a total of 45 units), representing about 50% of the value of all new orders in the first quarter;
- *Aeronautics,* due to more orders in the *military* (special versions of the ATR aircraft and EFA programmes) segment*;*
- *Defence Systems,* due to the receipt of an important contract from the Indian Air Force in the *missile systems* segment.

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The **order backlog** at 31 March 2012 amounted to €mil. 45,721, a decrease of €mil. 284 from 31 December 2011 (€mil. 46,005).

The net change is mainly due to the effect of translating the backlog expressed in foreign currencies as a result of the appreciation of the euro as against the US dollar at the end of the period (prevailing exchange rates) (€mil. 87).

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

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Reclassified Income Statement *€ millions*	*Note*	*For the three months ended 31 March* *2012*	*2011*
Revenues		3,686	3,855
Raw materials and consumables used and personnel costs	*(*)*	(3,369)	(3,497)
Depreciation and amortisation	*25*	(134)	(135)
Other net operating income (expenses)	*(**)*	(10)	(8)
Adjusted EBITA		**173**	**215**
Non-recurring income (costs)		-	-
Restructuring costs		(9)	(13)
Amortisation of intangible assets acquired through a business combination	*25*	(22)	(21)
EBIT		**142**	**181**
Net finance income (costs)	*(***)*	(91)	(119)
Income taxes	*28*	(26)	(55)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**25**	**7**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**25**	**7**

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

(*) Includes "Raw materials and consumables used and personnel costs", excluding "Restructuring costs".

(**) Includes "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".

Revenues at 31 March 2012 came to €mil. 3,686, compared with €mil 3,855 for the same period of 2011, for a decrease of €mil. 169 (-4.4%). Had the Energy group been consolidated on the same percentage basis at 31 March 2012, in the first quarter of 2011 Group revenues would have come to around €mil. 3,735.

The change in revenues is largely due to the decline in volumes in *Defence and Security Electronics,* mainly attributable to decreased activity in programmes for the US armed forces (DRS Technologies). All the other sectors remained substantially stable compared with the same period of the previous year.

Adjusted EBITA at 31 March 2012 came to €mil. 173, compared with €mil. 215 for the same period of the previous year, for a decrease of €mil. 42.

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

- *Defence and Security Electronics*, due to the mentioned decline in production volumes for DRS and the deterioration in the mix of activities, particularly in the *information technology and security* and *integrated communication networks and systems* segments;
- *Energy,* mainly as a result of the change in the consolidation method (€mil. 9);

- *Transportation*, mostly in the *vehicles* segment, which, despite generating higher revenues than at 31 March 2011, still posts negative profitability, although this is in line with expectations and is basically due to the production mix.

Adjusted EBITA in the other divisions improved over 2011, especially in:

- *Helicopters*, due to the increase in revenues as result of greater product support activity, which has high added value;
- *Aeronautics*, largely due to lower operating expenses and improved industrial efficiency following implementation of the restructuring and reorganisation plan last year;
- *Space*, due to higher profitability in the manufacturing segment, the different mix of satellite services and the benefits deriving from the enactment of the efficiency and restructuring plans.

As a result, **ROS** amounted to 4.7%, compared with 5.6% in the first quarter of 2011.

The decline in **EBIT,** equal to €mil. 39, is attributable to the decrease in adjusted EBITA (€mil. 42), partially offset by lower restructuring costs (€mil. 4) incurred during the period.

Net finance costs amounted to €mil. 91, an improvement of €mil. 28 over the same period of 2011 (net finance costs of €mil. 119); this trend is largely due to the equity investments accounted for with the equity method, which posted positive net results of €mil. 9 compared with the negative results recorded in the first quarter of 2011 (negative €mil. 8).

The effective **tax rate** at 31 March 2012 amounted to -50.72% (-88.29% at 31 March 2011).

The tax rate for the first quarter of 2012 is not representative of the annual taxation level. The effective tax rate at 31 March 2012 reflects the seasonality of results, and should, during the year, realign with past performance.

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

- Regional tax on productive activities (IRAP) of €mil. 21, or -41.25% (at 31 March 2011 it was €mil. 24, or -38.16%);
- Corporate income tax (IRES) and deferred taxes for a net gain of €mil. 10, or 19.48% (at 31 March 2011 it was €mil. 9, or -14.44%); 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. 15, or -28.95% (at 31 March 2011 it amounted to €mil. 22, or -35.69%).

The Group's **net profit** for the first quarter of 2012 amounted to €mil. 25 (net profit of €mil. 7 at 31 March 2011); the primary items contributing to this result are: the deterioration in EBIT (€mil. 39), which was more than offset by the reduction in net finance costs (€mil. 28) and taxes (€mil. 29).

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Reclassified Balance Sheet ***€ millions***	***Note***	***31 Mar. 2012***	***31 Dec. 2011***
Non-current assets		13,446	13,543
Non-current liabilities	*(*)*	(4,002)	(4,145)
		9,444	**9,398**
Inventories		4,694	4,486
Trade receivables	*(**) 13*	9,069	8,932
Trade payables	*(***) 21*	(12,737)	(13,162)
Working capital		**1,026**	**256**
Provisions for short-term risks and charges	*18*	(879)	(932)
Other net current assets (liabilities)	*(****)*	(470)	(676)
Net working capital		**(323)**	**(1,352)**
Net capital invested		**9,121**	**8,046**
Capital and reserves attributable to equity holders of the Company		4,298	4,301
Non-controlling interests in equity		308	303
Shareholders' equity	*16*	**4,606**	**4,604**
Net financial debt (cash)	*17*	**4,515**	**3,443**
Net (assets) liabilities held for sale	*(*****)*	**-**	**(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".
(***) Includes "Advances from customers".
(****) 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 connected with assets held for sale".

At 31 March 2012, the **net capital invested** came to €mil. 9,121, compared with €mil. 8,046 at 31 December 2011, for a net increase of €mil. 1,075. It should be noted that a thorough review was made of the Group's invested capital at 31 December 2011 (both the fixed asset and the working capital component), leading to writedown in the development costs of certain products for which the commercial prospects and competitiveness in terms of their cost/performance no longer guaranteed an adequate return on investment, as well as a substantial reduction in the goodwill recognised for certain assets as a result of defence and security budget cuts, particularly in the Group's main markets, that have affected the growth prospects for the companies. Moreover, the net capital invested also reflected provisions required to implement the business reorganisation plans involving the Aeronautics, Defence and Security Electronics and Transportation (*vehicles* segment) divisions in particular. All of this made the net invested capital more sustainable and brought it in line with the projected growth in Group industrial profitability, and is an adequate representation of the indicators of the return on such capital. The increase in net capital invested in the first three months of 2012 was mainly due to the negative trend - usual for the period - in Free Operating Cash Flow (FOCF) as a component of net working capital, as described below.

As a result, there was a €mil. 1,029 increase in **net working capital** (negative €mil. 323 at 31 March 2012, compared with negative €mil. 1,352 at 31 December 2011).

As to **capital assets**, there was a net increase of €mil. 46 (€mil. 9,444 at 31 March 2012, compared with €mil. 9,398 at 31 December 2011), mainly due to the investments and depreciation for the period and due to translating financial statements into euros, particularly as a result of the euro/US dollar exchange rate, reflected in the decline in goodwill of foreign companies of €mil. 63.

In connection with the change in net capital invested, as described above, compared with 31 March 2011, return on investment (ROI) stood at 8.1% (8.1% at 31 March 2011), EVA came to a negative €mil. 61 (negative €mil. 99 at 31 March 2011) and return on equity (ROE) amounted to 2.1% (0.4% at 31 March 2011).

The **FOCF** is to be analysed in the context of the period, and seasonal factors have to be taken into account. The balance between trade collections and payments reveals that payments are particularly higher than collections. At 31 March 2012, FOCF was negative (use of cash) in the amount of about €mil. 1,138, compared with negative €mil. 998 at 31 March 2011, for a net deterioration of €mil. 140, mainly due to the use of cash in operating activities (change of €mil. 165), although there was an improvement in the use of cash in investing activities.

In the first quarter of 2012, investing activity, needed for product development, was concentrated in Aeronautics (38%), Defence and Security Electronics (23%) and Helicopters (23%).

	For the three months ended 31 March			
	2012		***2011***	
Cash and cash equivalents at 1 January	1,331		1,854	
Gross cash flow from operating activities	320		373	
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(403)		(372)	
Funds From Operations (FFO)		**(83)**		**1**
Changes in working capital	(892)		(811)	
Cash flow generated from (used in) operating activities	(975)		(810)	
Cash flow from ordinary investing activities	(163)		(188)	
Free Operating Cash Flow (FOCF)		**(1,138)**		**(998)**
Strategic operations	-		(4)	
Change in other investing activities (**)	(13)		6	
Cash flow generated from (used in) investing activities	(176)		(186)	
Net change in borrowings	763		(75)	
Dividends paid	-		-	
Cash flow generated from (used in) financing activities	763		(75)	
Exchange gains/losses	-		(14)	
Cash and cash equivalents at 31 March	**943**		**769**	

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

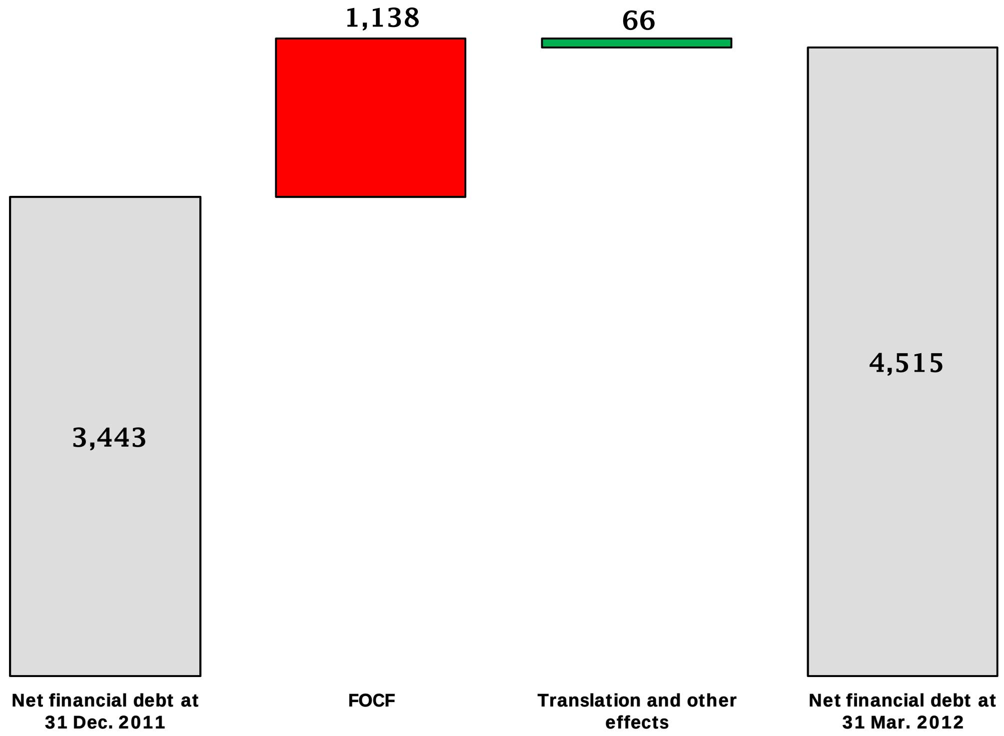
(**) *Includes "Other investing activities", dividends received from subsidiaries and loss coverage for subsidiaries.*

* * * * * * * *

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 31 March 2012 came to €mil. 4,515 (€mil. 3,443 at 31 December 2011), for a net increase of €mil.1,072.

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

Net financial debt at 31 March 2012 - (€ million)



The net debt figure for the period includes:

€ million	***31 Mar. 2012***	***31 Dec. 2011***
Short-term borrowings	1,063	414
Medium/long-term borrowings	4,322	4,397
Cash and cash equivalents	(943)	(1,331)
NET BANK DEBT AND BONDS	**4,442**	**3,480**
Securities	(38)	(40)
Financial receivables from related parties	(186)	(184)
Other financial receivables	(824)	(887)
FINANCIAL RECEIVABLES AND SECURITIES	**(1,048)**	**(1,111)**
Borrowings from related parties	982	949
Other short-term borrowings	77	66
Other medium/long-term borrowings	62	59
OTHER BORROWINGS	**1,121**	**1,074**
NET FINANCIAL DEBT (CASH)	**4,515**	**3,443**

Once again for March 2012, 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. 53).

The net debt figure at the end of the first quarter, which reflects the usual negative pattern for FOCF for the period, was not significantly affected by any extraordinary transactions, although it did benefit from the depreciation in the US dollar against the euro as at 31 March 2012, compared with at December 2011, particularly with respect to the translation into euros of net debt denominated in dollars.

During the period, the Group made assignments of non-recourse receivables totalling around €mil. 57 (€mil. 69 at 31 March 2011).

As regards the composition of the net debt items, with particular regard to bank borrowings and bonds, which went from €mil. 3,480 at 31 December 2011 to €mil. 4,442 at 31 March 2012, the main changes were as follows:

- short-term borrowings went from €mil. 414 at 31 December 2011 to €mil. 1,063 at 31 March 2012, mainly due to the use of the short-term revolving credit line, as well as the recognition of the coupons on bond issues maturing over the next 12 months, net of payments made during the period;
- medium/long-term borrowings fell from €mil. 4,397 at 31 December 2011 to €mil. 4,322 at 31 March 2012, in part due to the impact of the repurchase of about €mil. 26 (equal to USDmil. 34) in bonds maturing in July 2019, with a coupon of 6.25%, issued by the Meccanica Holdings USA in 2009 for a total issue of USDmil. 500;
- cash and cash equivalents went from €mil. 1,331 at 31 December 2011 to €mil. 943 at 31 March 2012, in part to finance cash requirements for the period. In addition to the cash available directly from the Parent Company, cash and cash equivalents also include that of its subsidiaries and of companies and joint ventures outside the scope of the centralisation of treasury functions.

The item "financial receivables and securities" equal to €mil. 1,048 (€mil. 1,111 at 31 December 2011) includes, among other things, the amount of €mil. 755 (€mil. 764 at 31 December 2011) 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 financial receivables from the Ansaldo Energia joint venture in the amount of €mil. 127, equal to the portion that was not eliminated as a result of proportional consolidation.

The item "borrowings from related parties" amounting to €mil. 982 (€mil. 949 at 31 December 2011) includes the debt of €mil. 739 (€mil. 701 at 31 December 2011) of Group companies in the MBDA and Thales Alenia Space joint ventures for the unconsolidated portion, and the debt of €mil. 82 (€mil. 47 at 31 December 2011) to the company Eurofighter, of which Alenia Aermacchi owns 21%. In regard to this, under the existing treasury agreements, surplus cash and cash equivalents at 31 March 2012 were distributed among the partners. The item also includes the unconsolidated portion of Group company borrowings from the Ansaldo Energia joint venture (€mil. 110).

It should be noted that, 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). This facility was drawn upon in the amount of €mil. 640 at 31 March 2012.
Moreover, at 31 March 2012, Finmeccanica had additional short-term unconfirmed credit lines for around €mil. 632. These lines of credit were entirely unused at 31 March 2012. Finally, there are also unconfirmed guarantees of around €mil. 2,183.

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Research and development costs at 31 March 2012 came to €mil. 409, up €mil. 25 over the same period of the previous year (€mil. 384).

In the *Aeronautics* division, research and development costs for first quarter of 2012 totalled €mil. 67 (around 16% of the Group total) and reflect the progress made in the main programmes under development (M346, C27J, basic version of the B787 and unmanned aerial vehicles) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, AMX and Neuron) and civil (C-series and derivative versions of the B787-9) programmes as commissioned by customers.
In the *Defence and Security Electronics* division, research and development costs totalled €mil. 165 (around 40% of the Group total), relating to:

- *avionics and electro-optical system* segment: development for the EFA programme; new systems and sensors for 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 activity on the 3D Kronos radar surveillance system and the active multi-functional MFRA; upgrading of current SATCAS products; the programme to develop capabilities and technologies for architectural design and construction of major systems for integrated management of operations by armed ground forces (Combined Warfare Proposal); the launch of the naval combat systems programme;
- *integrated communications networks* segment: the development of TETRA technology products and software defined radio products; satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions.

Finally, in *Helicopters*, research and development costs for the first quarter of 2012 came to €mil. 90 (about 22% of the Group total) and mainly concerned:

- technologies, primarily for military use, for a new 8 tonne class helicopter named the AW149;
- multi-role versions of the AW609 convertiplane for national security, which has, since mid-November 2011, been under the sole control of AgustaWestland.

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The **workforce** at 31 March 2012 came to 69,652, a net decrease of 822 from 70,474 at 31 December 2011, essentially due to staff reduction and efficiency efforts undertaken as part of the Group reorganisation and restructuring process, especially in the Defence and Security Electronics division. The size of the workforce decreased by 4,845 compared with the same period of the previous year (74,497 employees). This decline substantially occurred across all Group divisions, particularly in Defence and Security Electronics (2,563 fewer employees, largely in foreign operations) and as a result of the change in the method of consolidating the Ansaldo Energia group (1,516 employees).

The geographical distribution of the workforce at the end of the first quarter of 2012 was substantially stable compared with 31 December 2011, breaking down into 58% of the workforce in Italy and 42% in foreign countries, largely the United States (14%), 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 transactions 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.

In addition, the application of IAS 24 (revised) had an impact on disclosures concerning related parties and changes to comparative figures (for related parties only) given in the income statement and balance sheet to take account, among other things, of those entities subject to the control or significant influence of the Ministry for the Economy and Finance (MEF).

The major related party transactions performed by Finmeccanica directly or through a subsidiary during the period are described in the section on Significant events and events subsequent to the closure of the accounts for the quarter.

The section “Analysis of the financial statements at 31 March 2012” contains a summary of income statement and balance sheet balances and guarantees attributable to transactions with related parties, as well as the percentage impact of these transactions on the respective total balances (Note 22).

"Non-GAAP" performance indicators

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

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

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

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

  Adjusted EBITA is then used, to calculate return on sales (ROS) and return on investment (ROI) on an annual basis (which is calculated as the ratio of annualized adjusted EBITA to the average value of capital invested during the reporting period. Until 30 September 2011 this ratio was calculated in the interim periods on a last 12-month basis.

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

€ million	For the three months ended 31 March 2012	2011	Note
EBIT	142	181	
Amortisation of intangible assets acquired through a business combination	22	21	*25*
Non-recurring (income) costs			
Restructuring costs	9	13	*23/24*
Adjusted EBITA	**173**	**215**	

A reconciliation by sector of EBIT and Adjusted EBITA is shown in Note 8.

- ***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 29). 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	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	826	680	3,963
Order backlog	12,095	11,848	12,121
Revenues	853	815	3,915
Adjusted EBITA	88	81	417
ROS	10.3%	10.0%	10.7%
R&D	90	77	472
Workforce (no.)	13,161	13,477	13,303

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

The total volume of **new orders** at 31 March 2012 came to €mil. 826, a 21.5% increase from the same period of 2011 (€mil. 680). New orders break down into 76.0% for helicopters (new helicopters and upgrading) and 24.0% for product support (spare parts and inspections), engineering and manufacturing. New orders rose primarily as a result of the sale of new models of the AW169 and the AW189 (for a total of 45 units), representing about 50% of the value of all new orders in the first quarter.

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

- the order for two AW139 helicopters in law enforcement configuration for the Japan National Police Agency;
- the order for one AW109 helicopter for the Chilean military police.

In the *civil-government* segment, new orders for 64 helicopters were received. Among the most important new orders received include:

- from Gulf Helicopters for 15 AW189 helicopters in off-shore configuration to support oil platforms in the Middle East;
- from Inaer Aviation Spain, an air rescue services provider, for five AW169 helicopters.

The value of the **order backlog** at 31 March 2012 came to €mil. 12,095, essentially in line with the figure at from 31 December 2010 (€mil. 12,121), and breaks down into 65.0% for helicopters (new helicopters and upgrading) and 35.0% for product support (spare parts and inspections), engineering and manufacturing. It is sufficient to guarantee coverage of production for an equivalent of about three years.

Revenues at 31 March 2012 came to €mil. 853, up by 4.7% from 31 March 2011 (€mil. 815). This increase is mainly attributable to product support activity, which improved by 12% over the previous year, while components showed no significant change.

Adjusted EBITA came to €mil. 88 at 31 March 2012, up 8.6% compared with the €mil. 81 reported at 31 March 2011. This improvement is in line with the breakdown of revenues and is therefore correlated with the increase in product support activity, which has high added value, mentioned above.
As a result, **ROS** rose by 0.3 percentage point to 10.3% compared with 10.0% at 31 March 2011.

Research and development costs for the first quarter of 2012 came to €mil. 90 (€mil. 77 at 31 March 2011) and mainly concerned:

- technologies, primarily for military use, for a new 8 tonne class helicopter named the AW149;
- multi-role versions of the AW609 convertiplane for national security, which has, since mid-November 2011, been under the sole control of AgustaWestland

The **workforce** at 31 March 2012 came to 13,161, a net decrease from 31 December 2011 (13,303 employees). This decrease is due to the implementation of the plan to reorganise the Yeovil (UK) facility, involving the dismissal of up to 375 employees by the end of 2012.

DEFENCE AND SECURITY ELECTRONICS

€ million	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	1,076	1,213	4,917
Order backlog	9,282	11,256	9,591
Revenues	1,276	1,343	6,035
Adjusted EBITA	55	98	303
ROS	4.3%	7.3%	5.0%
R&D	165	148	823
Workforce (no.)	26,539	29,102	27,314

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 threats deriving from the unauthorised use of digital information and communications systems (cyber security), 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.

It should also be noted that, following the merger between Elsag Datamat and SELEX Communications in 2011, in early 2012 Finmeccanica transferred its holdings in SELEX Galileo Ltd, SELEX Galileo SpA, SELEX Elsag SpA and SELEX Sistemi Integrati SpA to its wholly-owned subsidiary SELEX Electronic Systems SpA (formerly Finmeccanica Consulting Srl). Please refer to the Industrial Transactions section for more information.

New orders at 31 March 2012 amounted to €mil. 1,076, down €mil. 137 from the same period of 2011 (€mil. 1,213).
Major new orders include:

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics equipment and radar for the third lot, as well as logistics; orders to design and build a spectrometer under the Aurora ExoMars space programme; the order from the Italian Navy for the ground station supporting ATOS surveillance systems on the ATR 72 aircraft as part of its P72A programme; the order for unmanned aerial vehicle systems for a foreign country; customer support orders;
- *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;
- *command and control systems:* in the defence systems segment: the order from the Italian Navy for integrating the TESEO system on Orizzonte vessels; orders under the Medium Extended Air Defence System programme;
- *integrated communication networks and systems*: the order from NATO to design, implement and manage the Computer Incident Response Capability - Full Operating Capability programme for protecting data from threats and weak points as part of cyber security at numerous NATO command centres and locations in various countries; various orders under the EFA programme to supply a variety of communications equipment; orders for communications systems for helicopter platforms;
- *information technology and security*: the order, the development and management of IT systems for the Ministry of Education; additional orders for the Russian postal service for systems under the revenue protection programme;
- *DRS*: the order for modular fuel tanks for the US army’s Modular Fuel System; additional orders for Thermal Weapon Sight systems issued to soldiers; orders for support, technical assistance and logistics services for the Mast Mounted Sight system for the OH-58D Kiowa

Warrior helicopter; additional orders for upgrades to the target acquisition sub-systems for Bradley fighting vehicles;

The **order backlog** came to €mil. 9,282 at 31 March 2012, compared with €mil. 9,591 at 31 December 2011. One-third of the order backlog relates to the *avionics and electro-optical systems* segment, about one quarter to *command and control systems* and around one-fifth each to *major integrated systems* and to the activities by *DRS*.

Revenues at 31 March 2012 came to €mil. 1,276, down 5% from 31 March 2011 (€mil. 1,343) mainly due to decreased activity in programmes for US armed forces.

Revenues resulted mainly from the following segments:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub-System 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; progress on activities related to the Phase 2 Coastal Radar programme; continuation of work under the S.I.Co.Te. programme for the General Command of the Carabinieri Force;
- *command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading Italian Navy vessels; progress in the Medium Extended Air Defence System international cooperation programme; the programme to supply Fixed Air Defence Radar 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 public administration;
- *DRS*: additional orders for the Thermal Weapon Sight 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 Mast Mounted Sight system for helicopters; the continuation of deliveries of rugged computers and displays; provision of services and products for the Rapid Response contract and satellite communications services.

Adjusted EBITA at 31 March 2012 came to €mil. 55, down from the first quarter of 2011 (€mil. 98) due to the mentioned decline in production volumes for DRS and the deterioration in the mix of activities, particularly in the *information technology and security* and *integrated communication networks and systems* segments. **ROS** at 31 March 2012 stood at 4.3%, compared with 7.3% for the first quarter of 2011.

In addition to implementing competition-enhancement, efficiency and reorganization plans, the division is also, in line with the projected timetable, pursuing efforts to integrate SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati into one company, while simultaneously significantly rationalising technologies, product lines and industrial facilities. The goal is to establish a single entity in Europe that operates in conjunction and in coordination with DRS (not included in this integration given the special regulations to which it is subject) and is able to successfully take on the major industry players, compete in major markets and take advantage of a technological, financial and production structure that will make it possible to achieve significant cash flow generation and an adequate return on invested capital.

Research and development costs at 31 March 2012 totalled €mil. 165 (€mil. 148 at 31 March 2011), relating to:

- *avionics and electro-optical system* segment: development for the EFA programme; new systems and sensors for Unmanned Aerial Vehicles; 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 activity on the 3D Kronos radar surveillance system and the active multi-functional MFRA; upgrading of current SATCAS products; the programme to develop capabilities and technologies for architectural design and construction of major systems for integrated management of operations by armed ground forces (Combined Warfare Proposal); the launch of the naval combat systems programme;
- *integrated communications networks* segment: the development of TETRA technology products and software defined radio products; satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions.

The **workforce** at 31 March 2012 came to 26,539 as compared with 27,314 at 31 December 2011, a net decrease of 775 attributable to the on-going rationalisation process in all segments, particularly at DRS.

AERONAUTICS

€ million	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	873	535	2,919
Order backlog	8,929	8,518	8,656
Revenues	584	567	2,670
Adjusted EBITA	13	4	(903)
ROS	2.2%	0.7%	n.s.
R&D	67	62	326
Workforce (no.)	12,162	12,445	11,993

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 Aermacchi SpA (production of military aircraft for combat, transport, special missions and training, as well as civil applications such as regional turboprop aircraft, aerostructures and engine nacelles) and its investees, including: the GIE-ATR joint venture, in which a 50% equity stake is held (final assembly and marketing of ATR aircraft), Alenia Aermacchi North America Inc, operating in the US market through a joint venture, and Superjet International SpA, in which a 51% equity stake is held (sales and assistance for Superjet aircraft).
In that regard, Alenia Aermacchi SpA and Alenia SIA SpA merged into Alenia Aeronautica SpA effective as from 1 January 2012, with the latter changing its name to “Alenia Aermacchi SpA”.

New orders at 31 March 2012 came to €mil. 873, up €mil. 338 or 63.2% from the €mil. 535 reported at 31 March 2011, due to more orders in the *military* (EFA programmes and special versions of the ATR aircraft) segment.

The main orders received in the first quarter of 2012 included the following:

- in the *military* segment:
  - for the EFA programme, the 5-year contract to provide technical and logistics support. This order is part of a broader agreement signed by the Eurofighter consortium with NETMA to provide support to the fleet of the four partner nations (Italy, Germany, Spain and the UK);
  - for the Maritime Patrol version of the ATR 72, the additional order for logistics support for four aircraft, currently being produced, ordered by the Italian Air Force in 2008 for maritime patrol;

- in the *civil* segment:
  - for the ATR aircraft, GIE-ATR received new orders for two ATR 72 aircraft from Lao Airlines (Laos) and for customer support;
  - for aerostructures, orders for additional lots of the B767, B777, A380 and A321 programmes and for engine nacelles.

The **order backlog** at 31 March 2012 came to €mil. 8,929 (€mil. 8,656 at 31 December 2011) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (42%), B787 (17%), ATR (15%), M346 (5%) and C27J (3%) programmes.

Revenues at 31 March 2012 came to €mil. 584, a slight increase of 3.0% from the €mil. 567 reported at 31 March 2011, due to greater activity in the *civil* segment, particularly the higher production rate for B787 and ATR aircraft that offset the decline in the military transport business (C27J and G222).

Adjusted EBITA at 31 March 2012 came to €mil. 13, a €mil. 9 increase compared with the €mil. 4 reported at 31 March 2011. This increase is largely due to lower operating expenses and improved industrial efficiency following implementation of the restructuring and reorganisation plan last year, as more fully described in the report accompanying the 2011 consolidated financial statements.

Research and development costs for first quarter of 2012 totalled €mil. 67 (€mil. 62 at 31 March 2011) and reflect the progress made in the main programmes under development (M346, C27J, basic version of the B787 and the UAV) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, AMX and Neuron) and civil (C-series and derivative versions of the B787-9) programmes as commissioned by customers.

The **workforce** at 31 March 2012 numbered 12,162, a net increase of 169 from the 11,993 at 31 December 2011, essentially due to:

- the conversion of 393 persons from temporary to permanent employees, as provided by the agreement signed with the unions on 8 November 2011;
- staff reduction and efficiency efforts undertaken as part of the on-going reorganisation and restructuring process.

SPACE

€ million	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	110	103	919
Order backlog	2,387	2,519	2,465
Revenues	218	219	1,001
Adjusted EBITA	10	-	18
ROS	4.6%	n.a.	1.8%
R&D	11	19	77
Workforce (no.)	4,151	4,062	4,139

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 S.p.A., which starting from 1 January 2012 incorporates 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%).

Telespazio focuses on *satellite services* in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, value-added services), satellite operations (in-orbit satellite control, telemetry services, command and control and Launch and Early Operation Phase services, operational management of infrastructures and systems for satellite telecommunications 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 focuses on *manufacturing* (design, development and production) in the following segments: telecommunications satellites (commercial, government and military), scientific programmes, earth observation systems (optical and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

From a commercial perspective, in the first quarter of 2012, the Group acquired **new orders** in the amount of over €mil. 110, up 7% over the €mil. 103 reported for the same period of 2011.

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

- in the *commercial telecommunications* segment: new orders for satellite telecommunications services;
- in the *military and government telecommunications* segment: additional lots of the orders from the Italian Space Agency (ASI) and the French Space Agency (CNES) for the Athena Fidus satellite and orders for military telecommunications satellite services;
- in the *earth observation* segment: additional lots of the order for 3rd generation Meteosat satellites; orders for Cosmo and GeoEye data;
- in the *satellite navigation* segment*:* orders for the Egnos programme;
- in the *science programmes* segment*:* an additional lot for the Bepi-Colombo and ExoMars programmes.

The **order backlog** at 31 March 2012 totalled €mil. 2,387, a decrease of €mil. 78 from the figure at 31 December 2011 (€mil. 2,465). The backlog at 31 March 2012 is composed of manufacturing activities (62%) and satellite services (38%).

Revenues in the first quarter of 2012 came to €mil. 218, essentially in line with the same period of 2011 (€mil. 219). Production mainly related to the continuation of activities in the following segments:

- in the *commercial telecommunications* segment for W3D, APSTAR 7 and 7B, and Yamal-401 and 402 satellites and payloads; the O3B and Iridium NEXT satellite constellations; the provision of telecommunications satellite services and the resale of satellite capacity;
- in the *military telecommunications* segment for the Sicral 2 and Athena Fidus satellites and the provision of satellite services;
- in the *earth observation* segment for the satellites for the Sentinel mission (Kopernikus programme, formerly the GMES programme) and for the Göktürk satellite system for the Turkish Ministry of Defence;
- in the *science programmes* segment for the ExoMars programme;

- in the *satellite navigation* segment for the ground mission segment of the Galileo programme and activity for the Egnos programme;

Adjusted EBITA at 31 March 2012 came to €mil 10, up over the same period of 2011 (€mil. 0). This improvement was due to higher profitability in the *manufacturing* segment (€mil. 3), the different mix of satellite services (€mil. 7) and the benefits deriving from the enactment of the efficiency plans. As a result, **ROS** amounted to 4.6%.

Research and development costs at 31 March 2012 came to €mil. 11, a decrease of €mil. 8 from the figure posted at 31 March 2011 (€mil. 19).
Activities in this area largely included the continued development of systems, solutions and applications for security, emergency management, homeland security (Kopernikus programme) and for navigation/infomobility services (Galileo programme); aerial communications solutions (SESAR); solutions for optimising the satellite band; processing systems for earth observation SAR data.

The **workforce** at 31 March 2012 came to 4,151, for an increase of 12 employees from the 4,139 reported at 31 December 2011.

DEFENCE SYSTEMS

€ million	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	314	119	1,044
Order backlog	3,722	3,640	3,656
Revenues	250	260	1,223
Adjusted EBITA	15	12	117
ROS	6%	4.6%	9.6%
R&D	61	59	247
Workforce (no.)	4,018	4,098	4,066

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

New orders at 31 March 2012 came to €mil. 314, up compared with the €mil. 119 posted at 31 March 2011, due to the receipt of an important contract from the Indian Air Force in the *missile systems* segment.

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

- in the *missile systems* segment: the order for Mica air-to-air missiles as part of the programme to upgrade the Indian Air Force’s fleet of Mirage 2000 aircraft; various orders for customer support activities;
- in the *land, sea and air weapons systems* segment: logistics orders from various customers;
- in *underwater systems:* various contracts in heavy torpedoes and counter-measures business lines.

The **order backlog** at 31 March 2012 came to €mil. 3,722 (€mil. 3,656 at 31 December 2011), of which about 65% related to *missile systems*.

Revenues at 31 March 2012 came to €mil. 250, down 4% from 31 March 2011 (€mil. 260) due mainly to the decline reported in the *missile systems* segment.

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

- *missile systems*: activities for the production of Aster surface-to-air missiles and Spada aerial defence missile systems; activities relating to the development of the air defence system in connection with the Medium Extended Air Defence System programme; customer support;
- *land, sea and air weapons systems*: the production of MAVs for the Italian Army; Hitfist turrets kits for Poland; FREMM programme activities; the production of SampT missile launchers; the production of machine guns for various foreign customers; logistics;
- *underwater systems*: activities relating to the Black Shark heavy torpedo, the A244 light torpedo and to counter-measures and activities relating to the FREMM programme; logistics.

Adjusted EBITA at 31 March 2012 totalled €mil. 15, up from the figure reported for 31 March 2011 (€mil. 12), mainly due to better profitability in *underwater systems*.
As a result, **ROS** amounted to 6% at 31 March 2012 (4.6% at 31 March 2011).

Research and development costs at 31 March 2012 totalled €mil. 61, compared with €mil. 59 at 31 March 2011. Some of the key activities included those for the Medium Extended Air Defence System programme and the development programme for the UK Ministry of Defence, and the continuation of development of the Meteor air-to-air missile in the *missile systems* segment; activities for guided munitions programmes and for the development of the 127/64 LW cannon in the *land, sea and air weapons systems* segment; and activities relating to the A244 light torpedo and the Black Shark heavy torpedo in the *underwater systems* segment.

The **workforce** at 31 March 2012 came to 4,018, down by 48 from the figure reported at 31 December 2011 (4,066).

ENERGY

€ million	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	83	730	1,258
Order backlog	1,887	3,763	1,939
Revenues	139	266	981
Adjusted EBITA	11	21	91
ROS	7.9%	7.9%	9.3%
R&D	4	6	23
Workforce (no.)	1,866	3,370	1,872

As concerns the Energy division, it should be recalled that on 13 June 2011 Finmeccanica Spa sold 45% of the share capital of the Ansaldo Energia group to the American 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 (held 55%) and its investees, Ansaldo Energia SpA, Ansaldo Nucleare 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*, *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 31 March 2011 were consolidated 100%. Therefore, in order to provide an accurate picture of the division’s performance, changes in income statement items will be reported each time on a uniform basis of accounting for the periods compared, accompanied by an explanation of these changes.

New orders received in the first quarter of 2012 amounted to €mil. 83, down €mil. 647 from the same period of 2011 (€mil. 730) as a result of changing the method of consolidation from line-by-line to proportional and to fewer new orders in the *plants and components* segment. During the first quarter of 2011, the segment benefitted from the receipt of a new order from Turkey for an 800 MW combined-cycle plant and related scheduled maintenance (worth around €mil. 638).
However, using the same basis of accounting, new orders fell by €mil. 319, attributable entirely to the decline in the *plants and components* segment.

The most significant new orders for the period include:

- in the *service* segment, the solutions contract (modifying parts of the turbine) related to the revamping of the turbo-alternator for the nuclear power plant in Argentina (Embalse); various field service contracts*;*
- in the *nuclear* segment, the engineering order for Argentina (Embalse) in *plant engineering*.

The **order backlog** at 31 March 2012 came to €mil. 1,887, compared with €mil. 1,939 at 31 December 2011.
The composition of the backlog is attributable for around 38.4% to *plants and components*, 57.3% to *service* activities (69% of which scheduled maintenance contracts), 2.8% to the *nuclear* segment, and the remaining 1.5% to *renewable energy*.

Revenues at 31 March 2012 amounted to €mil. 139, a decrease of €mil. 127 from the €mil. 266 reported for the same period of 2011. Using the same basis of accounting, revenues fell by €mil. 7, mainly attributable to lower production volumes in the *plants and components* segment. The revenues in the *services* and *nuclear* segments remained essentially the same, while growth was reported in the *renewable energy* segment as a result of work on orders received in 2010.

Revenues were mainly generated by the following activities:

- in the *plants and components* segment*:* orders from Italy (Aprilia), Tunisia (Sousse), Egypt (El Sabtia - Cairo), Turkey (Gebze), France (Bayet) and Algeria (Ain Djasser II and Labreg);
- in the *service* segment*:* LTSAs for Italy (Rosignano, Rizziconi, Servola and various Enipower sites), gas turbine spare parts orders from Spain (Escatron) and the Dominican Republic (San Pedro de Macoris) and the order for components from Argentina (Embalse);
- in the *nuclear* segment*:* as to *plant engineering*, activities continued on the new AP1000 nuclear reactor for the Sanmen (China) project with Westinghouse and on engineering to complete two VVER 440 reactors for the Mochovce power station in Slovakia. In *waste and decommissioning*,

work involved the treatment and storage of radioactive waste from submarines in Russia (Andreeva Bay);

- *renewable energy:* in *photovoltaics*, production progressed on the Syracuse (Francofonte), Avellino (Bisaccia) and Lecce (Martano and Soleto) orders; in *wind*, work was done on the order to build a 66 MW wind farm in Avellino (Bisaccia).

Adjusted EBITA at 31 March 2012 came to €mil. 11, down €mil. 10 from 31 March 2011 (€mil.21).
Using the same basis of accounting, adjusted EBITA fell by €mil. 1, mainly due to lower revenues in *plants and components*.
ROS at 31 March 2012 stood at 7.9%, in line with the first quarter of 2011.

Research and development costs at 31 March 2012 totalled €mil. 4, down €mil. 2 from the same period of 2011 (€mil. 6). Using the same basis of accounting, R&D costs improved by €mil. 1.

The **workforce** stood at 1,866 at 31 March 2012, compared with 1,872 at 31 December 2011 for a decrease of 6 employees.

TRANSPORTATION

€ million	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	267	639	2,723
Order backlog	8,140	7,459	8,317
Revenues	447	458	1,877
Adjusted EBITA	8	22	(110)
ROS	1.8%	4.8%	(5.9%)
R&D	11	13	46
Workforce (no.)	6,858	7,078	6,876

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 31 March 2012 came to €mil. 267, down €mil. 372 from the same period of 2011 (€mil. 639), due mainly to the *signalling and transportation solutions* segment where, in the first quarter of 2011, significant new orders were reported in both *signalling* (Turin-Padua line) and *transportation solutions* (Milan metro Line 5 extension).

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

- for the *signalling and transportation solutions* segment:
  - in *signalling:* the contract with Southeastern Pennsylvania Transportation Authority for the integrated Positive Train Control system; the systems integration order for the new Shah-Habshan-Ruwais line in the United Arab Emirates; various component and service & maintenances orders;
  - in *transportation solutions:* the order from Rio Tinto for the Automatic Train Operations system in Australia;
- for the *vehicles* segment: service orders;
- for the *bus* segment: orders for a total of 3 buses and various orders for post-sale services.

At 31 March 2012, the **order backlog** amounted to €mil. 8,140, down €mil. 177 from 31 December 2011 (€mil. 8,317). The order backlog breaks down as follows: 66.1% for *signalling and transportation solutions,* 33.7% for *vehicles* and 0.2% for *buses*.

Revenues at 31 March 2012 were equal to €mil. 447, compared to €mil. 458 in the first quarter of 2011. Major orders included:

- for the *signalling and transportation solutions* segment:
  - in *signalling:* projects related to high-speed trains, train control systems and the Turin-Padua route in Italy; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; orders for Australian Rail Track in Australia; the Union Pacific Railroad project in the US; various components orders;
  - in *transportation solutions:* the metro systems of Copenhagen, Naples Line 6, Rome Line C, Brescia, Genoa and Riyadh (Saudi Arabia); projects for Rio Tinto in Australia;
- for the *vehicles* segment: trains for the Danish railways; double-decker train cars for Trenitalia; trains for the Dutch and Belgian railways; trains for the Milan, Fortaleza (Brazil) and Riyadh (Saudi Arabia) metros; Sirio tram orders for Goteborg (Sweden) and various service orders;
- for the *bus* segment: various orders for buses (78% of revenues for the segment) and for post-sale services.

Adjusted EBITA at 31 March 2012 came to €mil. 8, down €mil. 14 from the first quarter of the previous year (€mil. 22), mostly attributable to the *vehicles* segment, which, despite generating higher revenues than at 31 March 2011, still posts negative profitability, although this is in line with expectations and is basically due to the production mix. Finally, the efficiency measures provided under the EOS project, started by AnsaldoBreda's management, continue, as largely explained in the 2011 consolidated financial statements.
The *signalling and transportation solutions* segment also reported a decline in adjusted EBITA due to lower revenues as a result of the completion of a number of projects in *signalling* and a different production mix.

Research and development costs at 31 March 2012 were equal to €mil. 11 (€mil. 13 at 31 March 2011) and mainly regarded projects in the *signalling and transportation solutions* segment.

The **workforce** stood at 6,858 at 31 March 2012, an 18 employee decrease from the 6,876 reported at 31 December 2011.

OTHER ACTIVITIES

€ million	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
New orders	7	15	319
Order backlog	228	107	256
Revenues	63	48	305
Adjusted EBITA	(27)	(23)	(149)
ROS	n.a.	n.a.	n.a.
R&D	-	-	6
Workforce (no.)	897	865	911

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

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. 7 at 31 March 2012, down €mil. 8 compared with the first quarter of 2011 (€mil. 15).

Fata's **revenues** at 31 March 2012 came to €mil. 33, up €mil. 13 over the previous year (€mil. 20).

Fata's **workforce** at 31 March 2012 totalled 369 employees, compared with 346 employees at 31 December 2011.

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 the closure of the accounts for the quarter

Industrial transactions

As part of the reorganisation of the **Aeronautics** division begun in 2010, the merger of Alenia Aermacchi SpA and Alenia SIA SpA into their parent company Alenia Aeronautica SpA took effect as from 1 January 2012. As a result Alenia Aeronautica SpA changed its name to Alenia Aermacchi SpA and transferred its headquarters from Pomigliano d'Arco (Naples) to Venegono Superiore (Varese). In the final months of 2011, the Group instituted a plan to revamp, reorganise and restructure the division in order to make it more competitive by leveraging select high-quality products and technologies.

As part of Finmeccanica's programme, launched in 2010, to optimise its industrial structure in the **Defence and Security Electronics** ("**ED&S**") division, in 2011 Elsag Datamat and SELEX Communications merged to create SELEX Elsag. Equity holdings in Seicos (100%), SELEX Service Management (100%) and SELEX Elsag Cyberlabs (49%) (the first two held by Finmeccanica and the last by Finmeccanica Group Services) were transferred to the new company on that date. Seicos was merged into SELEX Elsag effective 1 February 2012.

Moreover, effective as from 1 April 2012, Amtec SpA - a manufacturer of telecommunications network devices (encryption devices, IP routers, set top boxes) - was merged into SELEX Elsag SpA.

It should also be noted that, in December 2011, the Board of Directors of Finmeccanica authorised the transfer of Finmeccanica's holdings in SELEX Galileo Ltd, SELEX Galileo SpA, SELEX Elsag SpA and SELEX Sistemi Integrati SpA to its wholly-owned subsidiary SELEX Electronic Systems SpA (formerly Finmeccanica Consulting Srl), effective 1 January 2012.

These transactions fall within the reorganisation of the Group's corporate structures in the Defence and Security Electronics division, the final step of which – expected to be completed by the end of 2012 - will be to create a single, European-wide organisation that will make it possible to have just one consistent policy for all business areas, further rationalising the industrial structure and investments and ensuring a unified approach to domestic and international customers.

On 19 December 2011, Finmeccanica (through SELEX Elsag and Vega) and Northrop Grumman signed a teaming agreement in order to satisfy the requirements of the NATO Computer Incident Response Capability (NCIRC) - Full Operating Capability (FOC) programme. The programme aims to provide information security to around 50 NATO sites and headquarters throughout 28 countries, providing the capability to detect and respond to cyber security threats and vulnerabilities rapidly and effectively. On 29 February 2012, Finmeccanica and Northrop Grumman were awarded the contract by the NATO Consultation, Command and Control (NATO NC3A) Agency.

In the **Space** division, on 20 February 2012, the merger of Telespazio Holding Srl (the Telespazio group holding company held 67% by Finmeccanica and 33% by French company Thales) into Telespazio SpA was completed as part of the process of reorganising the Telespazio group's organisational and management model.

Financial transactions

In the first quarter of 2012, the Finmeccanica Group did not perform any significant transactions in the capital markets. As stated in the report to the financial statements for 2011, in February and March 2012, Meccanica Holdings USA redeemed (in several tranches) about USDmil. 34 in bonds maturing in July 2019, with a coupon of 6.25%, issued by the company in 2009 with a total issue of USDmil. 500. Furthermore, in April, the company bought back a further USDmil. 15 of the same issue. The average redemption price was equal to 89.62% of the nominal value, with an average annual yield of 8.15%. Unlike with bonds issued for the euro market, these bonds do not need to be cancelled immediately.

Below is a list of bonds outstanding at 31 March 2012 which shows, respectively, the euro-denominated bonds issued by Finmeccanica and by the subsidiary Finmeccanica Finance, the pound sterling-denominated bond issued by Finmeccanica Finance, as well as the bonds issued by Meccanica Holdings USA for the US market. The average remaining life of outstanding bonds is about 10 years at 31 March 2012.

Finmeccanica converted various of these bonds from fixed-rate into floating-rate bonds, in some cases with optional terms to protect against rising floating rates. The footnotes to the table below provide information on the transactions at 31 March 2012.

Issuer		Year of issue	Maturity	Nominal Amount (€mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (7)
Finmeccanica Finance SA	(1)	2003	2018	500	5.75%	European institutional	507
Finmeccanica Spa	(2)	2005	2025	500	4.875%	European institutional	497
Finmeccanica Finance SA	(3)	2008	2013	815(*)	8.125%	European institutional	836
Finmeccanica Finance SA	(4)	2009	2022	600	5.25%	European institutional	596

Issuer		Year of issue	Maturity	Nominal Amount (GBPmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (7)
Finmeccanica Finance SA	(5)	2009	2019	400	8.00%	European institutional	485

Issuer		Year of issue	Maturity	Nominal Amount (USDmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (7)
Meccanica Holdings USA Inc	(6)	2009	2019	466(**)	6.25%	American institutional Rule 144A/Reg. S	350
Meccanica Holdings USA Inc	(6)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	224
Meccanica Holdings USA Inc	(6)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	375

(*) *nominal amount remaining after the repurchase of €mil. 185 in several tranches in the second half of 2011.*

(**) *nominal amount of $mil. 500 after the repurchase of €mil. 34 in several tranches in February and March 2012.*

(1) Bonds issued as part of the EMTN programme 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.
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 programme 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. In December 2011, IRSs in place to convert €mil. 250 of this issue to a floating rate were cancelled early, thereby resulting in their monetization at a positive fair value of €mil. 36.

(3) Bonds issued as part of the EMTN programme 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 200 basis points in 2011.

(4) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. No rate transactions on the issue were performed.

(5) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and the exchange rate risk arising from the transaction was fully hedged. 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. 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. The proceeds of this issue were entirely used by Meccanica Holdings USA to finance the purchase of DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Finmeccanica's purchase of DRS. As a result,

these issues were not hedged against exchange rate risk, and no interest rate transactions on the issue were performed.

(7) 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 the annual portions of 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.

At the presentation date of this report Finmeccanica’s credit ratings had been unchanged since 31 December 2011: Baa2 with a negative outlook from Moody’s (from A3 with a stable outlook at 31 December 2010), BBB - with a negative outlook from Fitch (from BBB+ with a stable outlook at 31 December 2010) and BBB - with a negative outlook from Standard and Poor’s (from BBB with a negative outlook at 31 December 2010).

Following the steps taken by the various rating agencies in 2011, Finmeccanica maintained its investment grade status, though with a negative outlook. The ratings agencies may change their opinions once Finmeccanica releases information on the status of planned restructuring, reorganisation and asset disposal programmes.

All the bonds above are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets. In the case of the above 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 in which Finmeccanica Spa owns more than 50% of the share capital and represent at least 10% of Finmeccanica’s consolidated gross revenues and capital) are expressly prohibited from pledging collateral security or other obligations to secure their debt in the form of bonds or listed financial instruments or financial instruments that qualify for listing, unless these guarantees are extended to all bondholders. 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 bonds in their possession in the event of default by the Group issuers and/or Finmeccanica and/or any material subsidiary that results in a failure to make payment beyond preset limits.

Outlook

At 31 March 2012, the Group’s results were weaker than those for the same period of 2011, although they still surpassed expectations.

As more fully explained in the 2011 consolidated financial statements, the recession, which has been affecting other industries since 2008, has also had an impact on the Aerospace and Defence industry in the Group’s main markets (the UK, the US and Italy), where there has been a sharp slowdown in the expansion of budgets for investment in military systems and security. This situation was generally accompanied by renewed customer focus on the relationship between product performance and their sustainable costs.
With regard to demand, the sector has seen a considerable shift (currently and in the future) in demand towards the markets of emerging countries, where there is an environment of heated competition among companies, which should lead to intense pricing pressure.

Internally, last year the Group addressed issues related to efficiency through the preparation and implementation of in-depth, detailed plans (setting out the steps to be taken, the costs/benefits, timing, constraints and conditions for execution) to improve levels of competitiveness, efficiency and industrial reorganization in each company (the benefits of over €mil. 440 are expected to be seen in 2013).
These plans have been developed across all critical business areas, including: production processes (site rationalisation, product/component standardisation, lean manufacturing), purchasing (supplier optimization, “make or buy” policy rationalisation), engineering (lean engineering, rationalisation of investments), workforce (rationalisation of the ratio of general to specialized employees), controllable costs, and general and administrative costs (rationalisation of the staff and corporate information systems and simplifying corporate structures).
The Group has established a two-year (2012-2013) budget and corporate incentive system to ensure that these initiatives are implemented and pursued.

The monitoring performed by the Parent Company, together with the companies, during the period confirmed that the actions under these plans are in line with the physical progress timetables and that the quantitative targets in terms of overall benefits are also being reached.

In addition, the Group is taking the measures required to address strategic issues, ones we deem key to “sustainable” growth, such as: the consolidation and strengthening of activities in the Defence and Security Electronics division, by integrating SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati into one company, while simultaneously significantly rationalising technologies, product lines and industrial facilities. The goal is to establish a single entity in Europe that operates in conjunction and in coordination with DRS (not included in this integration given the special regulations to which it is subject) and that is able to successfully take on the major industry players, compete in major markets and take advantage of a technological, financial and production structure that will make it possible to achieve significant cash flow generation and an adequate return on invested capital.

Equally important was the introduction of actions required to review the Group’s portfolio, concentrating capital invested in activities and sectors whose technologies and production structures enable us to gain market roles that allow the Group to maximise its ability to create and extract value. This could lead to the disposal of assets with a consequent reduction in net financial debt, confirming a strong liquidity position and preservation of the Group’s “investment grade” status.

Based on the results achieved by the Group at 31 March 2012 and its observance of the milestones for its plans to boost its competiveness, efficiency and reorganisation, as well as its introduction of actions to address strategic issues, we can confirm the projections for 2012 stated in the 2011 financial statements.

We expect revenues for the year to be between €bil. 16.9 and €bil. 17.3, adjusted EBITA should return to a positive state in the Aeronautics and Transportation divisions (although the latter should remain negative in the vehicles segment), and should grow in the Defence and Security Electronics and Helicopters divisions. Therefore, adjusted EBITA should come to around €mil. 1,100, while we expect FOCF to be positive thanks to operating activities, before investments, that, after financing a portion of the restructuring costs accrued in 2011, borrowing costs and taxes, are expected to generate a positive cash flow of over €mil. 900, while costs of investments (after collection of the Law 808/85 grants) should generate a negative cash flow of about €mil. 900.

Analysis of the financial statements at 31 March 2012

Separate Income Statement

(€millions)	Notes	For the three months ended 31 March 2012	of which with related parties	For the three months ended 31 March 2011	of which with related parties (Note 4)
Revenue		3,686	*408*	3,855	*335*
Raw materials and consumables used and personnel costs	*24*	(3,375)	*(40)*	(3,510)	*(31)*
Amortisation, depreciation and impairment	*25*	(159)		(162)	
Other operating income (expenses)	*23*	(10)	-	(2)	-
		142		**181**	
Finance income (costs)	*26*	(100)	-	(111)	*(2)*
Share of profit (loss) of equity accounted investments	*27*	9		(8)	
Profit (Loss) before taxes and the effects of discontinued operations		**51**		**62**	
Income taxes	*28*	(26)		(55)	
(Loss) Profit from discontinued operations		-		-	
Net profit (loss)		**25**		**7**	
. equity holders of the Company		*18*		-	
. non-controlling interests		*7*		*7*	
Earnings/(Losses) per share	*30*				
Basic		*0.031*		-	
Diluted		*0.031*		-	

Statement of Comprehensive Income

€ million	*For the three months ended 31 March*			
	2012		***2011***	
Profit (loss) for the period		**25**		**7**
Reserves of income (expense) recognised in equity				
- Actuarial gains (losses) on defined-benefit plans:		(17)		37
. *plan measurement*	*(19)*		*33*	
. *exchange gains (losses)*	*2*		*4*	
- Changes in cash-flow hedges:		77		130
. *fair value adjustment*	*77*		*137*	
. *transferred to separate income statement*	-		*(7)*	
. *exchange gains (losses)*	-		-	
- Translation differences		(74)		(225)
Tax on expense (income) recognised in equity		(9)		(43)
. *fair value adjustment/measurement*	*(8)*		*(39)*	
. *transferred to separate income statement*	-		*(3)*	
. *exchange gains (losses)*	*(1)*		*(1)*	
Income (expense) recognised in equity		(23)		(101)
Total comprehensive income (expense) for the period		**2**		**(94)**
Attributable to:				
- Equity holders of the Company		(4)		(92)
- Non-controlling interests		6		(2)

Balance Sheet

(€millions)	*Notes*	***31 March 2012***	*of which with related parties*	***31 March 2011***	*of which with related parties (Note 4)*
Non-current assets					
Intangible assets	*9*	8,351		8,409	
Property, plant and equipment	*10*	3,137		3,171	
Deferred tax assets		1,022		1,046	
Other assets	*12*	936	*12*	917	*11*
		13,446		**13,543**	
Current assets					
Inventories		4,694		4,486	
Trade receivables, including net contract work in progress	*13*	9,069	*940*	8,932	*884*
Financial receivables		1,010	*186*	1,071	*184*
Derivatives	*14*	139		167	
Other assets	*15*	1,190	*30*	1,062	*13*
Cash and cash equivalents		943		1,331	
		17,045		**17,049**	
Non-current assets held for sale		-		1	
Total assets		**30,491**		**30,593**	
Shareholders' equity					
Share capital	*16*	2,525		2,525	
Other reserves		1,773		1,776	
Capital and reserves attributable to equity holders of the Company		**4,298**		**4,301**	
Non-controlling interests in equity		308		303	
Total shareholders' equity		**4,606**		**4,604**	
Non-current liabilities					
Borrowings	*17*	4,420	*36*	4,492	*36*
Employee liabilities	*19*	915		956	
Provisions for risks and charges	*18*	1,724		1,774	
Deferred tax liabilities		464		479	
Other liabilities	*20*	899	-	936	-
		8,422		**8,637**	
Current liabilities					
Trade payables, including net advances from customers	*21*	12,737	*146*	13,162	*160*
Borrowings	*17*	2,086	*946*	1,393	*913*
Income tax payables		54		44	
Provisions for risks and charges	*18*	879		932	
Derivatives	*14*	86		159	
Other liabilities	*20*	1,621	*38*	1,662	*41*
		17,463		**17,352**	
Liabilities directly correlated with assets held for sale		-		-	
Total liabilities		**25,885**		**25,989**	
Total liabilities and shareholders' equity		**30,491**		**30,593**	

Statement of Cash Flows

(€millions)		*For the three months ended 31 March*			
	Notes	***2012***	*of which with related parties*	***2011***	*of which with related parties (Note 4)*
Cash flow from operating activities:					
Gross cash flow from operating activities	*28*	320		373	
Changes in working capital	*28*	(892)	*(100)*	(811)	*(25)*
Changes in other operating assets and liabilities, taxes, finance costs and provisions for risks and charges		(403)	*568*	(372)	*(75)*
Net cash generated (used) from/in operating activities		**(975)**		**(810)**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	*11*	-		(4)	
Purchase of property, plant and equipment and intangible assets		(182)		(194)	
Proceeds from sale of property, plant and equipment and intangible assets		19		6	
Other investing activities		(13)		6	
Net cash used in investing activities		**(176)**		**(186)**	
Cash flow from financing activities:					
Issue (repayment) and repurchase of bonds		(26)		-	
Net change in other borrowings		789	*19*	(75)	*61*
Net cash used in financing activities		**763**		**(75)**	
Net increase (decrease) in cash and cash equivalents		(388)		(1,071)	
Exchange gains (losses) and other changes		-		(14)	
Cash and cash equivalents at 1 January		1,331		1,854	
Cash and cash equivalents at 31 March		**943**		**769**	

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 2011	**2,517**	**4,870**	**16**	**43**	**(96)**	**(536)**	**6,814**	**284**
Dividends paid							-	(1)
Capital increases							-	1
Profit/Loss for the period							-	7
Other comprehensive income (expense)			95	-	31	(218)	(92)	(9)
Stock-option/stock-grant plans:								
- services rendered							-	1
Other changes		(2)					(2)	-
31 March 2011	**2,517**	**4,868**	**111**	**43**	**(65)**	**(754)**	**6,720**	**283**
1 January 2012	**2,525**	**2,310**	**(31)**	**-**	**(76)**	**(427)**	**4,301**	**303**
Dividends paid							-	-
Capital increases							-	-
Profit/Loss for the period		18					18	7
Other comprehensive income (expense)			55		(6)	(71)	(22)	(1)
Stock-option/stock-grant plans:								
- services rendered								
Other changes		1					1	(1)
31 March 2012	**2,525**	**2,309**	**24**	**-**	**(82)**	**(498)**	**4,298**	**308**

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 operating subsidiaries (the Finmeccanica Group or, simply, the Group), which are especially concentrated in the fields of Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 31 March 2012 was prepared in accordance with Article 154-ter, paragraph 5 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 report must be read in conjunction with the 2011 consolidated financial statements.

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

The accounting principles and basis of accounting that have been used in the preparation of this interim financial report are the same as those used in the preparation of the consolidated financial statements at 31 December 2011 and the interim report on operations at 31 March 2011, with the exception of minor changes that, save as indicated below (Note 4), had no effect on this interim financial report.

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

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

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

Treatment of income taxes

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

Cash flows relating to operations

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

4. EFFECT OF CHANGES IN ACCOUNTING POLICIES ADOPTED

As from 1 January 2012, the Group has adopted IFRS 7: *Financial instruments: disclosures - Amendment*. The standard sets out the disclosures required in the event of the transfer of financial assets that are not derecognised or in the case of continuing involvement in transferred financial assets.

This change only has an impact on the disclosures made in the annual financial statements.

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

6. SCOPE OF CONSOLIDATION

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

Company name	***Registered office***	***% Group ownership***		***% Group shareholding***
		Direct	***Indirect***	
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)		100	100
ADVANCED ACOUSTIC CONCEPTS 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	Yeovil, Somerset (UK)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (the Netherlands)	100		100
AGUSTAWESTLAND PHILADELPHIA CO	Wilmington Delaware (USA)		100	100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER S.C.A R.L.	Milan		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND SPA	Cascina Costa (Varese)		100	100
AGUSTAWESTLAND TILT-ROTOR COMPANY LLC	Wilmington, Delaware (USA)		100	100
ALENIA AERMACCHI SPA ex ALENIA AERONAUTICA SPA	Venegono Superiore (Varese)	100		100
ALENIA AERMACCHI NORTH AMERICA INC ex ALENIA NORTH AMERICA INC	New Castle, Wilmington, Delaware (USA)		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 – SINOSA RAIL SOLUT. SOUTH AFR. (PTY) LTD ex ANS. STS SOUTH AFR.(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)		100	40.0656
BREDAMENARINIBUS SPA	Bologna	100		100
CISDEG SPA	Rome		87.5	87.5
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS CENGEN LLC	Wilmington, Delaware (USA)		100	100
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS ICAS LLC	Wilmington, Delaware (USA)		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
DRS RSTA INC	Wilmington, Delaware (USA)		100	100

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

Company name	***Registered office***	***% Group ownership***		***% Group shareholding***
		Direct	***Indirect***	
DRS SENSORS & TARGETING SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS SONETICOM INC	Tallahassee, Florida (USA)		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS TACTICAL SYSTEMS GLOBAL SERVICES INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden, Wurttemberg (Germany)		100	100
DRS TECHNICAL SERVICES INC	Baltimora, Maryland (USA)		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)		49	49
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden, Wurttemberg (Germany)		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS TEST & ENERGY MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Plantation, Florida (USA)		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
ED CONTACT 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
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
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
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		72.0588	72.0588
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS INC	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucharest (Romania)		99.976	99.976
SELEX ELECTRONIC SYSTEMS SPA	Rome	100		100
SELEX ELSAG CYBERLABS SRL	Milan		49	49
SELEX ELSAG HOLDINGS LTD	Chelmsford (UK)		100	100
SELEX ELSAG LTD	Chelmsford, Essex (UK)		100	100
SELEX ELSAG SPA	Genoa		100	100
SELEX GALILEO INC	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (UK)		100	100
SELEX GALILEO MUAS SPA	Rome		100	100
SELEX GALILEO SPA	Campi Bisenzio (Florence)		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 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 INC	Dover, Delaware (USA)		100	100
SIRIO PANEL SPA	Montevarchi (Arezzo)		100	100
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA (IN LIQ.)	Genoa	100		100
SISTEMI SOFTWARE INTEGRATI 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
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)		100	100
WHITEHEAD SISTEMI SUBACQUEI SPA ex 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)		96.09166	96.09166
ZAKLAD NARZEDZIOWY W SWIDNIKU SP.ZO.O.	Narzedziowa 16 - U1, Swidnik (Poland)		51.65785	49.6389
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Swidnik (Poland)		100	93.8748

List of companies consolidated using the proportionate method				
Company name	***Registered office***	***% Group ownership***		***% Group shareholding***
		Direct	***Indirect***	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
THALES ALENIA SPACE DEUTHCHLAND SAS	Germany		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
SPACEOPAL GMBH	Munich (Germany)		50	33.5
TELESPAZIO VEGA UK LTD ex VEGA SPACE LTD	Welwyn Garden City, Herts (UK)		100	67
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	67
VEGA SPACE GMBH	Darmstadt (Germany)		100	67
E - GEOS SPA	Matera		80	53.6
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	53.6
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.774	66.1786
TELESPAZIO NORTH AMERICA INC	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucharest (Romania)		61.061	40.911
AURENSIS SL	Barcellona (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	Genoa	54.55		54.55
ANSALDO ENERGIA SPA	Genoa		100	54.55
ANSALDO ESG AG	Wurenlingen (Switzerland)		100	54.55
ANSALDO NUCLEARE SPA	Genoa		100	54.55
ANSALDO THOMASSEN BV	Rheden (the Netherland)		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
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

List of companies consolidated using the equity method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)		100	100
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO AMERICA LATINA SA	Buenos Aires (Argentina)		99.993	54.546
ANSALDO – E.M.I.T. 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	Bucharest (Romania)		100	54.55
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)		40	40
BCV INVESTMENTS SCA	Luxembourg (Luxembourg)		14.321	14.321
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 (Malesia)		30	30
CONSORZIO START SPA	Rome		43.96	43.96
DEVELOPMENT & INNOVATION IN TRANSPORT SYSTEMS SRL	Rome		24	16.8079
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 (IN LIQ.)	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 (Germany)		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 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
METRO BRESCIA SRL	Brescia		50	25.787
MUSINET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lione (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

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO INDIA PRIVATE LTD	New (India)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Saudi Arabia)		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (U.K.)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	Saint Petersburg (Russia)		35	35
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
CONSORZIO TELAER	Rome		100	67.52
CONSORZIO TELAER - SISTEMI DI TELERILEVAMENTO AEREO	Rome		62	47.152
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Ferrara		21.4443	11.79
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)		99.99	99.99
WITG L.P. INC	Kent, Dover, Delaware (USA)		24	24
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	20
XAIT 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 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
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)		35.294	35.294
AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LTD	Yeovil (U.K.)		100	100
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	100
COREAT S.C. A R.L.	Rieti		30	30
CCRT SISTEMI SPA (IN BANKRUPTCY)	Milan		30.34	30.34
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.939	25.189
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ.)	Bruxelles (Belgium)	18.939	18.939	25.189
IND. AER. E MECC. R. PIAGGIO SPA (EXTRAORDINARY ADMIN.)	Genoa	30.982		30.982
SAITECH SPA (IN BANKRUPTCY)	Passignano sul Trasimeno (Perugia)		40	40
SCUOLA ICT SRL (IN LIQ.)	L'Aquila	20		20
SELEX SISTEMI INTEGRATI DO BRASIL LTDA	Rio De Janeiro (Brazil)		99.9998	99.9998
SEL PROC SCRL	Rome		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN BANKRUPTCY)	San Giorgio Jonico (Taranto)		50.614	50.614
YENIELEKTRIK URETIM ANONIM SIRKETI	Istanbul (Turkey)		40	21.82

For ease of understanding and comparability, below are the main changes in the scope of consolidation since April 2011:

- 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;
- on 1 October 2011, Ansaldo Fuel Cells SpA was merged into Ansaldo Energia SpA, with accounting effect from 1 January 2011;
- on 26 October 2011, Metro Brescia Srl was formed and is consolidated using the equity method;
- on 15 November 2011, Agusta US Inc. became the sole shareholder of Bell Agusta Aerospace Company LLC, which changed its name to AgustaWestland Tilt Rotor Company and went from being consolidated using the equity method to being consolidated on a line-by-line basis as from that date;
- on 1 December 2011, Italdata Ingegneria dell'Idea and Sistemi e Telematica were merged into SELEX Elsag SpA;
- starting from 6 December 2011, Westland Industries Ltd, consolidated on line-by-line basis until that date, was deconsolidated following its removal from the Company Registry;
- on 16 December 2011, Selex Galileo India Private Ltd was formed and is consolidated using the equity method;
- on 1 January 2012, Alenia SIA SpA and Alenia Aermacchi SpA were merged into Alenia Aeronautica SpA, which simultaneously changed its name to Alenia Aermacchi SpA;
- on 1 January 2012, Fileas SAS and Vega Technologies SAS were merged into Telespazio France SAS;
- starting from 1 January 2012, SELEX Galileo India Private Ltd went from being consolidated using the equity method to being consolidated on a line-by-line basis;
- starting from 1 January 2012, MSSC Company was deconsolidated following its removal from the Company Registry;

- on 5 January 2012, PZL Invest SP. Z O.O., Zaklad Utrzymania Ruchu SO. Z O.O., “Swidtrans” SP. Z O.O. and Zaklad Remontowy SP. Z O.O. were merged into “PZL Swidnik”;
- on 31 January 2012, DRS Technologies Saudi Arabia LLC was formed and is consolidated on a line-by-line basis;
- on 1 February 2012, Seicos SpA was merged into SELEX Elsag SpA, with accounting effect from 1 January 2012;
- on 20 February 2012, Telespazio Holding Srl was merged into Telespazio SpA, with accounting effect from 1 January 2012;
- on 23 February 2012, Development & Innovation in Transport Systems Srl was formed and is consolidated using the equity method;
- starting from 9 February 2012, Turboenergy Srl, which had previously been partially sold to third parties, was once again included within the scope of consolidation using the equity method.

During the first three months of 2012, the following companies changed their names:

- Vega Space Ltd to Telespazio Vega UK Ltd;
- Whitehead Alenia Sistemi Subacquei Spa to Whitehead Sistemi Subacquei SpA;
- Alenia North America Inc to Alenia Aermacchi North America Inc.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first three months of 2012 were again marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 31 March 2012 and the average exchange rates for the period showed, for the main currencies, these changes from 2011: final exchange rates for the period (euro/US dollar +3.22% and euro/sterling pound -0.17%); average exchange rates for the period (euro/US dollar –4.09% and euro/sterling pound -2.21%).

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

	At 31 March 2012		At 31 December 2011	At 31 March 2011	
	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	1.31100	1.33560	1.29390	1.36693	1.42070
Pound sterling	0.83451	0.83390	0.83530	0.85333	0.88370

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 interim report on operations).

For comparative purposes, 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, held 45% by the US fund First Corporation, in June 2011), the Energy segment has been consolidated on a proportional basis as of the transaction date.
The results for each segment at 31 March 2012, as compared with those of the same period of the previous year, are as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
For the three months ended 31 Mar. 2012										
Revenues	853	1,276	584	218	250	139	447	63	(144)	**3,686**
of which related parties	*36*	*206*	*121*	*11*	*38*	*1*	*100*	*39*	*(144)*	***408***
Adjusted EBITA	88	55	13	10	15	11	8	(27)	-	**173**
Investments	42	42	68	6	7	5	5	4	-	**179**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
For the three months ended 31 Mar. 2011										
Revenues	815	1,343	567	219	260	266	458	48	(121)	**3,855**
of which related parties	*14*	*177*	*138*	*10*	*34*	*2*	*47*	*35*	*(122)*	***335***
Adjusted EBITA	81	98	4	-	12	21	22	(23)	-	**215**
Investments	39	35	50	6	8	6	4	2	-	**150**

The portion of fixed assets referring to intangible assets, property, plant and equipment and investment properties attributable to the segments at 31 March 2012 and at 31 December 2011 is as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
31 Mar. 2012										
Fixed assets	2,709	4,955	1,699	517	563	95	166	784	-	**11,488**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
31 Dec. 2011										
Fixed assets	2,702	5,063	1,681	519	563	94	167	791	-	**11,580**

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 Electro-nics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other Activities	Total
For the three months ended 31 Mar. 2012									
Adjusted EBITA	**88**	**55**	**13**	**10**	**15**	**11**	**8**	**(27)**	**173**
Impairment	-	-	-	-	-	-	-	-	-
Amortisation of intangible assets acquired through a business combination	(2)	(20)	-	-	-	-	-	-	**(22)**
Restructuring costs	-	(6)	-	-	(1)	-	(2)	-	**(9)**
Non-recurring costs (income)	-	-	-	-	-	-	-	-	-
EBIT	**86**	**29**	**13**	**10**	**14**	**11**	**6**	**(27)**	**142**

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

9. INTANGIBLE ASSETS

Below is a breakdown of intangible assets:

	31 Mar. 2012	*31 Dec. 2011*
Goodwill	5,455	5,518
Development costs	581	569
Non-recurring costs	754	716
Concession of licences and trademarks	409	417
Acquired through business combinations	872	908
Other	280	281
Total intangible assets	**8,351**	**8,409**

In particular, the most significant changes were as follows:

- net decrease in goodwill (€mil. 63)mainly due to the negative translation differences on goodwill arising on assets denominated in US dollars;
- amortisation of €mil. 62 (€mil. 62 at 31 March 2011) (Note 25);
- investments in the overall amount of €mil. 87 (€mil. 73 at 31 March 2011), broken down as follows:

	For the three months ended 31March	
	2012	*2011*
Development costs	21	18
Non-recurring costs	47	35
Concession of licences and trademarks	1	2
Other	18	18
Total intangible assets	**87**	**73**

Purchase commitments of intangible assets are recorded in the amount of €mil. 12 (€mil. 21 at 31 December 2011).

10. PROPERTY, PLANT AND EQUIPMENT

Below is a breakdown of property, plant and equipment:

	31 Mar. 2012	*31 Dec. 2011*
Land and buildings	1,210	1,229
Plant and machinery	597	610
Equipment	713	708
Other	617	624
Total property, plant and equipment	**3,137**	**3,171**

In addition to the negative translation differences arising on assets denominated in US dollar (€mil.8), the most significant changes were as follows:

- depreciation of €mil. 94 (€mil. 94 at 31 March 2011);
- investments in the overall amount of €mil. 92 (€mil. 77 at 31 March 2011), broken down as follows:

	For the three months ended 31March	
	2012	*2011*
Land and buildings	3	2
Plant and machinery	8	11
Equipment	20	16
Other	61	48
Total property, plant and equipment	**92**	**77**

Property, plant and equipment includes €mil. 58 (€mil. 59 at 31 December 2011) of assets held under contracts qualifying as finance leases, and within "other" includes €mil. 20 (€mil. 39 at 31 December 2011) for aircraft owned by the GIE ATR group, €mil. 40 (€mil. 38 at 31 December 2011) for helicopters owned by the AgustaWestland group, as well as €mil. 10 (€mil. 10 at 31 December 2011) for simulators owned by Superjet and those aircraft 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.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 81 (€mil. 103 at 31 December 2011).

11. BUSINESS COMBINATIONS

During the period, business combinations were not carried out. In the same period of the previous year, the Thales Alenia Space joint venture (consolidated proportionally at 33%) completed the purchase of Thales Deutschland.

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

€ millions	*2012*		*2011*	
	Goodwill	Cash effect	Goodwill	Cash effect
Acquisitions	-	-	2	1
Payments relating to acquisitions made in previous years	-	-	-	3
Total	**-**	**-**	**2**	**4**

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 March 2012	*31 December 2011*
Third-party financing	85	83
Security deposits	23	23
Receivables for finance leases	2	2
Deferred receivables under Law 808/85	157	152
Net assets of defined-benefit retirement plans (Note 19)	92	102
Financial receivables from related parties (Note 22)	8	8
Other	42	36
Non-current receivables	**409**	**406**
Deferred expenses	26	24
Equity investments	266	263
Non-recurring costs awaiting interventions under Law 808/1985	231	221
Other receivables from related parties (Note 22)	4	3
Non-current assets	**527**	**511**
Total other non-current assets	**936**	**917**

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

The item "Deferred receivables under Law 808/85" includes the receivables from the Ministry for Economic Development relating to the current value of the interventions pursuant to Law 808/85 in national security and similar projects for which collections were deferred. The portion for which collection is expected within 12 months (€mil. 23; €mil. 29 at 31 December 2011) is classified among other current assets (Note 15). Non-recurring expenses awaiting interventions under Law 808/1985 include the portion of non-recurring expenses paid on programmes that benefit from the provisions of Law 808/85, that are classified as being functional to national security, and whose expenses have not been assessed yet by the issuer. After the legal requirements for the recognition of the receivable from the Ministry are fulfilled, the recognised amount is reclassified as a receivable (current or non-current, based on the expected payment schedule). The amount shown is calculated based on an estimate made by management that reflects the reasonable probability that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

Non-controlling interests in equity investments rose mainly as a result of revaluations (result for the period) of Joint Stock Company Sukhoi Aircraft (€mil. 5) and Elettronica SpA (€mil. 3) and to the negative translation differences for Joint Stock Company Sukhoi Aircraft (€mil. 7).

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	31 Mar. 2012	*31 Dec. 2011*
Receivables	4,393	4,690
Impairment	(312)	(309)
Receivables from related parties (Note 22)	940	884
	5,021	5,265
Work in progress (gross)	8,367	8,131
Advances from customers	(4,319)	(4,464)
Work in progress (net)	4,048	3,667
Total trade receivables and net contract work in progress	**9,069**	**8,932**

For information on receivables from related parties, please refer to Note 22.

14. DERIVATIVES

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

	31 Mar. 2012		*31 Dec. 2011*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	90	70	101	144
Embedded derivatives	12	-	30	-
Interest rate swaps	37	16	36	15
Other equity derivatives	-	-	-	-
	139	**86**	**167**	**159**

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 1.2939 at 31 December 2011 to 1.3356 at 31 March 2012.

The interest rate swaps with a total notional value of €mil. 1,150 were placed into effect to hedge a portion of the bonds issued. The change in the fair value was affected by movements in the interest rate curves. The trend at 31 March 2012 was the same as at 31 December 2011.

The embedded derivatives relate to commercial contracts denominated in currencies other than the currencies of the contractually involved parties and those generally used in the markets of reference. This component, separated from the commercial contract and valued at fair value through the income statement, is reported as a mere valuation but did not have any financial impact.

15. OTHER CURRENT ASSETS

		31 Mar. 2012		31 Dec. 2011
Income tax receivables		192		185
Assets available for sale		38		40
Other current assets:		960		837
Accrued income - current portion	*123*		*126*	
Equity investments	*1*		*1*	
Receivables for grants	*68*		*78*	
Receivables from employees and social security	*46*		*43*	
Indirect tax receivables	*356*		*293*	
Deferred receivables under Law 808/85	*23*		*29*	
Other receivables from related parties (Note 22)	*30*		*13*	
Other assets	*313*		*254*	
Total other current assets		**1,190**		**1,062**

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

Other assets include, among others, receivables from Bombardier Transportation for €mil. 20 (€mil.20 at 31 December 2011), from Ariane Space for €mil. 78 (€mil. 44 at 31 December 2011) and sundry advances in the amount of €mil. 23 (€mil. 19 at 31 December 2011).

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	(32,450)	-	-	-	-
31 December 2011	578,117,945	2,544	-	(19)	2,525
Repurchase of treasury shares, less shares sold	-	-	-	-	-
31 March 2012	578,117,945	2,544	-	(19)	2,525
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
	578,117,945	2,544	-	(19)	2,525

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

At 31 March 2012, the Ministry for the Economy and Finance held about 30.204% of the shares, Deutsche Bank Trust Company Americas held about 3.600% of the shares, and Arab Bkg Corp/Libyan Investment, Man held about 2.010% of the shares. Tradewinds Global Investors LLC held 5.382%, Black Rock Inc. held 2.240% and Grantham, Mayo, Van Otterloo & Co. LLC held 2.045% of the shares, all in the form of managed investments.

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	(18)	12	(6)	1	-	1
Changes in cash-flow hedges	77	(22)	55	-	1	1
Exchange gains/losses	(71)	-	(71)	(3)	-	(3)
Total	**(12)**	**(10)**	**(22)**	**(2)**	**1**	**(1)**

17. BORROWINGS

	31 Mar. 2012	***31 Dec. 2011***
Bonds	3,870	3,951
Bank borrowings	1,515	860
Finance leases	5	6
Borrowings from related parties (Note 22)	982	949
Other borrowings	134	119
Total borrowings	**6,506**	**5,885**
Of which:		
Current	2,086	1,393
Non-current	4,420	4,492

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 due to the impact of the repurchase of about €mil. 26 (equal to USDmil. 34) in bonds maturing in July 2019 totalling USDmil. 500 issued by the subsidiary Meccanica Holdings USA in 2009.

Borrowings from related parties are discussed in Note 22.

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

€ millions	***31 Mar. 2012***	*of which with related parties*	***31 Dec. 2011***	*of which with related parties*
Cash and cash equivalents	(943)		(1,331)	
Securities held for trading	(38)		(40)	
LIQUIDITY	**(981)**		**(1,371)**	
CURRENT FINANCIAL RECEIVABLES	**(1,010)**	*(186)*	**(1,071)**	*(184)*
Current bank payables	812		159	
Current portion of non-current borrowings	251		255	
Other current borrowings	1,023	*946*	979	*913*
CURRENT NET FINANCIAL DEBT	**2,086**		**1,393**	
CURRENT NET FINANCIAL DEBT (CASH)	**95**		**(1,049)**	
Non-current bank payables	703		701	
Bonds issued	3,619		3,696	
Other non-current payables	98	*36*	95	*36*
NON-CURRENT NET FINANCIAL DEBT	**4,420**		**4,492**	
NET FINANCIAL DEBT	**4,515**		**3,443**	

18. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	31 March 2012		***31 December 2011***	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	70	42	80	33
Restructuring	160	77	160	104
Penalties	258	41	254	40
Product guarantees	86	135	95	134
Other	1,150	584	1,185	621
	1,724	**879**	**1,774**	**932**

The "provision for penalties" amounted to €mil. 299 (€mil. 294 at 31 December 2011) and referred primarily to the Aeronautics (€mil. 206) and Helicopters (€mil. 71) segments.

"Other provisions for risks and charges" came to a total of €mil. 1,734 (€mil. 1,806 at 31 December 2011) and specifically include:

- the provision for risks on the business of GIE ATR in the amount of €mil. 68 (unchanged from 31 December 2011);
- the provision for risks and contractual charges in the amount of €mil. 1,030 (€mil. 1,043 at 31 December 2011) related, in particular, to business in the Aeronautics (€mil. 879) and Defence and Security Electronics (€mil. 64) divisions;
- the provision for losses related to shares of €mil. 25 (€mil. 24 at 31 December 2011) includes accruals for losses that exceed the book value of non-consolidated equity investments and equity investments recognized using the equity method;
- the provision for taxes in the amount of €mil. 101 (€mil. 99 at 31 December 2011);
- the provision for litigation with employees and former employees in the amount of €mil. 38 (€mil. 35 at 31 December 2011);
- the provision for pending litigation in the amount of €mil. 80 (€mil. 81 at 31 December 2011);
- the provisions for risk on contract-related losses in the amount of €mil. 116 (€mil. 102 at 31 December 2011);
- other provisions in the amount of €mil. 276 (€mil. 354 at 31 December 2011).

Moreover, 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 are mentioned here for the purposes of full disclosure.

In relation to the aforementioned disputes, the following changes have occurred since the preparation of the 2011 financial statements, which the reader should consult for further information:

- In September 2011, the French company DCNS initiated arbitration before the ICC in Paris against WASS in relation to the contract, signed in 2008, concerning the development of the F21 heavy torpedo for the Ministry of the French Navy.

  The dispute began following WASS's decision to interrupt delivery due to the suspension of the export license issued by the Italian Foreign Ministry. This measure was taken in light of the Franco-Italian agreement on technology transfers between the two countries, an agreement never finalised. Therefore, DCNS initiated an arbitration proceeding, seeking termination of the contract for breach by WASS and damages in the amount of €mil. 45. WASS objected on the grounds of the intervening impossibility of performing the contract for reasons not under its control and counter-claimed on grounds of breach by DCNS, seeking damages of €mil. 55.

  On 26 March 2012, the parties reached an agreement under which DCNS is forbidden to use the technology developed under the 2008 contract and, as a result of that agreement, WASS abandoned its motion for a preliminary injunction presented in arbitration. The arbitration panel established the terms for the conduct of the fact-gathering phase and set the date of 23 January 2013 for the first hearing.

Finally, the Corporate Governance Report and Shareholder Structure section accompanying the 2011 consolidated financial statements contains more information on the investigations of Group companies conducted by judicial authorities during the year.

As compared with what was reported in the 2011 consolidated financial statements, it should be noted that *i)* on 23 April 2012, at the request of the Public Prosecutor of Rome, SELEX Sistemi Integrati SpA was served notice of the conclusion of the preliminary investigation in which the company was alleged to have, in 2009 in 2010, committed the offense provided under Art. 25(2) of Legislative Decree 231/2001, in connection with Art. 321 of the Criminal Code. Specifically, it is alleged that its top management committed the offense in connection with the receipt of contracts from ENAV SpA; and *ii*) on 26 April 2012, SELEX Service Management SpA (a wholly-owned subsidiary of Selex Elsag SpA) was served a seizure order at the request of the Public Prosecutor of Naples for documentation filed with the Ministry for the Environment in connection with the SISTRI Project as far back as 2006.

As to what was reported in the 2011 consolidated financial statements and 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 exposed to any risks other than those already provided for and described in the 2011 consolidated financial statements.

19. EMPLOYEE LIABILITIES

	31 Mar. 2012			*31 Dec. 2011*		
	Liabilities	***Assets***	***Net***	***Liabilities***	***Assets***	***Net***
Severance obligations	483	-	483	512	-	512
Defined-benefit plans (Note 12)	318	92	226	325	102	223
Share of MBDA joint venture pension obligation	91	-	91	92	-	92
Defined-contribution plans	23	-	23	27	-	27
	915	**92**	**823**	**956**	**102**	**854**

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

	31 Mar. 2012	***31 Dec. 2011***	***31 Dec. 2010***	***31 Dec. 2009***	***31 Dec. 2008***
Present value of obligations	1,860	1,798	1,567	1,409	1,055
Fair value of plan assets	(1,634)	(1,575)	(1,258)	(1,038)	(846)
Plan excess (deficit)	**(226)**	**(223)**	**(309)**	**(371)**	**(209)**
of which related to:					
- net liabilities	(318)	(325)	(341)	(382)	(248)
- net assets	92	102	32	11	39

The increase in the total net deficit is essentially attributable to the AgustaWestland plan (a decrease in the deficit of €mil. 8) and the DRS plan (an increase in the deficit of €mil. 17).

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

	For the three months ended 31March	
	2012	***2011***
Costs of current services	15	15
Total “personnel costs”	15	15
Interest expense	25	30
Expected return on plan assets	(20)	(24)
Costs booked as “finance costs”	5	6
	20	**21**

20. OTHER LIABILITIES

	Non-current		Current	
	31 Mar. 2012	*31 Dec. 2011*	*31 Mar. 2012*	*31 Dec. 2011*
Employee obligations	52	56	492	462
Deferred income	47	51	89	102
Social security payable	5	6	268	288
Payable to MED Law 808/85	261	259	63	63
Payable to MED for monopoly rights Law 808/85	109	112	34	36
Other liabilities Law 808/85	123	119	-	-
Indirect tax payables	-	-	152	219
Other payables to related parties (Note 22)	-	-	38	41
Other payables	302	333	485	451
	899	**936**	**1,621**	**1,662**

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. 322 (€mil. 336 at 31 December 2011), of which €mil.259 carried as a non-current liability (€mil. 294 at 31 December 2011). This payable arises, for €mil. 54, 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 (25%), and for €mil. 268 from agreements signed in November 2011 related to the acquisition of 100% of the AW609 programme (previously controlled 39.7%);
- the payable to EADS NV due from GIE ATR (50/50 joint venture owned by Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 16 (€mil. 0 at 31 December 2011);
- the payable for customer deposits in the amount of €mil. 45 (€mil. 44 at 31 December 2011);
- the payable for commissions due in the amount of €mil. 44 (€mil. 48 at 31 December 2011);
- royalties due in the amount of €mil. 24 (€mil. 23 at 31 December 2011);

- the payable for contractual penalties in the amount of €mil. 13 (€mil. 15 at 31 December 2011);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 6 (€mil. 6 at 31 December 2011);
- payables for insurance in the amount of €mil. 6 (€mil. 5 at 31 December 2011).

21. TRADE PAYABLES, INCLUDING NET ADVANCES FROM CUSTOMERS

	31 Mar. 2012	***31 Dec. 2011***
Trade payables	4,327	4,789
Trade payables to related parties (Note 22)	146	160
	4,473	4,949
Advances from customers (gross)	16,184	15,622
Work in progress	(7,920)	(7,409)
Advances from customers (net)	8,264	8,213
Total trade payables	**12,737**	**13,162**

For information on trade payables to related parties, please refer to Note 22.

22. TRANSACTIONS WITH RELATED PARTIES

In general, transactions 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 amounts related to the balance sheet and income statement. The impact of transactions with related parties on cash flows is reported directly in the statement of cash flows.

(millions of euros) *RECEIVABLES AT 31 MARCH 2012*	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Elsacom NV			8			8
Other companies with unit amount lower than €mil. 5			10	3	1	14
Associates						
Eurofighter Jagdflugzeug GmbH				263		263
NH Industries Sarl				98		98
Iveco - Oto Melara Scarl				32		32
Abruzzo Engineering Scpa (in liq.)				22		22
Joint Stock Company Sukhoi Aircraft				17	5	22
Orizzonte - Sistemi Navali SpA				15	1	16
Metro 5 SpA		3		13		16
Eurosysnav SAS				8		8
Macchi Hurel Dubois SAS				7		7
Abu Dhabi Systems Integration				5		5
Yeni Elektrik Uretim Anonim Sirketi				5		5
Other companies with unit amount lower than €mil. 5			1	16		17
Joint ventures(*)						
Ansaldo Energia Holding SpA			127			127
MBDA SAS				65		65
Telespazio SpA			17	1		18
Thales Alenia Space SAS	2		5	14		21
Ansaldo Energia SpA				9	3	12
GIE ATR				33	16	49
Superjet International SpA			14	4		18
Other companies with unit amount lower than €mil. 5	6	1	3	9	2	21
Consortia (**)						
Saturno				7	1	8
Ferroviario Vesuviano				14		14
S3Log				8		8
Other consortia with unit amount lower than €mil. 5			1	17	1	19
Companies subject to the control or significant influence of the MEF						
Ferrovie dello Stato Italiane				136		136
Other				119		119
Total	**8**	**4**	**186**	**940**	**30**	**1,168**
% out of the total for the period	***8.4***	***9***	***18.4***	***18.7***	***3.1***	

(millions of euros) ***PAYABLES AT 31 MARCH 2012***	**Non-current borrowings**	**Other non-current payables**	**Current borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Other companies with unit amount lower than €mil. 5			3	12	1	16	
Associates							
Eurofighter Jagdflugzeug Gmbh			82	5		87	
Consorzio Start SpA				41		41	
Joint Stock Company Sukhoi Aircraft	10			6		16	
Avio SpA				13		13	
Iveco - Oto Melara Scarl				1	6	7	
Other companies with unit amount lower than €mil. 5			3	10		13	
Joint ventures(*)							
MBDA SAS			590	11		601	96
Thales Alenia Space SAS			149	12		161	2
Ansaldo Energia SpA			110		10	120	
Telespazio SpA			1	2	7	10	428
Superject International SpA				1	7	8	
Other companies with unit amount lower than €mil. 5			1	9	5	15	
Consortia*(**)*							
Other consortia with unit amount lower than €mil. 5				4	1	5	
Companies subject to the control or significant influence of the MEF							
Other	**26**		**7**	19	1	53	
Total	**36**		**946**	**146**	**38**	**1,166**	**526**
% out of the total for the period	***0.8***		***45.3***	***3.3***	***2.4***		

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

(**) Consortia over which the Group exercises significant influence or which are subject to joint control

(millions of euros) ***RECEIVABLES AT 31 DECEMBER 2011***	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Elsacom NV			8			8
Other companies with unit amount lower than €mil. 5			10	3	1	14
Associates						
Eurofighter Jagdflugzeug GmbH				193		193
NH Industries Sarl				91		91
Iveco - Oto Melara Scarl				41		41
Orizzonte - Sistemi Navali SpA				22		22
Abruzzo Engineering Scpa (in liq.)				22		22
Joint Stock Company Sukhoi Civil Aircraft				15	5	20
Metro 5 SpA		2		14		16
Macchi Hurel Dubois SAS				5		5
Eurosysnav SAS				8		8
Abu Dhabi Systems Integration LLC				5		5
Other companies with unit amount lower than €mil. 5				18	1	19
Joint ventures(*)						
Ansaldo Energia Holding SpA			126			126
MBDA SAS				67		67
Thales Alenia Space SAS	2		5	18		25
GIE ATR				18		18
Rotorsim Srl				15		15
Telespazio SpA	4		18	1		23
Superjet International SpA			15	4		19
Balfour Beatty Ansaldo Systems JV SDN BHD				9		9
Ansaldo Energia SpA				9	3	12
Other companies with unit amount lower than €mil. 5	2	1	1	2	1	7
Consortia(**)						
Saturno				14	1	15
Ferroviario Vesuviano				14		14
S3Log				7		7
Other consortia with unit amount lower than €mil. 5			1	19	1	21
Companies subject to the control or significant influence of the MEF						
Ferrovie dello Stato Italiane				150		150
Other				100		100
Total	**8**	**3**	**184**	**884**	**13**	**1,092**
% out of the total for the period	***9.5***	***8.0***	***17.2***	***16.8***	***1.6***	

(millions of euros) ***PAYABLES AT 31 DECEMBER 2011***	**Non-current borrowings**	**Other non-current payables**	**Current borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Finmeccanica North America Inc.				5	1	6	
Other companies with unit amount lower than €mil. 5			5	8		13	
Associates							
Eurofighter Jagdflugzeug Gmbh			47	5		52	
Consorzio Start SpA				44		44	
Avio SpA				10		10	
Iveco - Oto Melara Scarl				1	7	8	
Joint Stock Company Sukhoi Civil Aircraft	10			5		15	
Other companies with unit amount lower than €mil. 5			2	13		15	
Joint ventures(*)							
MBDA SAS			569	11		580	96
Ansaldo Energia SpA			139		7	146	
Ansaldo Energia Holding SpA					4	4	
Thales Alenia Space SAS			132	13		145	2
Rotorsim Srl				13		13	
Telespazio SpA			6	2	7	15	208
Superject International SpA			6	1	8	15	
GIE ATR				4	5	9	
Other companies with unit amount lower than €mil. 5				2	1	3	
Consortia*(**)*							
Other consortia with unit amount lower than €mil. 5				7		7	
Companies subject to the control or significant influence of the MEF							
Other	26		7	16	1	50	
Total	**36**		**913**	**160**	**41**	**1,150**	**306**
% out of the total for the period	***0.8***		***65.5***	***3.2***	***2.6***		

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

(**) Consortia over which the Group exercises significant influence or which are subject to joint control

For the three months ended 31 March 2012 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Other companies with unit amount lower than €mil. 5			8			
Associates						
Eurofighter Jagdflugzeug Gmbh	111					
NH Industries Sarl	36					
Orizzonte Sistemi Navali SpA	36					
Iveco - Oto Melara Scarl.	22		7			1
Macchi Hurel Dubois SAS	5					
Eurofighter Simulation Sistem GmbH						
Other companies with unit amount lower than €mil. 5	14		4	1		
Joint ventures(*)						
GIE ATR	22		**7**			
MBDA SAS	15					2
Thales Alenia Space SAS	8		1			
Telespazio SpA						
Rotorsim Srl						
Other companies with unit amount lower than €mil. 5	4	1	3		3	
Consortia(**)						
Saturno						
Other consortia with unit amount lower than €mil. 5	5		1			
Companies subject to the control or significant influence of the MEF						
Ferrovie dello Stato Italiane	94		1			
Other	36		8			
Total	**408**	**1**	**40**	**1**	**3**	**3**
% out of the total for the period	***11.06***	***1.02***	***1.8***	***0.9***	***2.9***	***1.4***

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

(**) Consortia over which the Group exercises significant influence or which are subject to joint control

For the three months ended 31 March 2011 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Other companies with unit amount lower than €mil. 5	1		8			
Associates						
Eurofighter Jagdflugzeug Gmbh	133					
NH Industries Sarl	15					
Orizzonte Sistemi Navali SpA	22		1			
Iveco - Oto Melara Scarl.	21		1			
Consorzio Start SpA			6			
Other companies with unit amount lower than €mil. 5	18		2	1		
Joint ventures(*).						
GIE ATR	21					
MBDA SAS	26					1
Other companies with unit amount lower than €mil. 5	8	1	4			1
Consortia(**)						
Saturno						
Other consortia with unit amount lower than €mil. 5	4		1			
Companies subject to the control or significant influence of the MEF						
Ferrovie dello Stato Italiane	42		1			
Other	24		7			
Total	**335**	**1**	**31**	**1**		**2**
% out of the total for the period	***8.7***	***0.9***	***1.4***	***0.9***		***0.7***

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

(**) Consortia over which the Group exercises significant influence or which are subject to joint control

The primary transactions giving rise to receivables, payables, revenues and costs during the period were:

- "trade receivables" refer specifically to the non-eliminated portion of receivables from joints ventures and associated companies, lead companies or consortiums of major programmes in which the Group participates. The most important of these relate to:
  - the Eurofighter (EFA programme) for €mil. 263 (€mil. 193 in 2011) for contracts for the production of semi-wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force;
  - NH Industries, amounting to €mil. 98 (€mil. 91 in 2011), relating to the final sale of the NH90 helicopter;
  - the Iveco-Oto Melara consortium amounting to €mil. 32 (€mil. 41 in 2011) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on VBM Freccia and PZH2000 self-propelled vehicle for the Italian Army);
  - the Saturno consortium amounting to €mil. 7 (€mil. 14 in 2011) for work on high-speed train lines;
  - Metro 5 SpA amounting to €mil. 13 (€mil. 14 in 2011) for the designing, construction and operation of the new line 5 of the Milan metro;
  - Orizzonte - Sistemi Navali SpA amounting to €mil. 15 (€mil. 22 in 2011) relating to the FREMM programme;
  - Abruzzo Engineering (in liquidation) amounting to €mil. 22 (€mil. 22 in 2011) relating to the project to construct regional infrastructures for overcoming the digital divide, commissioned by the region of Abruzzo;
  - the Ferrovie dello Stato Italiane group amounting to €mil. 136 (€mil. 150 in 2011) for the supply of long-distance trains, high-speed trains and local transport, train control systems, as well as service and maintenance*;*

- "trade payables" to related parties mainly refer to the non-eliminated portion of payables to joint ventures and to the Start Consortium for €mil. 41 (€mil. 34 at 31 December 2011) for the supply of software for defence and security systems;

- "financial receivables" mainly refer to the non-eliminated portion of receivables from joint ventures;

- “borrowings”, amounting to €mil. 946 (€mil. 913 at 31 December 2011), includes the amount of €mil. 739 (€mil. 701 at 31 December 2011) due by Group companies to the joint ventures MBDA and Thales Alenia Space, for the unconsolidated portion, and payables of €mil. 82 (€mil. 47 at 31 December 2011) to Eurofighter, of which Alenia Aermacchi owns 21%. As regards the latter, under a cash pooling agreement its surplus cash and cash equivalents were distributed among the partners. The item also includes the unconsolidated portion of Group company borrowings from the Ansaldo Energia joint venture for €mil. 110;

- The most significant “revenues” related to the non-eliminated portion of receivables from joint ventures, and to:
  - Eurofighter (EFA programme) totalling €mil. 111 (€mil. 133 at 31 December 2011) for contracts for the production of semi-wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force;
  - the Iveco/Oto Melara consortium amounting to €mil. 22 (€mil. 21 at 31 December 2011) for production and post-sales assistance on defence and security ground vehicles;
  - NH Industries amounting to €mil. 36 (€mil. 15 at 31 December 2011) for transactions for the final sale of the NH90 helicopter;
  - Orizzonte - Sistemi Navali amounting to €mil. 36 (€mil. 22 at 31 December 2011) relating to the FREMM programme;
  - the Ferrovie dello Stato Italiane group amounting to €mil. 94 (€mil. 42 at 31 December 2011) for the supply of high-speed trains and local transport, train control systems, as well as service, maintenance and revamping activities.

23. OTHER OPERATING INCOME (EXPENSES)

These regard:

	For the three months ended 31March					
	2012			***2011***		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Grants for research and development	11	-	11	13	-	13
Exchange rate difference on operating items	27	(37)	(10)	53	(59)	(6)
Indirect taxes	-	(10)	(10)	-	(11)	(11)
Gains/losses on sales of assets	1	-	1	1	-	1
Insurance reimbursements	4	-	4	4	-	4
Reversal of impairment of receivables	-	-	-	3	-	3
Restructuring costs	-	(3)	(3)	-	-	-
Reversals of/Accruals to provisions	34	(33)	1	25	(20)	5
Other operating income (expenses)	20	(24)	(4)	14	(25)	(11)
Other operating income (expenses) attributable to related parties (Note 22)	1	(1)	-	1	(1)	-
Total	**98**	**108**	**(10)**	**114**	**(116)**	**(2)**

"Reversals of/Accruals to provisions" relate mainly to the accruals to and reversals of the provisions for risks and contractual charges in the Aeronautics segment.

24. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

In particular, these include:

	For the three months ended 31 March			
	2012		***2011***	
Raw materials and consumables used		1,260		1,266
Purchase of services		1,134		1,225
Costs to related parties (Note 22)		40		31
Personnel costs		1,180		1,223
Wages, salaries and contributions	*1,087*		*1,123*	
Costs of LTIP	*1*		-	
Cost of stock grant plans	*1*		*1*	
Costs of performance cash plan	*4*		-	
Costs related to defined-benefit plans (Note 19)	*15*		*15*	
Costs related to defined-contribution plans	*35*		*36*	
Restructuring costs	*6*		*13*	
Other personnel costs	*31*		*35*	
Changes in inventories of work in progress, finished and semi-finished products		(143)		(128)
Work performed by the Group and capitalised		(96)		(107)
Total raw materials and consumables used and personnel costs		**3,375**		**3,510**

Regarding personnel, the average workforce went from 73,678 in the first three months of 2011 to 68,520 in the same period of the current year, for a net decrease of 5,158, essentially attributable to all segments, particularly Defence and Security Electronics, Aeronautics and Space, mainly as a result of company reorganisation, rationalisation and efficiency-enhancement processes begun last year. The decrease in the average workforce is also a result of the change on the scope of the Group due to changing the method of consolidating the Ansaldo Energia group, from line-by-line to proportional (55%), as compared with the same period of 2011. This change led to a reduction of 1,498 employees.

The workforce at 31 March 2012 came to 69,652, down a net of 822 employees from the 70,474 reported at 31 December 2011, largely attributable to the Defence and Security Electronics, Helicopters and Defence Systems segments.

Personnel costs came to €mil. 1,180 in the first three months of 2012 as compared with €mil. 1,223 in the same period of 2011, for a net decrease of €mil. 43, the net effect of: the change in the scope of consolidation, the decrease in the average workforce and lower restructuring costs and early-

retirement incentives. The figure for the first quarter of 2012 includes the costs associated with the new medium/long-term incentive plan for managers (the Performance Cash Plan).
As in 2011, the cost of stock grant plans relates to the portion attributable to Ansaldo STS group's plan.
Restructuring costs include the costs of company reorganisations, affecting, in particular, the Defence and Security Electronics (particularly foreign operations) and Transportation divisions.

Purchase of services include, among other things, the cost of rents, operating leases and hires (€mil.52, compared with €mil. 68 at 31 March 2011).

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	For the three months ended 31 March			
	2012		***2011***	
Depreciation and amortisation:				
• Amortisation of intangible assets (Note 9)		62		62
Development costs	*13*		*14*	
Non-recurring costs	*5*		*6*	
Acquired through a business combination	*22*		*21*	
Other	*22*		*21*	
• Depreciation of property, plant and equipment		94		94
Impairment:		3		6
• non-current assets and investment properties	-		-	
• goodwill	-		-	
• operating receivables	*3*		*6*	
Total amortisation, depreciation and impairment		**159**		**162**

26. FINANCE INCOME AND COSTS

Below is a breakdown of finance income and costs:

	For the three months ended 31March					
	2012			*2011*		
	Income	**Cost**	**Net**	**Income**	**Cost**	**Net**
Interests	7	(73)	(66)	5	(73)	(68)
Premiums (paid) received on IRS	-	-	-	8	-	8
Commissions (including commissions on non-recourse items)	-	(8)	(8)	-	(8)	(8)
Fair value adjustments through profit or loss	16	(33)	(17)	26	(84)	(58)
Premiums (paid) received on forwards	2	(1)	1	1	(1)	-
Exchange-rate differences	61	(68)	(7)	94	(75)	19
Interest cost on defined-benefit plans (less expected returns on plan assets) (Note 19)	-	(5)	(5)	-	(6)	(6)
Finance income/costs - related parties (Note 22)	3	(3)	-	-	(2)	(2)
Other finance income and costs	13	(11)	2	28	(24)	4
	102	**(202)**	**(100)**	**162**	**(273)**	**(111)**

This is broken down as follows:

- net interest includes €mil. 63 (€mil. 66 at 31 March 2011) interest on bonds, down from the first quarter of 2011 due to the partial buy back of bonds in the second half of 2011 for €mil 185 (bonds maturing in December 2013 with a coupon of 8.125%, issued by Finmeccanica Finance in 2008 for a total nominal of €mil. 1,000) and in the first quarter of 2012 for €mil. 26 (equal to around USDmil. 34 in bonds maturing in July 2019, with a coupon of 6.25%, issued by the Meccanica Holdings USA in 2009 for a total of USDmil. 500). Please refer to the Financial Transactions section for more information;

- net cost arising from the application of fair value to the income statement break down as follows:

	For the three months ended 31March					
	2012			***2011***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Foreign-currency swaps	6	(9)	(3)	6	(33)	(27)
Interest rate swaps	1	(1)	-	4	(21)	(17)
Ineffective component of hedging on swaps	9	(4)	5	3	(17)	(14)
Embedded derivatives	-	(19)	(19)	-	-	-
Other equity derivatives	-	-	-	13	(13)	-
	16	**(33)**	**(17)**	**26**	**(84)**	**(58)**

  - net cost on foreign-currency swaps refers to the ineffective portion of hedging transactions (forward points);
  - fair values on interest rate swaps were neutral overall due to the lower number of outstanding transactions and the stability of interest rates in the first three months of the year. Overall, the item improved as a result of the movement in interest rates as compared with the same period of 2011 when announcements made by the European Central Banks created the expectation that interest rates would rise, with a negative impact on the value of existing transactions;
  - the embedded derivatives relate to commercial contracts denominated in currencies other than the currencies of the contractually involved parties and those generally used in the markets of reference. This component, separated from the commercial contract and valued at fair value through the income statement, is reported as a mere valuation that will not have any financial impact;
- other net finance income mainly consists of income and costs relating to the discounting of receivables, payables and provisions. The first quarter of 2011, instead, primarily included the positive and negative effects of the commissions received and paid on the earn-out mechanism and the option mirroring the earn-out mechanism related to the sale of STM.

27. SHARE OF PROFIT (LOSS) OF EQUITY ACCOUNTED INVESTMENTS

	31 March 2012	*31 March 2011*
Revaluation of Elettronica SpA	3	1
Revaluation (Impairment) of Joint Stock Co. Sukhoi Aircraft	5	(9)
Other revaluations	1	-
	9	**(8)**

28. INCOME TAXES

Income tax expense can be broken down as follows:

	For the three months ended 31 March	
	2012	***2011***
Corporate income tax (IRES)	(15)	(33)
Regional tax on productive activities (IRAP)	(21)	(24)
Benefit under consolidated tax mechanism	22	27
Other income taxes	(12)	(22)
Tax related to previous periods	(1)	1
Provisions for tax disputes	(2)	(1)
Deferred tax liabilities (assets) - net	3	(3)
	(26)	**(55)**

29. CASH FLOW FROM OPERATING ACTIVITIES

	For the three months ended 31 March	
	2012	***2011***
Net result	25	7
Depreciation, amortisation and impairment	159	162
Share of profit (loss) of equity accounted investments	(9)	8
Income taxes	26	55
Costs of pension and stock grant plans	16	16
Net finance costs (income)	100	111
Net accruals to the provision for risks and charges	6	4
Other non-monetary items	(3)	10
	320	**373**

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 three months ended 31 March	
	2012	***2011***
Inventories	(226)	(219)
Contract work in progress and advances received	(419)	(436)
Trade receivables and payables	(247)	(156)
Changes in working capital	**(892)**	**(811)**

30. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

Basic EPS	***For the three months ended 31 March***	
	2012	***2011***
Average number of shares for the period (in thousands)	578,118	577,438
Net result (not including non-controlling interests) (€mil.)	18	-
Result of continuing operations (not including non-controlling interests) (€mil.)	18	-
Basic EPS	0.031	-
Basic EPS from continuing operations	0.031	-

Diluted EPS	***For the three months ended 31 March***	
	2012	***2011***
Average number of shares for the period (in thousands)	578,118	578,097
Adjusted net result (not including non-controlling interests) (€mil.)	18	-
Adjusted result of continuing operations (not including non-controlling interests) (€mil.)	18	-
Diluted EPS	0.031	-
Diluted EPS from continuing operations	0.031	-

For the Board of Directors
the Chairman and Chief Executive Officer
(Giuseppe Orsi)

Declaration of the officer responsible for the interim financial report at 31 March 2012 pursuant to art. 154-bis, paragraph 2 of Legislative Decree 58/98, as amended

I, Alessandro Pansa, as Director, General Manager and CFO for Finmeccanica Spa and the officer in charge of preparing the company's accounting documents, hereby declare, in accordance with the provisions of Article 154-bis, paragraph 2, of Legislative Decree 58/98, as amended, that the interim financial report for the period ended 31 March 2012 corresponds to the related accounting records, books and supporting documentation.

Rome, 2 May 2012

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