OUR

FINMECCANICA

STRENGTH

ANNUAL REPORT

LIES IN OUR

2010

PEOPLE.

FINMECCANICA ANNUAL REPORT 2010

HELICOPTERS

AgustaWestland
- BAAC
- NHIndustries

DEFENCE AND SECURITY ELECTRONICS

DRS Technologies
Elsag Datamat
SELEX Communications
SELEX Galileo
SELEX Sistemi Integrati
SELEX Service Management
Seicos

AERONAUTICS

Alenia Aeronautica
- **Alenia Aermacchi**
- **SuperJet International**
- ATR
- Eurofighter GmbH
- GMAS

SPACE

Telespazio
Thales Alenia Space

DEFENCE SYSTEMS

Oto Melara
WASS
MBDA

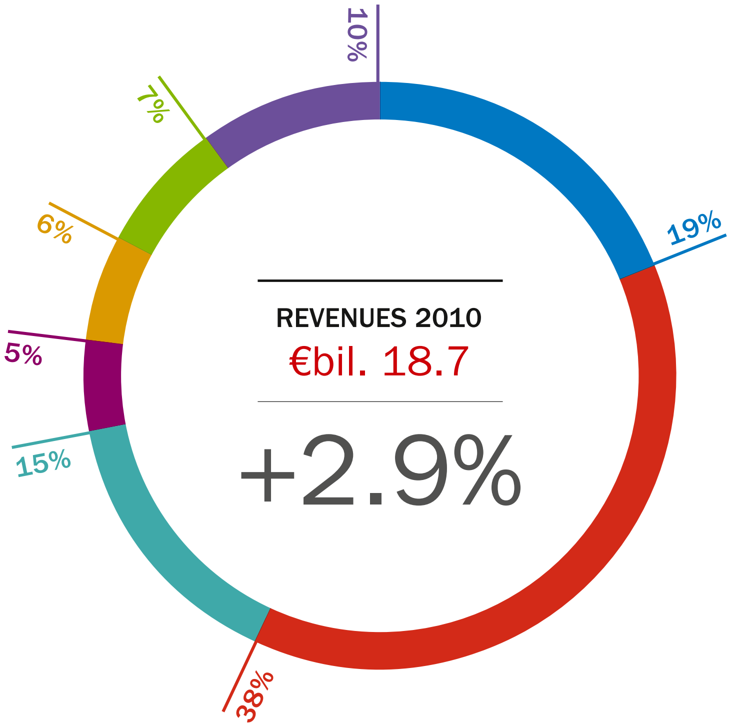
ENERGY

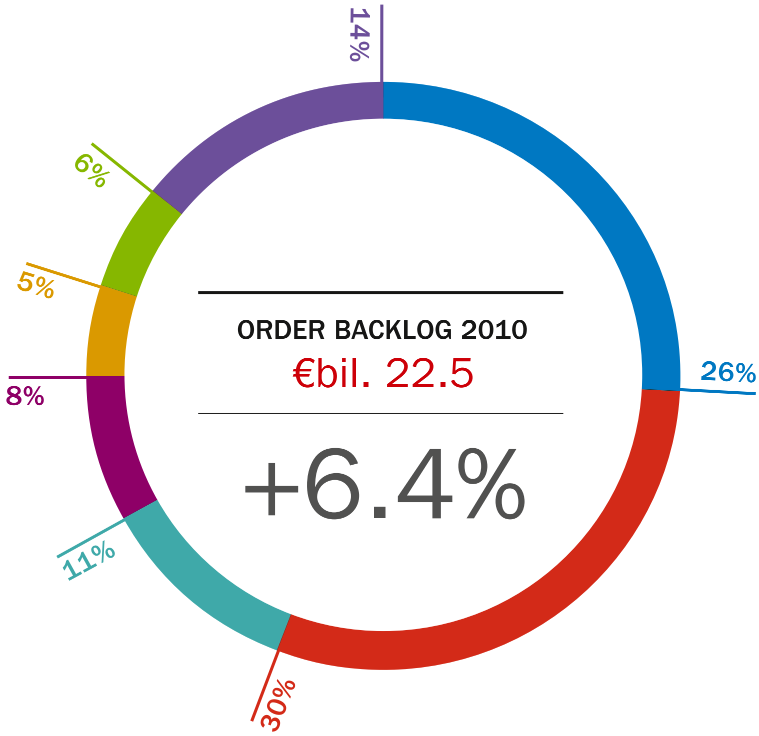
Ansaldo Energia
- **Ansaldo Fuel Cells**
- **Ansaldo Nucleare**

TRANSPORTATION

AnsaldoBreda
Ansaldo STS
BredaMenarinibus

Owned company Joint ventures


10%
19%
7%
6%
5%
15%
38%
REVENUES 2010
€bil. 18.7
+2.9%


14%
26%
6%
5%
8%
11%
30%
ORDER BACKLOG 2010
€bil. 22.5
+6.4%

This Annual Report 2010 has been translated into English solely for the convenience of the international reader.
In the event of conflict or inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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LETTER TO SHAREHOLDERS

Pier Francesco Guarguaglini
CHAIRMAN/CHIEF EXECUTIVE OFFICER

Dear Shareholders, 2010 was a particularly challenging year for the Company in light of the general operating environment. But, at the same time, it was highly significant in terms of the results we achieved and the transactions we concluded.

In the macroeconomic environment the global economy is attempting to come out of a recession triggered principally by the financial shock in August 2007 and the ensuing crisis in September 2008. However, the recovery underway is still muted. Largely supported by expansive anti-crisis policy measures, it is being hampered by recurrent financial tension and is unable to provide sufficient stimulus to employment.

Then, at the start of 2011, another variable was thrown into the mixture – various political systems in a number of North African and Middle Eastern countries became unstable, resulting in the toppling of the regimes in Tunisia and Egypt and the complicated situation in Libya. The earthquake in Japan has added further uncertainty as to the future of the world economy.

In any event, this is a two-speed recovery. Apart from a few exceptions, emerging countries are growing strongly in terms of both domestic demand (by way of consumption and investments) and foreign trade. Industrialised countries are benefiting from increased external demand, but domestic demand remains weak.

At the Toronto Summit last June, the G20 leaders made a commitment to halve deficits by 2013 and stabilise debt-to-GDP ratios by 2016. They also agreed to speed up the process of fiscal consolidation in those countries facing the greatest difficulties. And they committed to coordinating national economic policies under a coherent framework, in order to guarantee strong, sustainable and balanced growth in the future.

However, conditions in the various regions and industrial sectors vary widely, and we need to consider this in greater detail in order to assess the impact on the Company.

There has been talk recently about possible heavy cuts in government investment in the aerospace and defence sectors, particularly in our domestic markets (Italy, the UK and the US).

In reality, the situation is more complex and, in some ways, less negative than it seemed at first.

Expenditure forecasts of industrialised countries and, in particular, our three key markets, show a certain level of stability in the short and medium term, especially if we consider the amount earmarked for buying new systems, vehicles and equipment. Furthermore, none of the programmes of prime interest to the Group have been cancelled, nor are they expected to be in the future.

Emerging countries, however, are bucking this trend, and defence spending is forecast to grow by an average of about 4% a year. Many of these markets are commercially accessible, although it is often necessary to have an established industrial presence on a local level. Either way, with opportunities for expanding sales markets, the outlook for Finmeccanica is positive.
In addition to aerospace and defence, investment in security is becoming ever more important. Although the market, which is largely based on the supply of electronic products and systems, is fragmented, it is of a comparable size to the defence electronics market – if not larger. Given the similarities between the main underlying technologies, the Group's companies can exploit past investments made in the military sector to quickly develop security products and systems.
As regards the civil sectors of interest to the Group, i.e. energy and rail transport, good opportunities are opening up in both Italy and abroad, with governments' economic policies targeting investment in infrastructure as a tool to sustain the economic recovery.
The energy market is growing steadily at an average rate of 2-3%, especially in newly industrialised countries and in renewable energy sectors. In rail transport, growth is averaging 2%, with a peak of 5% in the high-speed sector and Italy outperforming the rest of Europe.

A more detailed analysis of the various markets shows that Italy's defence budget in the coming years will not be cut and that the major investment programmes – Eurofighter, FREMM, VBM "Freccia" and Forza NEC – have been confirmed. In the security sector, the Group's activities are benefiting from investment plans from a variety of sources, ranging from civil protection and law enforcement to local institutions. There are also key opportunities in energy and rail transport (both urban and non-urban). The high-speed tender which Finmeccanica recently won in partnership with Bombardier is testament to the excellence of our companies and lays the foundations for expansion in global markets.

In the UK, the defence sector is undergoing a period of change. The decision has been taken to reduce the budget by 8-10%, and large cuts might be made in various programmes; however, the helicopter segment, which is of particular relevance to Finmeccanica, remains a strategic interest for the UK Ministry of Defence. In addition, France and the UK have signed a bilateral defence cooperation treaty aimed at significantly cutting operating costs, while at the same time safeguarding the quality and efficiency of the military. Both countries maintain that the agreement will also benefit their allies and will enhance the security of NATO and the European Union. Thanks to the recognised role that Finmeccanica's companies enjoy in the UK's industrial and technological base, we are confident we can exploit this new situation to the full. At the same time, our deep-rooted and widespread presence in the UK opens up interesting prospects in various areas, including IT security, command and control systems, training services and rail systems and infrastructure.

Elsewhere in Europe, Germany has decided to make further reductions in defence costs, whereas Poland's budget has rocketed. This validates our decision to acquire helicopter company PZL and enables Finmeccanica to consolidate its presence, not only in Poland but throughout Eastern Europe. Finally, the Space Alliance with French company Thales has enabled Finmeccanica to achieve pleasing results under Europe's Galileo programme, both in terms of manufacturing the constellation and in the area of mission control.

In the United States, although its economic situation is substantially better than Europe's, its hefty fiscal deficit is weighing heavily on the defence budget. To combat this situation, the US government is aiming to improve efficiency rather than reduce investments. Although some cuts have been decided (e.g. the F-22 Raptor), the US Defense Department is looking to make significant investment, particularly in high-tech sectors such as unmanned aircraft and cyber security. Finmeccanica, thanks in part to the contribution of DRS Technologies, is gradually exploiting its ability to tap into the opportunities on offer in the US market. New orders have been received for the C27J, and further funds have been allocated for new acquisitions in 2012. The tender for the new trainer has been launched, and Alenia Aermacchi's M-346 has features that make it highly competitive in this respect. The helicopter sector offers interesting prospects, and Finmeccanica intends to take part in the tender which is expected for the presidential helicopter. However, our expectations are not restricted to military programmes, but also concern the security sector. In urban transport, the Group's unparalleled excellence in this particular sector is confirmed by two major contracts – one for Honolulu's driverless system, which we won at the start of 2011, and another expected for Miami's metro system.

Elsewhere in the world, Finmeccanica boasts a more or less well-established and broad-based presence in many countries.
We operate in Turkey via partnerships and joint ventures, such as the collaboration between AgustaWestland and TAI on the ATAK programme. We are able to quickly and efficiently seize the opportunities presented by the increased defence budget and new civil infrastructure projects, such as the Istanbul and Ankara metros, high-speed trains and various energy projects.

In Russia, AgustaWestland and Russian Helicopters have built a site to produce and assemble the civilian version of the AW139, while the Superjet100, developed by Alenia Aeronautica and Sukhoi, has been awarded certification by Russia. The first consignment is due to be delivered around the middle of 2011. Furthermore, Ansaldo STS and Russian Railways have signed a MoU for a new joint venture in the high-tech rail transport sector.
The Group also has a strong presence in the Gulf states – above all Saudi Arabia, the United Arab Emirates (via the contract for the M-346 programme) and Qatar, as well as a number of Asian countries such as Malaysia – and there are interesting possibilities for growth here.
India, a democracy with high and sustainable rates and volumes of growth and interesting opportunities in many sectors, is a market of prime importance to Finmeccanica. Over the years, we have developed solid industrial partnerships in the country. In the last five-year period, Finmeccanica won orders from India worth on average around €mil. 250 per year, and the forecasts for the 2010-2014 period show this figure doubling.
In terms of emerging markets, Finmeccanica has a keen interest in Brazil, whose defence procurement budget is expected to continue to grow in the coming years by more than 50% of its current level. Brazil's stated aim is to renew its military infrastructure and modernise the major platforms. The 2014 World Cup and the 2016 Rio de Janeiro Olympics open the door for major investment in the security and infrastructure sectors. Of particular relevance here is the high-speed line between Rio de Janeiro and São Paulo.
As regards the Chinese market, the Group is keeping a close eye on developments, but our interest is confined to civil sectors because of international political limits placed on commercial development in the military sector. There are various joint ventures and projects underway or under negotiation in rail transport, in protected communications, air traffic control, helicopters, security, energy and space.
Algeria, Colombia, South Korea, Kenya, Mexico and Panama are also countries we are focusing our interest on.

However, the complex and stimulating situation we have outlined thus far is part of a highly competitive environment in which financial institutions are imposing stringent selection criteria on firms and where there is fierce competition from emerging nations.
Such a situation calls for rapid integration and efficiency measures to be implemented, which Finmeccanica duly undertook last year (mainly in aeronautics, and defence and security electronics). These measures included the rationalisation of production facilities, partly through the concentration of property in Finmeccanica Group Real Estate; the resizing of the workforce in a number of sectors; a review of the product portfolio; and the prudent selection of technical and technological investments.

Overall, the measures have had a positive impact on both fixed costs and product costs, improving the Group's competitiveness and increasing the opportunities for winning orders in difficult, intensely competitive markets. The meticulousness with which we have selected investments will improve cash flow generation.
The positive results achieved by the Group in the 2010 financial year are proof of the effectiveness of the measures undertaken. Revenues and EBITA are at the high end of the forecast range, while free operating cash flow is more than double the forecast.
New orders rose to €mil. 22,453 (+6.4%), driven by growth in helicopters (+86.6%), space (+67%) and transportation (+13.9%).
The order backlog amounted to €mil. 48,668 (+7.8%), equivalent to around two and a half years of production.
Revenues rose 2.9% to €mil. 18,695, from €mil. 18,176 in 2009. Most of this increase was due to higher production volumes of helicopters, defence and security electronics and aeronautics.
Adjusted EBITA was €mil. 1,589, with an adjusted EBITA margin of 8.5%.
Net profit came in at €mil. 557, compared with €mil. 718 in 2009 (22.4%), while free operating cash flow was positive at €mil. 443 million, versus €mil. 563 in 2009.
Net debt stood at €mil. 3,133, from €mil. 3,070 at the end of 2009.
The Group invested €mil. 2,030 in research and development, an increase of 2.4%. The figure is equivalent to about 11% of revenues and focused on three strategic pillars: aeronautics, defence and security electronics and helicopters.
The workforce at 31 December 2010 was 75,197, compared with 73,056 at 31 December 2009. In geographical terms, around 57% of staff members are located in Italy and some 43% abroad, mainly in the US (15.7%), the UK (12.8%), France (4.9%) and Poland (4.5%).
The programmes launched in 2010 will continue in 2011. In the first few months of the year the Board of Directors approved the acquisition by US fund First Reserve of 45% of the capital of Ansaldo Energia and the rationalisation of facilities via Finmeccanica Group Real Estate. Overall this will generate a sharp reduction in debt in the next financial year.

These results show that so far, the crisis has had only a small impact on Finmeccanica, while the figures demonstrate our ability, albeit with a certain amount of effort, to meet the targets we set. Finmeccanica has been able to shield itself well, thanks to its quality products and diverse markets, which are success factors in its business development.
Although the effects of the crisis have not been dramatic, they could persist, so we must not sit back on our laurels and simply look at all the good things we have done so far.

The management of staff has been handled with particular care, taking account of the difficult conditions in the labour market.
For Italy, in particular, we have been able to build a wholly innovative relationship with institutions and unions, based on a sense of social responsibility. In cases where we were forced to restructure or deal with critical situations, we did so without consequences for the regions in which we operate, without tension, and in full agreement with all the unions involved. This was a unique situation in terms of Italian industrial relations at this time.

Of Finmeccanica's various achievements, it gives me great pleasure to mention our inclusion in the World and Europe components of the Dow Jones Sustainability Index. This is an important step in the sustainability certification process that we launched two years ago involving the entire Group. Being "sustainable" is not just a matter of image. Rather, it is an attitude that demonstrates our sensitivity in our dealings with all stakeholders and gives our work value added.

Looking to the future, we can be cautiously optimistic. We are not expecting expansion in our domestic markets, so if we wish to continue growing we must turn our attention even more determinedly towards new markets.
If we want to expand into new markets we must be able to respond to the demands for technology transfer and, to this end, if we want to keep the edge we have over emerging nations, we must continue to invest in technology and innovation.
All major companies are working to raise their competitiveness, particularly those in the aerospace and defence sector, and we therefore face increasingly aggressive competition in all new markets.
We must therefore make a further concerted effort to adapt and develop our strategy, enabling faster response times. The cycles of market continuity and discontinuity are becoming ever shorter, and Finmeccanica must draw on the excellent adaptability that has been the byword and making of the Group's development in recent years. All the measures we are undertaking to make the various business sectors more effective and efficient, which I have mentioned earlier, are heading in this direction.

In this complex and multi-faceted environment, the Board of Directors of the Company has operated with a constant eye on the rules of governance in relation to how both it and the bodies of the Group's companies function, and on the related decision-making processes, as well as on the control of potential conflicts of interest and formal and substantive compliance with the rules of conduct provided for by law and by the Code of Ethics covering all the domestic and foreign operational units.

We could not have achieved these results without the intelligent and unswerving contribution of the Group's management and all the staff who work for Finmeccanica and the Group's companies. I would like to convey to them the sincere thanks of the Board of Directors and myself, and am confident that this shared commitment will be rewarded in the future with the preservation, and possibly improvement, of working conditions within the Group.

Before concluding, I would like to express the Board of Directors' most sincere gratitude to our key shareholder, the Ministry of Economy and Finance, for the confidence and steadfast support it has shown for the strategic choices we have made during this period.
The 2010 financial year marks the end of the Board of Directors' three-year mandate. We very much hope that we have met the expectations of shareholders in respect of the continuing consolidation of the Company, with the aim of growing its value within a complex and competitive international environment.

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

Boards and Committees

BOARD OF DIRECTORS

(for the 2008-2010 term)

appointed by the Shareholders' Meeting
of 6 June 2008

PIER FRANCESCO GUARGUAGLINI (1)
Chairman / Chief Executive Officer

PIERGIORGIO ALBERTI (2) (3)
Director

ANDREA BOLTHO VON HOHENBACH (1)
Director

FRANCO BONFERRONI (2) (3)
Director

GIOVANNI CASTELLANETA (1)
Director (*)

MAURIZIO DE TILLA (2)
Director

DARIO GALLI (1) (3) (**)
Director

RICHARD GRECO (1)
Director

FRANCESCO PARLATO (1) (3)
Director

NICOLA SQUILLACE (1) (2)
Director

RICCARDO VARALDO (3)
Director

GUIDO VENTURONI (1)
Director

LUCIANO ACCIARI
Board Secretary

BOARD OF STATUTORY AUDITORS

(for the 2009-2011 term)

appointed by the Shareholders' Meeting
of 29 April 2009

LUIGI GASPARI
Chairman

**GIORGIO CUMIN, MAURILIO FRATINO,
SILVANO MONTALDO, ANTONIO TAMBORRINO**
Regular Statutory Auditors

MAURIZIO DATTILO, PIERO SANTONI
Alternate Statutory Auditors

INDEPENDENT AUDITORS
(for the 2006-2011 term)

PRICEWATERHOUSECOOPERS SpA

(*)	Director without voting rights appointed by Ministerial Decree on 26 June 2008, pursuant to Decree-law 332/94, converted with amendments into Law 474/94.
(**)	Member of the Remuneration Committee since 4 February 2009.
(1)	Member of the Strategy Committee.
(2)	Member of the Internal Audit Committee.
(3)	Member of the Remuneration Committee.

REPORT ON OPERATIONS

AT 31 DECEMBER 2010

GROUP RESULTS AND FINANCIAL POSITION

Highlights

€ millions	2010	2009	Change
New orders	22,453	21,099	6.4%
Order backlog at 31 Dec.	48,668	45,143	7.8%
Revenues	18,695	18,176	2.9%
Adjusted EBITA	1,589	1,587	0.1%
Net profit	557	718	(22.4%)
Adjusted net profit	557	700	(20.4%)
Net invested capital	10,230	9,612	6.4%
Net financial debt	3,133	3,070	2.1%
FOCF	443	563	(21.3%)
ROS	*8.5%*	*8.7%*	*(0.2) p.p.*
ROI	*16.0%*	*16.7%*	*(0.7) p.p.*
ROE	*8.2%*	*11.0%*	*(2.8) p.p.*
EVA	317	290	9.3%
Research & development	2,030	1,982	2.4%
Workforce at 31 Dec. (no.)	75,197	73,056	2.9%

Refer to the section “'Non-GAAP' performance indicators” for definitions of the indicators.
p.p.: percentage points.

In 2010, the Finmeccanica Group (the Group) posted performance and financial results in line with, and in some cases exceeding, the expectations stated in its financial statements for 2009. The Group projected revenues for the year of between €bil. 17.8 and €bil. 18.6, adjusted EBITA of between €mil. 1,520 and €mil. 1,600 and Free Operating Cash Flow with a cash surplus of €mil. 200. Revenues and adjusted EBITA ended up at the higher end of the expected range, while FOCF was more than double the figure projected thanks to careful scrutiny of investments and working capital (both lower than the figure reported for 2009).

The commercial results were also significant, with new orders surpassing €bil. 22 for the very first time. This is significant given the fact that, in 2010, the Group companies had to contend with markets in emerging nations where both spending and competition were high.

To consolidate the positive results achieved in 2010 into the future and to ensure that Finmeccanica’s operational structure is up to the challenges of rapid changing technology, more competitive markets and more aggressive competitors, the Group has taken into account, as early as 2010, the significant impact this could have on the income statement in relation to “restructuring costs”. The primary actions taken relate mainly to integration between Group companies (in particular in the Aeronautics, Helicopters and Defence and Security Electronics divisions), with the most important being: rationalisation of sites, concentration of certain business segments and reorganisation of some production lines.

Before analysing the main indicators, it should be noted that, in comparing the periods, the US dollar appreciated against the euro by around 7.0% during 2010 (comparison of the prevailing exchange rates at 31 December 2010 and at 31 December 2009). As a result of the translation of the financial statements of companies reporting in US dollars, this change caused an increase in the balance sheet items. The US dollar appreciated against the euro by an average of around 5.0% for the year compared with the average for 2009 and this change is reflected in the income statement and the cash flow statement.

With regard to the main Group indicators new orders grew by 6.4% compared with the figure at 31 December 2009, revenues were up by 2.9%, while adjusted EBITA was essentially in line with the figure reported for 2009 (+0.1%). Return on sales (ROS) amounted to 8.5% (8.7% at 31 December 2009).

Return on investment (ROI) and EVA also reflect the full impact of the acquisition of the DRS Technologies group (DRS) in the calculation of average net capital invested. Compared with the previous year, ROI stood at 16.0% (16.7% at 31 December 2009), EVA came to a positive €mil. 317 (positive €mil. 290 in 2009) and return on equity (ROE) came to 8.2% (11.0% in 2009).

The Group's net profit at 31 December 2010 amounted to €mil. 557, compared with €mil. 718 at 31 December 2009, for a decrease of €mil. 161. This decline is primarily the result of the deterioration in EBIT (€mil. 160), deriving entirely from higher non-recurring costs relating to the restructuring efforts mentioned above, and the deterioration in net finance costs (€mil. 69). It should be noted that the figure for 2009 benefited from gains on the sale of securities and equity investments. These negative changes were offset by lower taxes (€mil. 68) as a direct result of the lower profit before taxes. Therefore, the effective tax rate at 31 December 2010 (35.7%) was just a little higher than that reported at 31 December 2009 (34.4%).

Reclassified income statement

€ millions	Notes	2010	2009
Revenue		**18,695**	**18,176**
Raw materials and consumables used and personnel costs	(*)	(16,381)	(16,125)
Depreciation and amortisation	35	(578)	(575)
Other net operating income (expenses)	(**)	(147)	111
Adjusted EBITA		**1,589**	**1,587**
Non-recurring income (costs)		(169)	(92)
Restructuring costs		(103)	(23)
Impairment of goodwill		-	-
Amortisation of intangible assets acquired through a business combination	35	(85)	(80)
EBIT		**1,232**	**1,392**
Net finance income (costs)	(***)	(366)	(297)
Income taxes	39	(309)	(377)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**557**	**718**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**557**	**718**

Notes on the reconciliation between the reclassified income statement and the statutory income statement:
(*) Includes “raw materials and consumables used”, “purchase of services” and “personnel costs” (excluding “restructuring costs”, “work performed by the Group and capitalised” and “change in inventories of work in progress, semi-finished and finished goods”).
(**) Includes “other operating income” and “other operating expenses” (excluding restructuring costs, impairment of goodwill, non-recurring income (costs) and impairment).
(***) Includes “finance income”, “finance costs” and “share of profit (loss) of equity accounted investments”.

Primary Finmeccanica Group indicators by segment

The primary changes that marked the Group’s performance in 2010 compared with 31 December 2009 are described below. A deeper analysis can be found in the section covering the performance of each business segment.

2010 € millions	New orders	Order backlog at 31 Dec.	Revenues	Adj. EBITA	ROS %	R&D	Workforce at 31 Dec. (no.)
Helicopters	5,982	12,162	3,644	413	11.3%	409	13,573
Defence and Security Electronics	6,783	11,747	7,137	735	10.3%	810	29,840
Aeronautics	2,539	8,638	2,809	205	7.3%	369	12,604
Space	1,912	2,568	925	39	4.2%	68	3,651
Defence Systems	1,111	3,797	1,210	107	8.8%	260	4,112
Energy	1,403	3,305	1,413	145	10.3%	38	3,418
Transportation	3,228	7,303	1,962	97	4.9%	69	7,093
Other Activities	105	113	243	(152)	n.a.	7	906
Eliminations	(610)	(965)	(648)				
	22,453	**48,668**	**18,695**	**1,589**	**8.5%**	**2,030**	**75,197**

2009 € millions	New orders	Order backlog at 31 Dec.	Revenues	Adj. EBITA	ROS %	R&D	Workforce at 31 Dec. (no.)
Helicopters	3,205	9,786	3,480	371	10.7%	328	10,343
Defence and Security Electronics	8,215	12,280	6,718	698	10.4%	711	30,236
Aeronautics	3,725	8,850	2,641	241	9.1%	474	13,146
Space	1,145	1,611	909	47	5.2%	87	3,662
Defence Systems	1,228	4,010	1,195	130	10.9%	235	4,098
Energy	1,237	3,374	1,652	162	9.8%	36	3,477
Transportation	2,834	5,954	1,811	65	3.6%	110	7,295
Other Activities	113	172	410	(127)	n.a.	1	799
Eliminations	(603)	(894)	(640)				
	21,099	**45,143**	**18,176**	**1,587**	**8.7%**	**1,982**	**73,056**

CHANGE (delta %)	New orders	Order backlog	Revenues	Adj. EBITA	ROS (delta p.p.)	R&D	Workforce
Helicopters	86.6%	24.3%	4.7%	11.3%	0.7 p.p.	24.7%	31.2%
Defence and Security Electronics	(17.4%)	(4.3%)	6.2%	5.3%	(0.1) p.p.	13.9%	(1.3%)
Aeronautics	(31.8%)	(2.4%)	6.4%	(14.9%)	(1.8) p.p.	(22.2%)	(4.1%)
Space	67.0%	59.4%	1.8%	(17.0%)	(1) p.p.	(21.8%)	n.s.
Defence Systems	(9.5%)	(5.3%)	1.3%	(17.7%)	(2) p.p.	10.6%	n.s.
Energy	13.4%	(2.0%)	(14.5%)	(10.5%)	0.5 p.p.	5.6%	(1.7%)
Transportation	13.9%	22.7%	8.3%	49.2%	1.4 p.p.	(37.3%)	n.s.
Other Activities	(7.1%)	(34.3%)	(40.7%)	19.7%	n.a.	n.a.	n.s.
	6.4%	**7.8%**	**2.9%**	**0.1%**	**-0.2 p.p.**	**2.4%**	**2.9%**

From a commercial perspective, the Group reported an increase in **new orders**, amounting to €mil. 22,453 at 31 December 2010, compared with €mil. 21,099, at 31 December 2009, for an increase of 6.4%.
With regard to the divisions that contributed to the improvement in the results, the following should be noted:

- *Helicopters,* in the *military-government* segment, due to the order from the Italian Ministry of Defence for twelve AW101 helicopters and to orders from the UK Ministry of Defence; in the *civil-government* segment, new orders for 142 helicopters worth a total of about €mil. 1,200;
- *Space,* due to good performance in the earth observation segment and the new contract to design and build the Iridium NEXT constellation, comprised of 81 satellites for mobile telecommunications services, in the commercial telecommunications segment;
- *Transportation*, in the *vehicles* segment, mainly due to the order from Trenitalia for 50 high-speed trains as part of the temporary joint venture with Bombardier and in the *signalling and transport systems* segment, to the order for the construction of the technological system, the operation and the maintenance of Copenhagen's new driverless metro line, named Cityringen.

These improvements more than offset the declines in:

- *Defence and Security Electronics,* which, in 2009, received significant new orders for major integrated defence and security systems and for integrated communications networks and system;

- *Aeronautics,* where, in the *military* segment, a sizable order (€mil. 1,164) for the first lot of the third instalment of the EFA programme was received in the third quarter of 2009.

The **order backlog** at 31 December 2010 amounted to €mil. 48,668, an increase of 7.8% over 31 December 2009 (€mil. 45,143).
The net change is due to the ordinary acquisition of orders and invoicing to customers and to the effect deriving from the translation of financial statements expressed in foreign currencies as a result of euro/US dollar exchange rate trends at the end of the period.
The order backlog, based on workability, guarantees coverage of over 2.5 years of production.

Revenues at 31 December 2010 came to €mil. 18,695, compared with €mil. 18,176 for 2009, an increase of €mil. 519 (2.9%).
The following should be noted with regard to the divisions that contributed positively towards the improvement in revenues:

- *Helicopters*: due to higher volumes on the AW139 line and an increase in product support activity;
- *Defence and Security Electronics*: due to activities relating to *avionics and electro-optical systems*, those for DRS and value-added services for security applications, as well as the positive impact of translating the figures in financial statements reported in currencies other than the euro;
- *Aeronautics*: due to greater activity in the *military* segment, particularly to the increased production for the EFA, C27J, M346 and G222 programmes.

These increases were partially offset by declines in the *Energy* division, where there were lower production volumes in the *plants and components* segment, resulting from a decline in component sub-supply contracts for foreign “sites”.

Revenues in other divisions remained substantially in line with the previous year.

Adjusted EBITA at 31 December 2010 came to €mil. 1,589, compared with €mil. 1,587 at 31 December 2009.
The growth in adjusted EBITA is attributable to the following divisions:

- *Helicopters,* due to a rise in revenues and a different product mix;
- *Defence and Security Electronics,* due to higher volumes and the impact of industrial efficiency-based and cost containment measures, particularly in the *command and control systems* and *communications* segments. These improvements more than offset the difficulties encountered in several markets or with customers in relation to *information technology and security* activities that led to the drafting of an important plan for repositioning the business, which will have sizable benefits in the coming years;
- *Transportation,* mainly due to improved profitability in the *vehicles* segment and rising production volumes in the *signalling and transport systems* segment.

The following divisions experienced a decrease:

- *Aeronautics,* due to the different mix of progress made on the programmes and the decline in production at a number of facilities (particularly for aerostructures). Specific industrial restructuring actions were undertaken to counter this downturn;
- *Energy,* due to the aforementioned decline in production volumes.

Research and development costs at 31 December 2010 came to €mil. 2,030, an increase of €mil. 48 over the previous year (€mil. 1,982).

Research and development costs in the *Aeronautics* division amounted to €mil. 369 (around 18% of the total Group amount) and reflect the progress made in programmes under development in the *civil* and *military* segments.

Research and development costs in the *Defence and Security Electronics* division came to €mil. 810 (about 40% of the Group total) and related largely to:

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

Finally, research and development costs in the *Helicopters* division amounted to €mil. 409 (around 20% of the Group's total R&D spending) and mainly concerned the development of technologies for primarily military use (AW149); the development of multi-role versions of the BA609 convertiplane for national security and the development of a new twin-engine helicopter of the 4-tonne class named the AW169.

The **workforce** at 31 December 2010 came to 75,197, a net increase of 2,141 over the 73,056 at 31 December 2009. This is the combined effect of the industrial reorganisation started in certain sectors and the consolidation of the Polish group Wytwornia Sprzetu Komunikacyjnego "PZL-ŚWIDNIK" Spolka Akcyjna (PZL-ŚWIDNIK) in the *Helicopters* division.
The geographical distribution of the workforce at 31 December 2010 breaks down into 57% of the workforce in Italy and 43% in foreign countries, largely the United States (15.7%), the United Kingdom (12.8%), France (4.9%) and Poland (4.5%).

Reclassified balance sheet

€ millions	Notes	31 Dec. 2010	31 Dec. 2009
Non-current assets		13,641	12,956
Non-current liabilities	(*)	(2,583)	(2,639)
		11,058	**10,317**
Inventories	15	4,426	4,662
Trade receivables	(**) 17	9,242	8,481
Trade payables	(***) 27	(12,996)	(12,400)
Working capital		**672**	**743**
Provisions for short-term risks and charges	24	(762)	(595)
Other net current assets (liabilities)	(****)	(738)	(853)
Net working capital		**(828)**	**(705)**
Net invested capital		**10,230**	**9,612**
Capital and reserves attributable to equity holders of the Company		6,814	6,351
Minority interests in equity		284	198
Shareholders' equity	22	**7,098**	**6,549**
Net financial debt (cash)	23	**3,133**	**3,070**
Net (assets) liabilities held for sale	(*****)	**(1)**	**(7)**

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 December 2010 the consolidated **net invested capital** came to €mil. 10,230, compared with €mil. 9,612 at 31 December 2009, for a net increase of €mil. 618.
More specifically, there was a €mil. 123 decrease in **net working capital** (negative €mil. 828 at 31 December 2010, compared with negative €mil. 705 at 31 December 2009). The level of working capital had a positive impact on the Group's ability to generate cash flow during the period (Free Operating Cash Flow) as described below.
Capital assets rose by €mil. 741 (€mil. 11,058 at 31 December 2010, compared with €mil. 10,317 at 31 December 2009), largely due to the effect of translating the "goodwill" in the financial statements of the Group's foreign companies as a result of the movement in the US dollar/euro exchange rate (€mil. 247) and to the change in the scope of consolidation as a result of the contribution of the PZL-ŚWIDNIK group (€mil. 150), in particular.

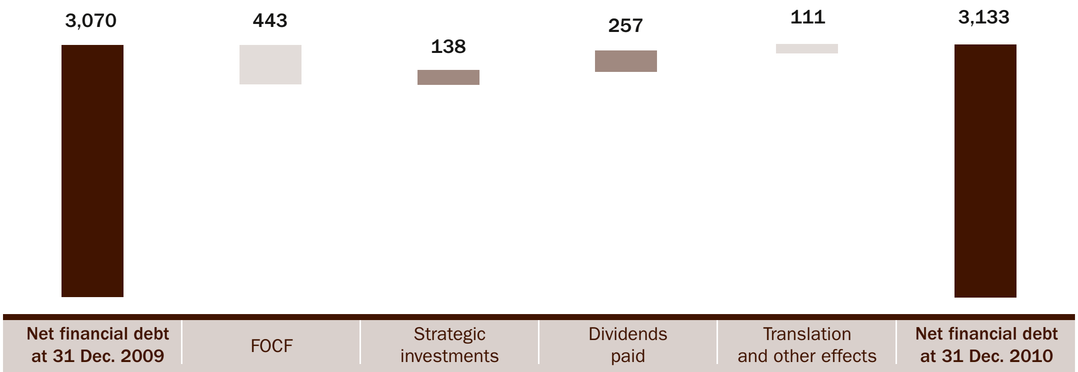
The **Free Operating Cash Flow** (FOCF) at 31 December 2010 was positive (generation of cash) in the amount of about €mil. 443, compared with a positive €mil. 563 at 31 December 2009, a net deterioration of €mil. 120.
As in previous years, careful management of working capital, particularly in relation to trade receivables and payments, resulted in a significant cash surplus from operations. This made it possible, in 2010, to use cash for investing activities to develop priority technologies and products, as described in the 2009 financial statements.
In 2010, ordinary investment activity, needed for product development, was largely concentrated in the Defence and Security Electronics (30%), Aeronautics (29%) and Helicopters (21%) divisions.

€ millions	2010		2009	
Cash and cash equivalents at 1 January	**2,630**		**2,297**	
Gross cash flow from operating activities	2,361		2,222	
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(948)		(706)	
Funds From Operations (FFO)		**1,413**		**1,516**
Changes in working capital	(117)		(488)	
Cash flow generated from (used in) operating activities	1,296		1,028	
Cash flow from ordinary investing activities	(853)		(465)	
Free Operating Cash Flow (FOCF)		**443**		**563**
Strategic investments	(138)		(10)	
Change in other investing activities (**)	(30)		(3)	
Cash flow generated from (used in) investing activities	(961)		(478)	
Capital increases	-		-	
Net change in borrowings	(884)		66	
Dividends paid	(257)		(256)	
Cash flow generated from (used in) financing activities	(1,141)		(190)	
Exchange gains/losses	30		(27)	
Cash and cash equivalents at 31 December	**1,854**		**2,630**	

(*) Includes the amounts of "change in other operating assets and liabilities", "finance costs paid", "income taxes paid", and "change 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 December 2010 came to €mil. 3,133 compared with €mil. 3,070 at 31 December 2009, for a net increase of €mil. 63.
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 December 2010



€ millions	31 Dec. 2010	31 Dec. 2009
Short-term borrowings	456	913
Medium/long-term borrowings	4,437	4,476
Cash and cash equivalents	(1,854)	(2,630)
BANK DEBT AND BONDS	**3,039**	**2,759**
Securities	(1)	(11)
Financial receivables from related parties	(34)	(34)
Other financial receivables	(779)	(763)
FINANCIAL RECEIVABLES AND SECURITIES	**(814)**	**(808)**
Borrowings from related parties	714	679
Other short-term borrowings	88	312
Other medium/long-term borrowings	106	128
OTHER BORROWINGS	**908**	**1,119**
NET FINANCIAL DEBT (CASH)	**3,133**	**3,070**

Once again for December 2010, consistent with the approach adopted in the presentation of the accounts over the last few 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. 88).
The year 2010 confirmed the ordinary pattern of cash flows and related debt, performance characterised by considerable uses of cash during the period and a significant recovery in the latter part of the year during which significant cash flows by all the Group companies were concentrated, as usual.

FOCF for the year, amounting to €mil. 443, was lower than that for 2009 (€mil. 563) since the previous year benefited from several unusual payments of trade receivables, as well as the payment of a number of extraordinary receivables, such as that of €mil. 64 as the balance on the receivable owed to Finmeccanica by ENEA, resulting from the settlement of a dispute between the two parties.

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

- the payment of €mil. 237 relating to the ordinary dividends paid out by the Group Parent to its shareholders for 2009;
- the payment of €mil. 20 relating to the minority interest portion of the ordinary dividends paid out by other Group companies (including €mil. 19 from Ansaldo STS) to their shareholders for 2009;
- the purchase by AgustaWestland of a further stake in the Polish group PZL-ŚWIDNIK. The overall impact of this on the Group's net debt, between the purchase price paid (€mil. 77 net of cash acquired), the ancillary acquisition costs totalling €mil. 24 and inclusion of the new company and its subsidiaries within the scope of consolidation (with borrowings of €mil. 38), came to about €mil. 139;
- additional acquisitions totalling €mil. 37, relating to the purchase of Lasertel, Advanced Acoustic Concepts and a business unit of Consulting & Engineering for Next Generation Networks.

The net debt figure also reflects the appreciation of the US dollar and the pound sterling against the euro reported at 31 December 2010 compared with at the end of 2009, particularly with respect to the translation of net debt denominated in dollars.

During the period, the Group made assignments of non-recourse receivables totalling around €mil. 1,398 (€mil. 1,851 at 31 December 2009). As in 2009, this instrument was used more uniformly throughout the course of the entire year (as of September, assignments totalling a nominal €mil. 712 had already been made), leading to a relatively stable debt profile and favourably affecting the passive cycle.

As with the previous year, the debt figure benefited from the offsetting effect of the consolidated taxation mechanism, with lower outlays for the period of about €mil. 155.

As regards the composition of the debt items, with particular regard to bank borrowings and bonds, which went from €mil. 2,759 at 31 December 2009 to €mil. 3,039 at 31 December 2010, the main changes were as follows:

- short-term borrowings fell from €mil. 913 at 31 December 2009 to €mil. 456 at 31 December 2010 due in part to the recognition of the coupons on bond issues maturing over the next 12 months. The decline from 2009 is attributable to the ordinary redemption of exchangeable bonds maturing in August 2010 for €mil. 490;
- medium/long-term borrowings fell from €mil. 4,476 at 31 December 2009 to €mil. 4,437 at 31 December 2010, mainly due to net impact of:
  - the full repayment of the Revolving Credit Facility of €mil. 639 – a line of credit arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the American company DRS (see the section "Financial transactions");
  - the use of the loan granted to Finmeccanica by the European Investment Bank (EIB) (see the section "Financial transactions");
  - the increase due to the appreciation of the US dollar against the euro;
- cash and cash equivalents went from €mil. 2,630 at 31 December 2009 to €mil. 1,854 at December 2010. The change in cash and cash equivalents as compared with 2009 is mainly due to the use of cash (€mil. 639) to repay the remaining amount of tranche C of the Senior Term Loan signed in 2008 upon the purchase of the DRS group, subsequently transformed into a revolving credit facility in February 2010. This high amount is the result of the significant net cash flows recognised during the year by the Group companies, particularly during the final quarter.

The item "financial receivables and securities" equal to €mil. 814 (€mil. 808 at 31 December 2009) includes, among other things, the amount of €mil. 742 (€mil. 708 at 31 December 2009) in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group's scope of consolidation on a proportionate basis.

The item "borrowings from related parties" amounting to €mil. 714 (€mil. 679 at 31 December 2009) includes the debt of €mil. 673 (€mil. 646 at 31 December 2009) of Group companies in the above joint ventures for the unconsolidated portion, and the debt of €mil. 27 (€mil. 23 at 31 December 2009) to the company Eurofighter, of which Alenia Aeronautica owns 21%. In regard to this, under the existing treasury agreement, surplus cash and cash equivalents at 31 December 2010 were distributed among the partners.

In September 2010, Finmeccanica was also able to extend the maturity of certain short-term confirmed lines of credit (with maturities up through 2012) to 2015. Specifically, on 21 September 2010, it signed a new revolving credit facility for €mil. 2,400 (final maturity in September 2015) with a pool of banks, including leading Italian and foreign banks. This line of credit (for information on the main contractual features refer to the section "Financial transactions") is an important source of medium-term liquidity and, given the amount and its revolving nature, it is useful for meeting the Group's working capital needs, primarily in connection with the seasonal pattern of the Group's collections.

When the new contract was signed, the following were cancelled ahead of natural maturity:

- the medium-term revolving line of credit of €mil. 1,200, signed in 2004 with a pool of domestic and foreign banks (maturity 2012);
- the revolving credit facility of €mil. 639 (maturity June 2011), entered into in February 2010 and arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the DRS group;
- all the confirmed bilateral lines of credit in existence at the time of signing of the new line (for a total of €mil. 670), except for one of €mil. 50 maturing at the end of 2011.

The new line of credit was entirely unused at 31 December 2010.

At 31 December 2010, Finmeccanica had additional unconfirmed short-term credit lines for around €mil. 672. Finally, there are also unconfirmed guarantees of around €mil. 2,717.

"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), which is calculated as the ratio of adjusted EBITA to the average value of capital invested during the two periods being compared.

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

€ millions	For the year ended 31 December 2010	2009	Notes
EBIT	1,232	1,392	7
Impairment	-	-	7
Non-recurring (income) costs	169	92	7
Amortisation of intangible assets acquired through a business combination	85	80	7
Restructuring costs	103	23	7
Adjusted EBITA	**1,589**	**1,587**	

In particular in 2010, non-recurring costs related to:

- within the Energy division, the discontinuance of the business of alternative energies applied to fuel cells, in light of the adverse market prospects, and the discontinuance of the networking activity carried on by Elsag Datamat, in the aftermath of the significant reduction of the order backlog and the company focusing on the core business of the Defence and Security Electronics division. The expenses charged to the 2010 financial statements recognised as impairment and provisions totalled €mil. 94 (of which €mil. 30 related to the Energy division and €mil. 64 to Elsag Datamat);

› charges connected with the final reconfiguration of trains produced and being supplied to a Danish customer (Transportation division, vehicles segment, €mil. 30);
› impairment and higher contractual charges, totalling €mil. 18, incurred following the serious crisis which hit a strategic supplier operating in the vehicles segment of the Transportation division;
› in the Helicopters sector, costs connected with the acquisition of PZL-ŚWIDNIK that were expensed in accordance with the reference principles for a total amount of €mil. 27, of which €mil. 17 related to personnel reduction, €mil. 7 for benefits due to employees as a result of the change of control and €mil. 3 for legal and advisory costs incurred in the context of this acquisition.

Restructuring costs mainly relate to the estimated costs for the redundancy plan on the Italian sites of the Aeronautics sector (€mil. 62), the restructuring of the Defence and Security Electronics division (€mil. 30), which became necessary because of the increasing integration of the various parties from this division working within the Group, and the restructuring of the Transportation sector (€mil. 8).

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

€ millions	For the year ended 31 December 2010	2009	Notes
Net profit	557	718	6
Net gain on sale of STM shares	-	(18)	6/37
Adjusted earnings before taxes	**557**	**700**	
Tax effect of the adjustments	-	-	
Adjusted net profit	**557**	**700**	

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

- **Free Operating Cash Flow (FOCF):** this is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "*strategic investments*". The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.
- **Funds From Operations (FFO):** this is cash flow generated by (used in) operating activities net of changes in working capital (as described under Note 42). 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 for 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 invested capital**: 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 23.
- **Research and development costs:** 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.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties concern activities in the ordinary course of business and are carried out at arm's length (where they are not governed by specific contractual conditions), as is the settlement of interest-bearing payables and receivables.
These mainly relate to the exchange of assets, the performance of services and the generation and use of net cash from and to associated companies, held under common control (joint ventures), consortiums, and unconsolidated subsidiaries.

The following table summarises the amounts of transactions with related parties (a breakdown is shown in Notes 13 and 30) at 31 December 2010 and 2009.

€ millions

31 Dec. 2010	Unconsolidated subsidiaries	Associates	Joint ventures (*)	Consortiums (**) and others	Total
Non-current receivables					
- financial		2	7		**9**
- other		1			**1**
Current receivables					
- financial	9		25		**34**
- trade	7	365	102	65	**539**
- other		1	6	2	**9**

Non-current payables					
- financial					
- other					
Current payables					
- financial		30	684		**714**
- trade	19	58	32	7	**116**
- other	1	6	12	5	**24**
Guarantees			298		**298**

€ millions

2010	Subsidiaries	Associates	Joint ventures (*)	Consortiums (**) and others	Total
Revenue	9	1,573	210	43	**1,835**
Other operating income		1	2		**3**
Costs	41	56	26	9	**132**
Finance income			1		**1**
Finance costs		2	5		**7**

€ millions

31 Dec. 2009	Unconsolidated subsidiaries	Associates	Joint ventures (*)	Consortiums (**) and others	Total
Non-current receivables					
- financial		2	10		**12**
- other					
Current receivables					
- financial	11	1	21	1	**34**
- trade	6	268	127	122	**523**
- other	1		6	2	**9**
Non-current payables					
- financial					
- other					
Current payables					
- financial	1	30	648		**679**
- trade	18	37	32	12	**99**
- other		5	8		**13**
Guarantees			281		**281**

€ millions

2009	Subsidiaries	Associates	Joint ventures (*)	Consortiums (**) and others	Total
Revenue	17	1,299	257	102	**1,675**
Other operating income			1		**1**
Costs	(34)	(55)	(21)	(15)	**(125)**
Finance income		5	1		**6**
Finance costs		(2)	(5)		**(7)**

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control.

Finally, Finmeccanica's Board of Directors adopted special "Procedures for Transactions with Related Parties" pursuant to CONSOB Regulation 17221/2010 and Art. 2391-*bis* of the Italian Civil Code. It is available on the Company's website (Investor Relations/Corporate Governance section of the Corporate Documents area) and explained herein in Section 13 of the Corporate Governance Report and Shareholder Structure, to which the reader should refer for more information.

CONSOB Market Regulation, Art. 36.

In accordance with CONSOB provisions contained in the Market Regulation and specifically Art. 36 of Resolution 16191/2007, Finmeccanica made the checks on the subsidiaries that were incorporated and are governed under the laws of non-EU Member States and that, as a result, became significantly relevant based on the requirements under Art. 151 of the Issuers' Regulations adopted with CONSOB Resolution 11971/1999.

As regards the non-EU foreign subsidiaries (DRS Technologies Inc, Meccanica Holdings USA Inc and Agusta Aerospace Corp. USA) identified based on the above regulations and in compliance with the regulations of local laws, these checks revealed the existence of an adequate administrative and accounting system and the additional requirements envisaged in said Art. 36.

FINMECCANICA AND THE MARKET

In 2010, the world economy posted gradual recovery following the serious crisis of recent years, but growth was held back – particularly in industrialised nations – by recurring financial tensions, uncertainty and volatility on the currency markets, and high levels of unemployment. Furthermore, in the US and Europe, the need to recover from the high levels of public deficit caused by measures to combat the crisis is further penalising domestic demand, the recovery of consumption, and growth in investments. Meanwhile, the great trade imbalance between the US and China widened further, while Europe is seeing significant differences in the growth rates of the German economy and those of the other eurozone nations.
The markets in which the Group operates (Aeronautics, Helicopters, Defence and Security Electronics, Space, Defence Systems, Energy, and Transportation) have, inevitably, been affected by these global macroeconomic trends. The direct effects of the crisis seen during 2009 in a number of areas of business (mainly in the civil segments of the Aeronautics and Helicopters divisions) have largely been overcome starting from 2010. However, the effects related to the high public deficits in many countries – with a consequent increase in pressure on spending budgets and on investment – still remain. This situation also affects the Group's three domestic markets (Italy, the UK and the US) and has led to the development of a strategy of progressive reinforcement towards export markets in emerging countries.
Particularly in the Defence industry, in the industrialised nations we are seeing a general move towards limiting spending. The progressive withdrawal of peace enforcement should result in a gradual reduction in spending for the urgent needs of armed forces operating abroad (e.g. the supplementary expense of the US budget). Worldwide, Defence spending came to some USDbil. 1,400 per year, and a slight growth (around 1.5-2%) is expected over the next ten years with investments for purchasing new weapons systems and for supporting research and development of around USDbil. 300-350 per year. The US remains the world's leading national market, but the nation's share of the total is expected to fall from the current 38% to around 35% by 2018. In the same way, Europe's share is expected to decline from the 18% of 2010 to 15% by 2015. By contrast, we are seeing a gradual increase in the importance of newly industrialised nations (e.g. Brazil, India and the Gulf States), which are looking to develop partnerships and technology-transfer programmes with western nations, but with a high degree of competitiveness. Rising investments in these geographic areas fully offset the gradual reduction in spending in the United States and the stagnant investment situation in Europe.
Therefore, the global Aerospace, Defence and Security markets show a slight growth trend, but with specific dynamics and characteristics within each of the various business segments.

Within the **Aeronautics** market, after the sharp drop in new orders (in 2009) and the decline in deliveries to the customer in 2010, the civil aeronautics segment once again shows a good outlook for growth in the coming years, with an expected annual growth rate of around 3-3.5%. The value of new aircraft deliveries, estimated at roughly €bil. 58 in 2010, is expected to grow at a steady pace to beyond €bil. 80 annually by 2016-2017. Within the commercial aircraft segment (an area in which Finmeccanica is a structural parts supplier), the sub-segment of greatest value is that of the wide-body aircraft (i.e. aircraft with two aisles). This is also the area that features the main new-aircraft development programmes (for the B787 and A350). Conversely, the narrow-body aircraft sub-segment is expected to remain essentially stable until the anticipated launch of a new generation of aircraft. The regional aircraft sub-segment also posted strong growth, at rates of around 5.5% annually, where jets played a dominant role (in terms of both value and number of units delivered), an area in which important new projects are currently under way (SuperJet, C-Series). This growth trend was caused by both macroeconomic factors (economic recovery and propensity for transport) and technological factors (new metals and composites, green technology). It is also interesting to note that, due to the strategic decisions made by the leading manufacturers of full aircraft, which are increasingly focusing on activities such as design and final assembly, the production of structural components for aircraft contracted out by prime contractors to sub-contractors and other partners tends to grow at rates that are higher than those for the segment.
Demand in the military aeronautics segment also rose at an average rate of over 5%, thanks in particular to programmes under way in the multirole combat and special mission aircraft sub-segments, which, together, account for roughly 80% of the segment total. It is important to underscore that the total size of business in the segment has nearly doubled due to modernisation programmes – both structurally and in terms of the avionics – and the maintenance of in-service aircraft. In the US and Europe the market is characterised by programmes already under way with many contracts already having been awarded (Eurofighter, F-35 JSF, etc.), while interesting new provisioning opportunities are arising in newly industrialised nations (India, the Gulf States, South America). Over the long term, developments under way in the segment of unmanned aircraft for combat applications (electronic warfare, reconnaissance, precision attack, etc.) – both technological and in terms of operating platforms – will have an impact on the performance of this segment. However, this new generation of aircraft is not expected to be put into service before 2020 in the US and 2025 in Europe.

The **Helicopters** market, the civil segment of which had felt the effects of the economic crisis in recent years to a significant degree, particularly for corporate/VIP transport and off-shore platform applications, has given off signs of a recovery as soon as 2010. On the whole, growth in helicopter demand is being driven by a number of factors, including new military demand for both traditional operations and asymmetric warfare, or the availability of new technical solutions that further extend the applications of these craft (satellite-based navigation, day/night navigation in all weather conditions, new active rotor control technologies, the availability of engines that have a lower environmental impact, etc.). The value of new military and civil helicopter deliveries came to roughly €bil. 10.5 in 2010, and growth is expected to continue through to 2015 (at around 4.5% annually) and then stabilise at a demand of around €bil. 12.5-13 per year. Also with military helicopters, in addition to new deliveries we need to consider post-sale activities, such as maintenance, logistics and technical support, the total value of which is much less subject to fluctuations and cyclical demand. Looking at the military helicopters, we see that a large part of the growth in demand came in the US (which represents over 60% of the global market), both for programmes under way with high volumes of production (BlackHawk, the V-22 convertiplane) and based on new requirements that have already been expressed or that are expected to come over the short/medium term (heavy transport, light multirole, the Presidential helicopter). The civil segment, in turn, is showing a recovery after the financial difficulties customers had experienced over the last two years. Demand has also been driven by recently designed helicopters being put into service, particularly in Europe. Over the longer term, and at the high end of the market, we also see great potential in tilt-rotor craft, which, by combining versatility and high cruising speeds, has created a new stimulus for demand. Research is also under way to develop unmanned helicopters to meet military operating requirements and take advantage of opportunities for use in the dual segments of security and surveillance.

The **Defence and Security Electronics** market represents the largest market of interest to the Group. The global market is estimated at around €bil. 150 annually, €bil. 80-85 of which for defence applications and €bil. 55-60 for both governmental and commercial security. Demand for defence electronics equipment and systems is on the rise at around 2% per year, while in the homeland security/security systems growth has been higher, at more than 5% per year. The demand for military equipment and systems particularly regards radar and electro-optical sensors, communication systems and information technology, simulation and training systems, and electronic warfare systems and is mainly affected by the performance of application platforms (naval, aircraft, helicopters, etc.). The rising demand for complex network-centric systems for battlefield management, collecting and distributing secure information, and controlling air and water space is a further important driver of development in the segment. In fact, many technological developments are related to the gradual integration of digital, network-centric architectures in vehicles used in the theatre of operations (e.g., the Forza NEC programme in Italy) and to the integration of more advanced electronic capabilities (command and control, secure communications, electro-optical systems for night vision and targeting control, and active and passive protection systems) on the platforms.
There has been growing demand in the security systems segment for advanced integrated systems for border-surveillance, security systems for both physical and virtual critical infrastructures and major events, security for transport systems, etc. Given this, there has been rapidly growing demand for cyber-security services and solutions driven by the need to make ICT systems invulnerable to attempts to access and damage data, as well as the need to monitor and control the proper functioning of systems in order to prevent unwanted access and quickly protect an area under attack (i.e. intelligence systems). The cyber market is already highly significant and is growing at a rate of greater than 10% annually. The leading markets investing in systems to protect against cyber attacks are the US and European nations.
In general, the segment shows certain characteristics, the ongoing development of which is driving the growth in demand. Specifically, the average technological content of the systems created is highly advanced and subject to constant innovation. Many products quickly become obsolete and are replaced by the next generation of products, often on the same application platform. In addition, the electronic content of the platforms is constantly increasing, such that the platform is considered a sort of commodity on which to install electronic systems that determine the platform's performance and potential. Particularly in ICT, many base components are directly derived from civil systems and technologies, and there is an ongoing exchange of knowledge between the various areas of application.

The **Defence Systems** market includes the segments land vehicles and land and naval weapons, missile systems, and underwater systems. As a result, in part, of the experience with asymmetric warfare in Iraq and Afghanistan, with the need to protect personnel as much as possible when occupying a territory, the land vehicles segment has seen peak demand in recent years, based on the need to modernise a large part of the fleets of armoured vehicles (particularly multirole wheeled vehicles and vehicles for personnel transport) so as to ensure greater protection against land mines and light fire. Therefore, in 2009, the market reached total revenues of around €bil. 18 annually (compared to the €bil. 15 of previous years). Over the coming years, expectations are for a gradual decline in demand until returning by around 2018-2019 to the levels seen prior to this peak. Nonetheless, the market for land vehicles will continue to show stronger demand for lighter (particularly wheeled) vehicles, which can be used more quickly and flexibly in field operations, and for modernisation programmes for existing vehicle fleets. Interesting developments are also being seen in the naval weapons segment, despite an overall reduction in demand related to a standstill in new construction programmes. The greatest opportunities will be for new guided munitions systems to be used, above all, with medium calibre weapons, which are particularly effective in coastal operations and interdiction actions on missions to protect against asymmetrical threats.
In the underwater systems segment, together with the traditional demand for onboard sonar

systems and for both heavy (launched from naval platforms) and light (also launchable from air platforms) torpedoes, we are also seeing ongoing development in the market for naval platform protection systems (anti-torpedo countermeasures) and systems to protect coastal and harbour infrastructures from other, non-traditional threats. These systems are often a part of broader harbour surveillance projects for integrated protection against land, air and sea threats, which include protection against non-conventional threats within underwater surveillance.
Finally, in the missile systems segment, demand is posting slight growth. Along with the opportunities connected with the gradual entrance into service of the latest generation of multirole aircraft, the greatest market drivers are related to the need to renew the stock of missiles with new systems that provide: greater versatility; greater attack precision, thereby reducing collateral damage as much as possible; more extensive “fire-and-forget” capabilities, so as to prevent the exposure of air platforms to possible response. Another important development is being seen in systems for protecting urban areas and high-value civilian and military infrastructures from the threat of missile attacks. In addition to the development of new, whole systems, all of these operating needs require the constant development of technology in the areas of sensors (both on land and onboard the missiles), flight control, and integrated command and control systems.

The **Space** market, which includes both production (satellites, launch platforms, in-orbit infrastructures, land-based control centres) and the provision of services (earth observation from space, navigation and positioning, civilian and military communications), is posting stable growth, although at rates that vary widely from one business segment to another. Manufacturing activities, more than 80% of which concerns programmes financed by space agencies or other governmental customers, total roughly €bil. 46-48 annually, for a growth rate of around 1%. Services (excluding those not provided by companies in the space segment, such as user terminals for television broadcasting), on the other hand, posted very interesting growth on the order of 8% annually. Indeed, this market is expected to essentially double in size over the next ten years from its currently estimated value of around €bil. 18 annually. Various factors have driven the trend in space services, including: the increasing demand for systems of communication and connectivity for both civil and military applications, which are often based on innovative solutions and fixed and mobile land platforms that are able to operate at high frequencies and broad bandwidths; a sharp increase in the demand for earth observation systems, particularly by government customers, for climate control and weather forecasting applications, the monitoring and control of desertification, the prevention of natural disaster, monitoring water reserves, etc.; the development of new global positioning and navigation systems, particularly for safety-critical applications such as rail and air transport, navigation, and the tracking of hazardous cargo, which are still in the early stages of development.

After the high reached in 2008, in 2010 the **Energy** market confirmed the significant contraction that began in 2009 and which has accentuated the traditional cyclical trend. Nonetheless, a recovery is expected to begin in 2011-2012, driven by the recovery in the demand for energy due to a new phase of expansion in industrial production. It is estimated that, over the next ten years, global demand for power plants and components for generating electricity from fossil and nuclear fuels and renewable resources will remain essentially stable at an annual average market value of around €bil. 300.
Over the last two years, the market for fossil fuel power generation (i.e. oil, coal, etc.) was dominated by orders for coal-fired power plants in Asia (particularly in China and India) and this trend is expected to continue over the next few years. In the west, on the other hand, growing attention to environmental issues should favour a recovery in demand for gas plants (open and combined-cycle), as compared to coal plants, for example. Customer preferences should, more than in the past, favour components that ensure greater efficiency while reducing emissions and providing greater flexibility in operations. The performance of the nuclear power generation market will depend greatly on both political decisions and financial sustainability. Nonetheless, new programmes to construct nuclear power plants are being seen in both industrialised and developing nations, thereby supporting the hypothesis for a significant, sustainable market over

the next ten years. The renewable energy market (i.e. wind, photovoltaic, hydroelectric, etc.) is showing constant growth, particularly in the more developed nations, thanks to generous government incentive plans, but we will also gradually see greater growth in developing nations, as well.
Finally, the post-sale service and maintenance market is also expected to grow because certain countries, due to the crisis, had postponed programmes to replace installed capacities in favour of extraordinary maintenance so as to extend the useful life of their plants. Demand is expected to reach around €bil. 35, mainly in servicing gas turbines.

In the rail **Transportation** market, the rolling stock segment in recent years has posted an average annual value of roughly €bil. 32, while posting average annual growth of around 2%. The (urban and intercity) rail transport market has posted stable growth thanks to the increase in demand for high-volume urban and intercity transport. The segment is being boosted by growth in developing nations, particularly in Brazil and China. China, particularly as part of its stimulus package, has been a significant driver of growth in urban and intercity railways. The urban transport segment (which accounts for 20% of the total) features significant orders for (traditional and driverless) metros and a high rate of growth for tram systems. This trend is being favoured by gradual urbanisation and by technically more complex customer needs (for driverless trains, catenary-free pick-up systems, etc.). Western Europe is the area of greatest interest in terms of the technical characteristics of the products required and for the rate of technological innovation required to overcome limitations in the infrastructure and to increase safety. Nonetheless, in terms of the size of the market, Asia has now surpassed Europe and drives demand in this segment. In the regional rail transport segment, we expect to see strong growth due to a combination of growth in emerging nations and the replacement of rolling stock in the industrialised countries. In the area of high-speed trains, growth is expected to be strong over the next few years thanks to environmental concerns that support rail transport, as well as to the development of the trans-European network and the liberalisation of passenger transport in Europe, the US and China. Finally, in the area of post-sale service and maintenance, customers continued to prefer “turnkey” solutions, which are driving growth in all business segments.
With regard to the signalling and transport systems segment, the related markets are essentially continuing to expand despite the crisis, and demand is tending to grow at rates that are greater than those of the vehicles segment. The main drivers for this market are the important programmes to construct new transportation infrastructures that enable different modes and different standards to interoperate, as well as by the need to increase safety, efficiency and traffic capacity. Technological development in terms of upgrading railway lines and pressure on the service and maintenance costs for signalling systems remain of key importance. The signalling market is estimated to be worth around €bil. 7, with an average growth rate of 5%, while the transport systems market is estimated at €bil. 4 and an average growth rate of 2.5%. Nonetheless, over the medium to long term, it is the transport systems segment that would appear to be destined for greater growth. A series of factors will promote this growth, including growth in the average size of projects in the segment and the technological complexity of the solutions required.
In the bus segment, over the last two years the European market has posted a slight decline (-4%) compared to the previous two-year period. In Italy in particular, the lack of national government funding has slowed purchases by local authorities. Nonetheless, a turnaround in the market is expected in 2011 due to the need to replace more than 40% of existing fleets in order to comply with new, more restrictive emissions regulations. Also of note is the growing interest of Italian and foreign municipal authorities in “hybrid” vehicles, so as to reduce both fuel consumption and pollution. Finally, there are also the ambitious plans for growth in public transport in rapidly growing countries (such as in Turkey, Poland and North Africa).

HELICOPTERS

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**5,982**	**12,162**	**3,644**	**413**	**11.3%**	**409**	**13,573**
2009	3,205	9,786	3,480	371	10.7%	328	10,343

€ millions

Finmeccanica, through the AgustaWestland NV group, is a world leader in the civil and military helicopter industry. The figures at 31 December 2010 include the effect of the line-by-line consolidation of the Polish group PZL-ŚWIDNIK from its date of acquisition.

The total volume of **new orders** at 31 December 2010 came to €mil. 5,982, an 86.6% increase over 2009 (€mil. 3,205), and breaks down into 52.8% for helicopters (new helicopters and upgrading) and 47.2% for support (spare parts, inspections and integrated support).

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

- the order from the Italian Ministry of Defence for twelve AW101 helicopters, plus an option for three more (Q4).
- the orders from the UK Ministry of Defence to:
  - upgrade ten Lynx Mk 9 helicopters, a variant of the Super Lynx helicopter used by the UK armed forces (Q1);
  - the contract for the second five-year period of the IMOS programme for maintaining the fleet of AW101 Merlin helicopters used by the Royal Navy and the Royal Air Force at operational level (Q4);
- the order from the Indian Air Force for twelve AW101 helicopters for governmental transport use. The contract includes 5 years of logistics support (Q1);
- the order for a customer in the southern Mediterranean area for 30 helicopters (Q2);
- the order for eight SW3 Sokol helicopters for the Filipino armed forces (Q4);
- the order for nine additional T129 Combat helicopters for the Turkish government's Atak programme (Q4).

In the *civil-government* segment, new orders for 142 helicopters were received in 2010, worth a total of about €mil. 1,200. Of note in that regard are the following:

- the contract with Era Group Inc. for ten AW139 helicopters in offshore configuration (Q1);
- the order from Esperia Aviation Services SpA, a company operating in the business aviation sector, for four helicopters (two AW119; one AW139; one AW109 Grand) (Q1);
- the order for four AW139 helicopters from the Trinidad and Tobago Air Guard for coastal patrols and related pilot training (Q2);
- the order from Turkmenistan for two AW101 helicopters in the VVIP configuration and five AW139 helicopters for transporting governmental officials (Q3);
- the order for nine AW139 helicopters from Wetstar Aviation Services Sdn Bhd (Malaysia) (Q3).

The value of the **order backlog** at 31 December 2010 came to €mil. 12,162, up 24.3% over 31 December 2009 (€mil. 9,786) and is sufficient to guarantee coverage of production for an equivalent of about 3 years.

On 24 May 2010, AgustaWestland and the Boeing Company signed an agreement for the VXX helicopter programme to replace the US Navy's Marine One helicopter for transporting the

President of the United States. Boeing secured the rights to use AgustaWestland's intellectual property, data and production rights to integrate the AW101 helicopter's platform into a Boeing product solely for the VXX programme. AgustaWestland will play a role in developing the programme and will carry out a significant portion of the design and production activities.
On 22 June 2010, Russian Helicopters and AgustaWestland began work on a jointly run plant, located in the Tomilino industrial area near Moscow, for the final assembly of the civil version of the AW139 medium twin-engine helicopter. The factory will be operated by Helivert, an equally-owned joint venture between Russian Helicopters and AgustaWestland.

Revenues at 31 December 2010 came to €mil. 3,644, up about 4.7% from the figure at 31 December 2009 (€mil. 3,480). This increase is attributable to regular progress made on programmes already begun, higher volumes on the AW139 line for the civil and governmental market (+9.5% over 31 December 2009), and an increase in product support activity (+15.5% compared with 31 December 2009), including the integrated support contracts (IOS) with the UK Ministry of Defence.

Adjusted EBITA came to €mil. 413 at 31 December 2010, up 11.3% compared with the €mil. 371 reported at 31 December 2009. This improvement is correlated with the rise in revenues and the different product mix mentioned above. As a result, **ROS** amounted to 11.3% (10.7% at 31 December 2009).

Research and development costs for 2010 came to €mil. 409 (€mil. 328 for 2009) and mainly concerned:

- pre-competitive research on developing cutting-edge technologies and on integrating special equipment for a helicopter system in the below 8-tonne class named the AW149 and intended for national security use;
- the development of multi-role versions of the BA609 convertiplane for national security;
- the development of a new twin-engine helicopter of the 4-tonne class named the AW169.

The **workforce** at 31 December 2010 came to 13,573, a 3,230 employee net increase over 31 December 2009 (10,343). This change is the combined effect of the start of the reorganisation plan of the newly-acquired Polish group PZL-ŚWIDNIK and the consolidation of this group (4,311 employees at the acquisition date).

DEFENCE AND SECURITY ELECTRONICS

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**6,783**	**11,747**	**7,137**	**735**	**10.3%**	**810**	**29,840**
2009	8,215	12,280	6,718	698	10.4%	711	30,236

€ millions

Finmeccanica has a number of companies that are active in the defence and security electronics industry, including: the SELEX Galileo[1] group, the SELEX Sistemi Integrati group, the Elsag Datamat group, the SELEX Communications group, SELEX Service Management SpA, Seicos SpA and the DRS Technologies (DRS) group.
The division covers activities relating to the creation of major integrated defence and security systems based on complex architectures and network-centric techniques, the provision of integrated products, services and support for military forces and government agencies; supplying avionics and electro-optical equipment and systems; unmanned aircraft, radar systems, land and naval command and control systems, air traffic control systems, integrated communications systems and networks for land, naval, satellite and avionic applications; and activities for private mobile radio communications systems, value-added services and IT and security activities.

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

New orders at 31 December 2010 totalled €mil. 6,783, down from the figure posted for the previous year (€mil. 8,215) during which significant new orders were received for major integrated defence and security systems and for integrated communications networks and systems.

The main new orders received include the following:

- *avionics and electro-optical systems*: the order from BAE Systems for Praetorian Defensive Aids Sub System (DASS) and Captor combat radar for Eurofighter Typhoon Lot 3A (Q3); orders for the EFA programme, specifically avionics equipment and logistics (Q1-Q2-Q3-Q4); orders for countermeasure systems (Q2-Q3-Q4); orders for equipment for NH90 helicopters (Q1-Q2-Q3); contracts from the UK Ministry of Defence for an integrated Defensive Aids System for Royal Air Force helicopters (Q2); space programme orders, particularly for Galileo, GMES and Bepi Colombo (Q1-Q2-Q3-Q4); initial orders for the start of work on the Joint Strike Fighter programme (JSF) (Q4); customer support activity (Q1-Q2-Q3-Q4);
- *major integrated defence and security systems:* the order from Panama for the development of a national surveillance and security system by creating a coastal monitoring and control system (Q3);
- *command and control systems:* in the defence systems segment, the order for the provision of a naval radar system from the Peruvian Navy (Q1); two contracts for the provision of Precision Approach Radar (PAR) from the Italian and Swiss air forces (Q1); a contract from the Finnish Navy for 15 Multi-Data Link Processors (M-DLP) for its vessels and operations centres (Q4); and in the civil systems segment, the order from the Kuwait Civil Aviation Authority for air traffic control systems for Kuwait International Airport (Q4); the contract from ENAV to

1. Starting 1 January 2010 Galileo Avionica SpA changed its name to SELEX Galileo SpA and SELEX Sensors and Airborne Systems Ltd changed its name to SELEX Galileo Ltd.

upgrade computers and software (Q1) and to upgrade primary radar for tracking routes and approaches at various airports (Q2); two contracts from the Moroccan Civil Aviation Authority to supply an air traffic control radar station at the Fes-Saiss airport and a simulator for Menara airport in Marrakech (Q1); a contract with the Unidad Administrativa de Aeronautica Civil de Colombia to upgrade the radar system at El Dorado airport in Bogotà (Q3); two contracts with the Ukrainian state-owned company to upgrade the Kiev airport and to supply three weather radar (Q3); a contract to implement a Vessel Traffic Management System (VTMS) in Turkey to monitor and manage maritime traffic (Q1);

- *integrated communication networks and systems*: various orders for communications equipment under the EFA programme, including those for Lot 3A aircraft (Q1-Q2-Q3-Q4); various orders for communications systems for helicopter platforms (Q1-Q2-Q3); the order for Signal Intelligence (SIGINT) work from the Ministry of Defence for the United Arab Emirates (Q4); the order from NATO Air Command and Control System Management Agency to supply and install communications systems for the Link 16 network (Q4); the order for railway communications equipment for high-speed trains from Trenitalia (Q4); the order from the Buenos Aires police department for a TETRA telecommunications system (Q1); the order from a local Russian operator for a TETRA network (Q2); the order for communications equipment for the Indian Navy (Q2); orders for communications systems for medium armoured vehicles (MAV) from the Italian Army (Q1);
- *information technology and security*: the order from HP Enterprise Services Italia for anti-fraud and IT security work for INPS within the Public Connectivity System (Q4); a contract with Russian Post to expand Moscow's central post office (Q2); a contract with Aeroporti di Roma to build the new automated baggage sorting system at the Leonardo da Vinci Airport in Fiumicino (Q1-Q4); an order from the Ministry for Cultural Heritage to revitalise the archaeological site at Pompeii (Q1); a contract for security systems from the City of Rome (Q2); extension of the Public Connectivity and Cooperation System contract for services to be delivered to INPS (Q3);
- *the United States*: orders for additional activities related to the Thermal Weapon Sight (TWS) system issued to soldiers (Q1); activities in support of the Mast Mounted Sight (MMS) system for helicopter (Q1); orders to supply additional Driver's Vision Enhancers (DVE) under the framework agreement signed in 2009 (Q2-Q3-Q4); orders for the Knight target acquisition system (Q3); the production of M1000 trailers (Q1-Q4); orders to supply additional rugged computers and displays for JV-5 vehicle systems (Q2-Q3); orders for the Q-70 Advanced Display Systems for naval combat (Q3-Q4).

The **order backlog** came to €mil. 11,747 at 31 December 2010, compared with €mil. 12,280 at 31 December 2009, one-third of which related to the avionics and electro-optical systems segment, and one-fourth to major integrated systems and command and control systems and the activities in the United States.

Revenues at 31 December 2010 amounted to €mil. 7,137, up €mil. 419 over the figure reported at 31 December 2009 (€mil. 6,718). There was an increase over 31 December 2009 in activities relating to *avionics and electro-optical systems* and, to a lesser extent, those for DRS and value-added services for security applications; the increase is also due to the positive impact of translating the figures in financial statements reported in currencies other than the euro.

Revenues resulted mainly from the following segments, specifically:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub System (DASS) production and the production of avionics equipment and radar for the EFA programme; systems for countermeasures; devices for the helicopter and space programmes and logistics;
- *major integrated defence and security systems:* start up of the Forza NEC programme and the border control programme for Libya and activities under the contract with the Italian Department of Civil Protection for the emergency management system;

- *command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading; the Medium Extended Air Defence System (MEADS) international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;
- *integrated communication networks and systems*: the continuation of activities relating to the construction of the national TETRA network; the development and manufacture of equipment for the EFA and the NH90; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;
- *information technology and security*: activities relating to postal automation and industrial services for domestic customers and ICT services for government agencies;
- *value-added services for security applications:* work for the Ministry of the Environment;
- *the United States*: provision of DVE infrared goggles for land vehicles; additional deliveries for programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; additional TWS orders; activity pertaining to the repair and provision of spare parts for the MMS system for helicopters; provision of services and products for the Rapid Response contract and satellite communications services; the continuation of deliveries of rugged computers and displays for vehicles and the beginning of supplying the Movement Tracking System (MTS) programme obtained last year; deliveries of Tactical Quiet Generators (TQG).

Adjusted EBITA reached €mil. 735 at 31 December 2010, up over the figure reported at 31 December 2009 (€mil. 698), thanks to higher volumes and the impact of the industrial efficiency-based and cost containment measures, particularly in the *command and control systems* and *communications* segments. These improvements, combined with the positive effect of translating financial statements in currencies other than the euro, more than offset the difficulties encountered in several markets or with customers in relation to *information technology and security* activities. Such difficulties led to the drafting of an important plan for repositioning the business, which will have sizable benefits in the coming years.
As a result, **ROS** came to 10.3%, in line with the figure at 31 December 2009 (10.4%).

Research and development costs at 31 December 2010 totalled €mil. 810 (€mil. 711 at 31 December 2009). This increase related largely to more intense development work:

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

The **workforce** at 31 December 2010 came to 29,840 as compared with 30,326 at 31 December 2009, a net decrease of 396, attributable largely to the ongoing reorganisation process in some segments.

AERONAUTICS

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**2,539**	**8,638**	**2,809**	**205**	**7.3%**	**369**	**12,604**
2009	3,725	8,850	2,641	241	9.1%	474	13,146

€ millions

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

The Aeronautics division includes Alenia Aeronautica SpA (production of military aircraft for combat, transport and special missions, as well as civil applications such as aerostructures and regional turboprop aircraft) and its subsidiaries, including: Alenia Aermacchi SpA (production of military training aircraft and engine nacelles for civil aeronautics), the GIE-ATR joint venture, in which a 50% equity stake is held (final assembly and marketing of ATR aircraft), Alenia North America Inc., operating in the US market through joint ventures and SuperJet International SpA, in which a 51% equity stake is held (sale and assistance for Superjet aircraft). Finally, Alenia Aeronavali SpA and Alenia Composite SpA were merged with Alenia Aeronautica SpA from 1 January 2010.

New orders at 31 December 2010 came to €mil. 2,539 from the €mil. 3,725 reported at 31 December 2009. It is worth noting that in the *military* segment a sizable order (€mil. 1,164) for the first lot of the third instalment of the EFA programme was received in the third quarter of 2009.

The most important new orders received in the *military* segment were:

- under the F35-JSF programme, the Final Assembly and Check-Out (FACO) order for a combination of infrastructures, equipment and technical assistance, for the manufacture of wings and for the assembly of aircraft for Italy and the Netherlands at the Italian Air Force base in Cameri (Q2-Q4);
- the order to supply twelve M346 trainers to the Singapore Air Force, received by Alenia Aermacchi (Q3) through the consortium formed by Singapore Technologies Aerospace (Prime Contractor) and Boeing. Delivery of the first aircraft is scheduled for 2012 and thereafter Alenia Aermacchi, in partnership with Singapore Technologies Aerospace, will take part in the Integrated Training System (ITS) and fleet support. There was also the order to supply four MB339 aircraft reconfigured in the National Acrobatic Flight Team version for the United Arab Emirates (Q1);
- under the C27J programme, the order for eight aircraft from the United States Air Force (Q2). This order brings the total number of aircraft ordered under the USA Joint Cargo Aircraft (JCA) contract signed in 2007 to 21 aircraft;
- orders to provide logistics support for EFA, C130J Tornado and C27J aircraft.

The main orders received in the *civil* segment include:

- for the new Superjet 100, the contract signed by SuperJet International, a joint venture between Alenia Aeronautica and Sukhoi Holding, to supply 15 aircraft to the Mexican airline Interjet (first customer in the western markets) with initial deliveries scheduled for the first half of 2012 (Q4);
- for the ATR aircraft, GIE-ATR received new orders for 80 aircraft (21 in the fourth quarter of 2010) from various airlines including: 20 from Brazilian airline AZUL (Q3), 10 from US Air Lease (Q3), nine from Air Caribbean (Q3) and six from Indian airline Jet Airways;
- for aerostructures, orders for additional lots of the B767, B777, ATR, A380 and A321 programmes and for engine nacelles.

The **order backlog** at 31 December 2010 came to €mil. 8,638 (€mil. 8,850 at 31 December 2009) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (about 44%) and B787 (about 19%), JSF (about 5%), C27J (about 4%) and M346 (around 4%) programmes.

Revenues at 31 December 2010 came to €mil. 2,809, an increase of €mil. 168 (+6.4%) over the €mil. 2,641 reported at 31 December 2009, due to greater activity in the *military* segment, specifically to increased production for the EFA, C27J, M346 and G222 programmes. In the *civil* segment volumes remained at essentially the same levels reported for 2009 thanks to increased production for the B787 programme which offset the decline in ATR production and aerostructure orders for other programmes.

In 2010, production in the *military* segment mainly related to orders for the following programmes:

- EFA: continuation of development and production relating to the second lot of the programme and logistics support (of which nine aircraft were delivered to the Italian Air Force during the period and readying of 51 left semi-wing units and 52 rear fuselages);
- C27J: the production of C27J aircrafts for the United States (five aircraft delivered to US partner L-3), Romania (two aircraft delivered), Morocco (two aircraft delivered) and the activities for the Italian Air Force;
- M346: the continuation of production of six aircraft for the Italian Air Force and the start of work on the aircraft ordered by the Singapore Air Force;
- G222: the upgrading of G222 aircraft commissioned by the US Air Force;
- Tornado: the continuation of upgrades for the Italian Air Force.

Furthermore, worked continued on providing logistics support, on reconfiguration of the MB339 aircraft for the United Arab Emirates and production of the ATR Maritime Patrol aircraft for the Italian Navy and for export.

Production in the *civil* segment in 2010 mainly related to orders for the following customers:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft, for which 24 fuselage sections and 17 horizontal stabilisers were completed in 2010, and production of control surfaces for the B767 and B777 aircraft;
- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;
- GIE-ATR: the production of the ATR 42 and ATR 72 turboprops for which 42 fuselages were completed;
- Dassault Aviation: the production of the fuselage section for the extended-range version of the Falcon 2000 and the engine nacelles for the Falcon 900EX;
- Bombardier: start-up of non-recurring work on the stabilisers (horizontal and vertical) of new regional C-Series aircraft.

Orders for other customers included work on the assembly of ATR craft by GIE-ATR, which delivered 51 aircraft in 2010.

Adjusted EBITA at 31 December 2010 came to €mil. 205, a €mil. 36 decrease compared with the €mil. 241 reported at 31 December 2009. This reduction is largely due to the different mix of progress made on the programmes, and to the decline in production at a number of facilities (particularly for aerostructures). Specific industrial reorganisation actions were undertaken to counter this downturn.
As a result, **ROS** decreased to 7.3% compared with 2009 (9.1%).

Research and development costs for 2010 totalled €mil. 369 (€mil. 474 at 31 December 2009) and reflect the progress made in the main programmes under development: M346, C27J, ATR ASW and UAV. Furthermore, development on important military (EFA, JSF, Tornado and Neuron) and civil (B787 and C-Series) programmes that have been commissioned by customers and research and development into technologies for innovative aerostructures using composite materials and system integration also continued.

The **workforce** at 31 December 2010 numbered 12,604, a net decrease of 542 from the 13,146 at 31 December 2009, essentially due to the start of efficiency-based reorganisation and reduction of personnel.

SPACE

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**1,912**	**2,568**	**925**	**39**	**4.2%**	**68**	**3,651**
2009	1,145	1,611	909	47	5.2%	87	3,662

€ millions

Finmeccanica operates in the space industry through the ***Space Alliance*** between Finmeccanica and Thales through two joint ventures in the space industry dedicated, respectively, to satellite services (Telespazio Holding Srl, which is based in Italy and has its main industrial facilities in Italy, France, Germany and Spain and in which Finmeccanica SpA holds 67% and Thales 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 67%).
More specifically, Telespazio Holding Srl focuses on satellite services in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, valued-added services), satellite operations (in-orbit satellite control, earth centre management, telemetry services, command and control and Launch and Early Operation Phase - LEOP services), earth observation (data, thematic maps, operational services) and navigation and infomobility (Galileo services).
Thales Alenia Space SAS focuses on manufacturing (design, development and production) in the following segments: telecommunications satellites (commercial, governmental and military), scientific programmes, earth observation systems (optical and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

From a commercial perspective, in 2010, the Group acquired **new orders** in the amount of €mil. 1,912, up €mil. 767 over 2009 (€mil. 1,145) due to good performance in the earth observation segment and the new contract to design and build the Iridium NEXT constellation, comprised of 81 satellites for mobile telecommunications services, in the commercial telecommunications segment.
The most significant new orders for the period related to the following segments:

- *commercial telecommunications*: the contracts for the provision of the W6A satellites for Eutelsat (Q2) and the APSTAR 7B satellites for APT Satellite Company Limited (Q2); the contract for the YAMAL programme (Q2) for Gazprom Space System; the additional lots for the O3B constellation (Q1-Q3-Q4); the order to provide telecommunications satellite services to TIM Brasile (Q1); the order relating to the Iridium NEXT constellation (Q2-Q3-Q4); the order to provide maintenance services under operational conditions for the Cosmo System (Q2-Q3);
- *military and government telecommunications*: the first lot of the order for the Sicral 2 programme (Q3-Q4); the contract with the Italian Space Agency (ASI) and the French Space Agency (CNES) for the Athena Fidus satellite (Q1-Q4); new orders for military telecommunications satellite services based on the capacity of the Sicral 1B (Q1-Q2-Q3-Q4); additional lot for the CSO (post-Helios) programme (Q2-Q3-Q4);
- *earth observation*: the contract from the French Space Agency (CNES) for the Jason 3 earth observation satellite (Q1-Q4); the contract from the ESA to supply the second satellite for the Sentinel 3 mission under the Kopernikus programme (previously named GMES) (Q1); the order for provision of the Poseidon3B altimeter (Q1); the order for the digital mapping of Panama's territory (Q3); the first lot of the order for the 2nd generation Cosmo programme (Q4); the first lot of the order for the 3rd generation METEOSAT programme (Q4);
- *satellite navigation*: additional orders for the "Ground Mission Segment" of the In Orbit Validation (IOV) phase (Q1); the "Support System", "Ground Mission Segment" and the "Space Segment" contracts for the Full Operation Capacity (FOC) phase (Q1-Q4) under the Galileo Programme;

- *orbital infrastructure*: the additional lot of the order from Orbital Science Corporation to provide NASA (CYGNUS COTS programme) with pressurised modules for transport connected with the International Space Station (Q1);
- *science programmes*: additional lot for the Bepi-Colombo programme (Q1-Q3); the order from ESA for the development of a prototype of the atmospheric re-entry vehicle called the Intermediate eXperimental Vehicle (IXV) (Q1); additional lots of the order for the European mission to Mars EXOMARS programme (Q2-Q3).

The **order backlog** at 31 December 2010 totalled €mil. 2,568, an increase of €mil. 957 over the same figure at 31 December 2009 (€mil. 1,611). The backlog at 31 December 2010 is composed of manufacturing activities (67%) and satellite services (33%).

Revenues in 2010 came to €mil. 925, up €mil. 16 from the previous year (€mil. 909). Production mainly related to the continuation of activities in the following segments:

- in the *commercial telecommunications* segment for the Yahsat, W3B and W3C satellites for Eutelsat, Rascom 1R, APSTAR 7 and APSTAR 7B, Yamal- 401 and Yamal- 402; for the 2nd generation Globalstar, O3B and Iridium NEXT satellites; development of the payloads for the Arabsat 5A/6B satellites; the provision of telecommunications satellite services and the resale of satellite capacity;
- in the *military telecommunications* segment for the CSO (post Helios) programme; the provision of military telecommunications satellite services based on the capacity of the Sicral 1B;
- in the *earth observation* segment for the COSMO-SkyMed programme, the satellites for the Sentinel 1 (radar) and 3 (optics) of the Kopernikus programme, earth monitoring services;
- in the *science programmes* segment for the Bepi-Colombo and EXOMARS programmes;
- in the *satellite navigation* segment for the system engineering and ground mission segment work for the IOV phase and for support system work for the FOC phase of the Galileo programme;
- in the *orbital infrastructure* segment for the CYGNUS COTS programme connected with the International Space Station;
- in the *equipment and devices* segment for the development of onboard equipment.

Adjusted EBITA at 31 December 2010 came to €mil. 39, down €mil. 8 from the €mil. 47 posted at 31 December 2009, due to the different mix of activities within the satellite services segment.
As a result, **ROS** came to 4.2%, compared with the 5.2% reported at 31 December 2009.

Research and development costs at 31 December 2010 came to €mil. 68, a decrease of €mil. 19 from the figure posted for 2009 (€mil. 87).
Activities in this area largely included the development of systems, solutions and applications for security, emergency management, homeland security (Kopernikus programme) and for navigation/infomobility services (Galileo programme); aerial communications solutions (SESAR); solutions for optimising the satellite band; processing systems for earth observation SAR data; flexible payloads for military telecommunications applications; Phase A studies for the second-generation COSMO-SkyMed system; studies on landing systems for planetary exploration, on technologies for orbiting structures and life-support systems.

The **workforce** at 31 December 2010 came to 3,651, a decrease of 11 employees from the 3,662 reported at 31 December 2009.


DEFENCE SYSTEMS

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**1,111**	**3,797**	**1,210**	**107**	**8.8%**	**260**	**4,112**
2009	1,228	4,010	1,195	130	10.9%	235	4,098

€ millions

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

New orders at 31 December 2010 came to €mil. 1,111, lower than the €mil. 1,228 posted at 31 December 2009, due mainly to a decline in *missile systems*, where significant new foreign orders were reported the previous year.

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

- *missile systems:* significant orders for new air-to-air Meteor missiles from the French and Swedish Ministries of Defence (Q4); the initial orders from the UK Ministry of Defence to develop and supply new complex weapons (Q1) and various orders for customer support activities;
- *land, naval and air weapons systems:* the order for the third lot of 38 MAVs for the Italian Army (Q3); the contract for phase 3.2 of the Italian Navy's Vulcano 155LR programme (Q4); additional order for Hitfist turrets kits for Poland; orders for PDA kits for Libya (Q1); order for Mom-Sapom ammunition for Singapore (Q1); order for three 76/62 SR naval cannons from France under the FREMM programme (Q4); orders for Hitrole turrets from the United Arab Emirates and Germany (Q4); orders for two 76/62 SR naval cannons from Fincantieri for the United Arab Emirates (Q1) and significant logistics orders from various customers;
- *underwater systems:* the order for 128 upgrade kits for the A244 light torpedo from a foreign customer (Q2).

The **order backlog** at 31 December 2010 came to €mil. 3,797 (€mil. 4,010 at 31 December 2009), of which about 60% related to *missile systems*.

Revenues at 31 December 2010 came to €mil. 1,210, substantially in line with 31 December 2009 (€mil. 1,195). The increases reported in the *land, naval and air weapons systems* and in the *missile systems* segments offset the decline in the *underwater systems* segment.
Revenues were the result of the following activities in the various segments:

- *missile systems*: activities for the production of Aster and Mistral surface-to-air missiles and Exocet anti-ship missiles; activities relating to the development of the air defence system in connection with the tri-national Medium Extended Air Defence System (MEADS) programme in which the US, Germany and Italy participate; customer support;
- *land, naval and air weapons systems*: the production of the PZH 2000 howitzers and MAVs for the Italian Army; Hitfist turrets kits for Poland; 76/62 SR cannons for various foreign customers; the development of guided munitions systems; FREMM programme activities; the production of SampT missile launchers and logistics;
- *underwater systems*: activities relating to the Black Shark heavy torpedo; the MU90 and A244 light torpedoes and to countermeasures and activities relating to the FREMM programme and logistics.

Adjusted EBITA at 31 December 2010 totalled €mil. 107, a decrease from the figure reported for 2009 (€mil. 130), due to a decline in *underwater systems* as a result of lower revenues and a drop in profitability because of higher costs for stabilising certain products and provisions made for potential contract disputes. This decline was partially offset by higher revenues and improved industrial profitability in the other segments.
As a result, **ROS** amounted to 8.8% at 31 December 2010, lower than the 10.9% reported at 31 December 2009.

Research and development costs at 31 December 2010 totalled €mil. 260, an increase of about 11% over the figure posted at 31 December 2009 (€mil. 235), relating primarily to the *missile systems* segment. Some of the key activities included those for the MEADS air defence programme, 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, naval and air weapons systems* segment; and activities relating to the Black Shark heavy torpedo in the *underwater systems* segment.

The **workforce** at 31 December 2010 came to 4,112, in line with the figure reported at 31 December 2009 (4,098).

ENERGY

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**1,403**	**3,305**	**1,413**	**145**	**10.3%**	**38**	**3,418**
2009	1,237	3,374	1,652	162	9.8%	36	3,477

€ millions

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

From the commercial standpoint, the 2010 financial year closed with **new orders** worth €mil. 1,403, up €mil. 166 (+13.4%) from 2009 (€mil. 1,237), due mainly to the *plants and components* segment. This increase offset the decline reported in the *service* segment as a result of fewer new Long Term Service Agreements (LTSA) as compared with 2009.
New orders in the *nuclear* segment were in line with the previous year, with a geographical distribution tilted in favour of new orders from abroad (92%) (33% in 2009), split between Eastern Europe and North America (including business for Westinghouse in China). Waste and decommissioning accounted for around 5% of new orders in Italy.

Finally, new orders in the *renewable energies* segment in 2010 came entirely from Italy and were for the photovoltaic and wind power sub-segments.

At 31 December 2010, plants and components accounted for 46% of new orders (43% in 2009), service-related activities for 39% (52% of 2009), renewable energies for 10% (not available in 2009) and nuclear work processes for 5%.

The most significant new orders received during the period include:

- *plants and components*: a turbogroup with a AE94.2 turbine (formerly V94.2) for the Shyllet site (Bangladesh) (Q1); two turbogroups with a AE94.2 turbine for the Fingrid site (Finland) (Q1); two turbogroups with a AE94.3 turbine for the Deir Ali site (Syria) (Q3); three steam turbines and related generators for Enel Green Power to be installed at three geothermal plants in Tuscany (Q3); a 400 MW combined-cycle plant for the Sousse site (Tunisia) (Q4); a 600 MW open cycle plant for the El Sabtia - Cairo (Egypt) (Q4);
- *service*: new solution contracts (changing parts of the turbine) and spare parts contracts (Q1-Q2-Q3-Q4); LTSAs for the Ballylumford plant (Ireland) (Q2) and for the Sousse plant (Tunisia) (Q4);
- *nuclear*: as regards the power station side, new engineering contracts from China as part of the partnership with Westinghouse on the Sanmen project (Q1-Q2) and new engineering orders for the Mochovce plant (Slovakia) (Q3); orders to design and construct seven sections of the vacuum chamber of the ITER (International Thermonuclear Experimental Reactor (ITER) reactor for the Cadarache power plant (France) (Q4); on the service-related side, the new Superphoenix reactor support contract for the Creyes Malville power station in France (Q1-Q2-Q3) and scheduled maintenance contracts for the Embalse (Argentina) power station (Q1-Q4); as regards the waste and decommissioning side, there were contract changes for the Ignalina site (Lithuania) (Q2) and an order for resin treatment at Trino (Vercelli) (Q2) and at Caorso (Piacenza) (Q3); order for the treatment and storage of radioactive waste for the Andreeva Bay (Russia) site (Q4);

- *renewable energies:* orders for the construction of photovoltaic plants and related maintenance for the Martano and Soleto sites (both in Lecce) (Q2-Q3) and Francofonte (Syracuse) (Q4); orders to build a 66 MW wind farm and related maintenance for the Bisaccia (Avellino) site (Q4).

The **order backlog** at 31 December 2010 came to €mil. 3,305 compared with €mil. 3,374 at 31 December 2009. The composition of the backlog is attributable for around 37.4% to *plants and components*, 56.7% to *service* activities (77.8% of which LTSA scheduled maintenance contracts), 3.0% to the *nuclear* segment, and the remaining 2.9% to *renewable energies*.

Revenues at 31 December 2010 amounted to €mil. 1,413, a decrease of €mil. 239 from the €mil. 1,652 reported for 2009, attributable to lower production volumes in the *plants and components* segment, resulting from a decline in component sub-supply contracts for foreign "sites".
In 2010, revenues were attributable for 64.3% to *plants and components*, 30.0% to *service* activities, 3.2% to the *nuclear* segment, and the remaining 2.5% to *renewable energies*.
Activities mainly regard the following segments:

- *plants and components:* orders for the Aprilia, Turano, San Severo, Torino Nord (Italy), Larbaa and M'Sila (Algeria), Bayet (France), Deir Ali (Syria), Shyllet (Bangladesh), Fingrid (Finland), Dunamenti (Hungary) and Marcinelle (Belgium) plants. As to manufacturing, 44 complete machines were produced and delivered (51 in 2009), while, as to plants, three turnkey plants are currently being designed;
- *service:* LTSAs for Sparanise, Moncalieri, Rosignano, Vado Ligure, Rizziconi (Italy), Ballylumford (Ireland), Enipower (various sites in Italy); progress on current service contracts (spare parts and ordinary maintenance) and solution contracts (revamping, upgrading and changing parts of the turbine);
- *nuclear:* as to power plants, engineering activities continued on the Sanmen project in China with Westinghouse and on the Mochovce power station in Slovakia; as to services, activity involved the Embalse (Argentina) and Creys Malville (France) plants; and in waste and decommissioning, work involved resin treatment at Trino (Vercelli);
- *renewable energies:* the Martano and Soleto (Lecce) orders for the construction of two photovoltaic plants.

Adjusted EBITA at 31 December 2010 came to €mil. 145, down €mil. 17 from the previous year (€mil. 162), due mainly to the decline in production volumes. By comparison, **ROS** at 31 December 2010 stood at 10.3%, up 0.5 p.p. over 2009 (9.8%) due to higher industrial profitability for certain orders, mainly in the *plants and component* segment.

Research and development costs at 31 December 2010 totalled €mil. 38, up €mil. 36 (+6%) from the figure reported for 2009.

Research and development activities in 2010 focused primarily on:

- *gas turbines:* AE94.3A turbine development projects to raise power, efficiency and operational flexibility, while complying with requirements on pollutants in exhaust gas, and projects to retrofit the AE94.2 turbine to increase the power and extend the life of the Class E turbine;
- *steam turbines*: international projects investigating the behaviour of special materials (extremely high temperature steels and super alloys) with a view to developing the "ultrasupercritical" turbine (with a power rating in excess of 300 MW);
- *generators:* development work on the new air-cooled 400 MVA model intended to complement the large, high-performance gas turbines.

The **workforce** stood at 3,418 at 31 December 2010, compared with 3,477 at 31 December 2009. The 59-employee decrease is due to routine turnover.

TRANSPORTATION

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**3,228**	**7,303**	**1,962**	**97**	**4.9%**	**69**	**7,093**
2009	2,834	5,954	1,811	65	3.6%	110	7,295

€ millions

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

New orders at 31 December 2010 came to €mil. 3,228, up 13.9% from 2009 (€mil. 2,834), due to increased new orders in the vehicles and in the signalling and transport systems segments.
The following were the most important new orders for the period:

- in the *signalling and transport systems* segment:
  - in *signalling:* the order for the Sirth-Benghazi line in Libya (Q3); the order for the Zhetygen-Korgas in Kazakhstan (Q4); the order to upgrade the technology for the Genoa railway hub (Q2); orders from Australian Rail Track Corporation (ARTC) in Australia; various components orders and service and maintenance orders;
  - in *transport systems:* the order for the construction of the technological system, the operation and the maintenance of Copenhagen's new driverless metro line, named Cityringen (Q4); the contract for the operation and maintenance of the existing Copenhagen driverless metro system (Q1); orders relating to the Naples Line 6 project (Q2) and the Genoa metro project (Q1-Q3);
- in the *vehicles* segment: the order from Trenitalia for 50 high-speed trains as part of the temporary joint venture with Bombardier (Q3); contracts to supply single-level regional trains for Veneto and Emilia Romagna as part of the temporary joint venture with Stadler (Q4); the order for revamping the Milan tram (Q2) and other service orders;
- in the *bus* segment: various orders for a total of 322 buses.

At 31 December 2010 the **order backlog** amounted to €mil. 7,303, up €mil. 1,349 over 31 December 2009 (€mil. 5,954). The order backlog breaks down as follows: 62% for transport systems and signalling, 37% for vehicles and 1% buses.

Revenues at 31 December 2010 were equal to €mil. 1,962, up €mil. 151 over 2009 (€mil. 1,811), essentially due to growth in the *signalling and transport systems* segment.
Major orders include:

- in the *signalling and transport systems* segment:
  - in *signalling*: high-speed train orders and orders for automated train control systems (SCMT) for Italy; the contract for the Ras Ajdir-Sirt coastal line and the Al-Hisha-Sabha inland line in Libya; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; orders for ARTC in Australia; the Cambrian Line in the UK; the high-speed Zhengzhou-Xi'an line in China; the high-speed train line Rhin-Rhone in France; the contract for Lines 7 and 12 of the São Paulo metro in Brazil; various orders for components;
  - in *transport systems*: the metro systems of Naples Line 6, Rome Line C, Riyadh, Copenhagen, Brescia, Milan Line 5 and Genoa;
- in the *vehicles* segment: trains for the Dutch and Belgian railways; trains for the Danish railways; trains for the Milan and Rome Line C metros; trains for regional service for Ferrovie Nord of Milan; various Sirio tram orders and service orders;

- in the *bus* segment: revenues were generated by a number of orders for buses (83% of revenues for the segment) and for post-sales services.

Adjusted EBITA stood at €mil. 97 at 31 December 2010, an increase of €mil. 32 compared with the previous year (€mil. 65), mainly reflecting improved profitability in the *vehicles* segment and rising production volumes in the *signalling and transport systems* segment. **ROS** for the division came to 4.9%, compared with 3.6% at 31 December 2009.

Research and development costs at 31 December 2010 were equal to €mil. 69 (€mil. 110 at 31 December 2009) and mainly regarded signalling projects in the *signalling and transport systems* segment and continuation of development of certain products in the railway side of the *vehicles* segment.

The **workforce** stood at 7,093 at 31 December 2010, a 202 employee decrease from the 7,295 reported at 31 December 2009.

OTHER ACTIVITIES

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS	R&D	Workforce (no.)
2010	**105**	**113**	**243**	**(152)**	**n.s.**	**7**	**906**
2009	113	172	410	(127)	n.s.	1	799

€ millions

The division includes, inter alia: Finmeccanica Group Services SpA, the Group services management company; Finmeccanica Finance SA and Meccanica Holdings USA Inc., which provide financial support to the Group; Finmeccanica Group Real Estate SpA (FGRE), which manages, rationalises and improves the Group's real estate holdings; and SO.GE.PA. - Società Generale di Partecipazioni SpA. SO.GE.PA. was placed in voluntary liquidation on 29 October 2010.
The Elsacom NV group, which manages satellite telephony services, also falls within the division. On 28 September 2010, Elsacom SpA was placed into voluntary liquidation.

In 2010, following a process begun in late 2009, action was undertaken to fully pursue the objective of leveraging and rationalising the Group's real estate holdings by gradually concentrating them within FGRE. The purpose of this concentration is to ensure that the Group's real estate holdings are managed in a coordinated, unified manner so as to make the activities and related costs more efficient and rational in order to achieve significant savings once fully implemented (please refer to the Industrial transactions section).

The division also includes the **Fata** group, which provides machinery and plants for processing aluminium and steel products and contracting services for the electricity generation and primary aluminium production industries.
From a commercial standpoint, Fata received **new orders** totalling €mil. 105 at 31 December 2010, down €mil. 8 compared with 2009 (€mil. 113).
Fata's **revenues** at 31 December 2010 came to €mil. 162, down €mil. 113 from the previous year (€mil. 275).

Fata's **workforce** at 31 December 2010 totalled 300 employees, compared with 291 employees at 31 December 2009.

This division's figures also include those of **Finmeccanica SpA**, which for some years has been undergoing an extensive transformation process, altering its focus from a financial company to that of an industrial company. This process received a boost in 2010 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.

RECONCILIATION OF NET PROFIT AND SHAREHOLDERS' EQUITY OF THE GROUP PARENT WITH THE CONSOLIDATED FIGURES AT 31 DECEMBER 2010

€ millions	Shareholders'equity	of which: Net profit for the year
Parent Company shareholders' equity and net profit at 31 December 2010	**6,570**	**237**
Excess of shareholders' equities in the financial statements compared with the carrying amounts of the equity investments in consolidated companies	(3,599)	729
Consolidation adjustments for:		
› difference between purchase price and corresponding book equity	5,874	(83)
› elimination of intercompany profits	(1,768)	7
› deferred tax assets and liabilities	285	55
› dividends from consolidated companies	-	(451)
› exchange gains/losses	(536)	-
› other adjustments	(12)	(1)
Group shareholders' equity and net profit at 31 December 2010	**6,814**	**493**
Minority interests	284	64
Total shareholders' equity and net profit at 31 December 2010	**7,098**	**557**

SIGNIFICANT EVENTS IN 2010 AND EVENTS SUBSEQUENT TO CLOSURE OF THE ACCOUNTS

Industrial transactions

In the ***Helicopters*** division, on 29 January 2010, the purchase of 87.67% of **PZL-ŚWIDNIK**, a Polish company which produces helicopters and aerostructures, completed after the necessary antitrust approval was obtained. This stake is in addition to the 6.2% already held by AgustaWestland. This acquisition should further solidify AgustaWestland's leadership by extending its geographical positioning in Europe and making it more industrially competitive by leveraging PZL-ŚWIDNIK's unique technical expertise in the manufacture of aerostructures and the efficiencies to be obtained from a competitive cost structure.

On 6 February 2010, following the signing of the Memorandum of Understanding in February 2009, AgustaWestland and **Tata Sons** – an Indian business group active in the ICT, engineering, materials, services and energy sectors – signed the final agreement to form an Indian joint venture for the final assembly of the AW119 helicopter. The new joint venture will be responsible for AW119 final assembly and customisation worldwide, while AgustaWestland will remain responsible for worldwide marketing and sales and will provide shipsets for assembly and compliance with customer requirements on location.
The completion of the transaction is subject to the obtainment of the necessary regulatory authorisations.

On 24 May 2010, Finmeccanica announced the signing of an agreement between AgustaWestland and the **Boeing Company** for the US Navy's Marine One presidential helicopter programme (VXX). Boeing secured the rights to use AgustaWestland's intellectual property, data and production rights in order to utilise the AW101 helicopter platform for the realisation by Boeing of a configuration for the VXX programme. AgustaWestland will play a role in developing the programme and will carry out a significant portion of the design and production activities.

On 22 June 2010, **Russian Helicopters** (a subsidiary of JSC UIC Oboronprom, owned by Russian Technologies State Corporation) and AgustaWestland started the set up of a joint civil AW139 medium twin helicopter final assembly plant in Russia (near Moscow), mainly destined for the Russian market and CIS countries.

In the ***Defence and Security Electronics*** division, on 20 November 2009, SELEX Galileo Ltd (formerly SELEX Sensor & Airborne Systems Ltd) and its US subsidiary SELEX Galileo Inc. signed with the listed American company **Pressteck** the final agreements for the purchase of the US company **Lasertel**, a company active in the production and marketing of electro-optical components (i.e. laser diodes). The transaction was completed following the obtainment of certain regulatory authorisations, including the approval of the Committee on Foreign Investment in the United States (CFIUS), which was obtained on 5 February 2010. The transaction was completed on 5 March 2010 through a reverse triangular merger which allowed the forced purchase of the capital held even by a small minority.

In line with its programme to optimise its industrial structures in the Defence and Security Electronics and Space sectors, as previously announced at the 30 April 2010 Shareholders' Meeting, on 20 May 2010, Finmeccanica's Board of Directors approved a rationalisation process intended to improve its business model and the industrial performance of the companies identified. In particular, the organisational rationalisation will involve a number of specific business lines, enabling the Group to take advantage of the technological complementarity within its structure and to define clear responsibilities to end customers. The Group companies involved in the optimisation programme are SELEX Sistemi Integrati, SELEX Galileo, Elsag Datamat and Telespazio. The first part of the operation, which involved the Defence and Security Electronics division, was completed on 1 July 2010. The reorganisation of the Space sector, which saw the acquisition by Telespazio of the space activities of Elsag Datamat and SELEX Sistemi Integrati (these are mostly grouped in the Vega group), became effective from 1 January 2011. Also on the same date, Elsag Datamat acquired from SELEX Sistemi Integrati the activities of the IT/SAP services of the subsidiary Vega Deutschland.

On 7 June 2010, **DRS Technologies** (**DRS**) and Boeing signed an agreement regarding the NewGen Tanker programme. DRS will work with Boeing on console design and will manufacture the Aerial Refueling Operator Station (AROS), contingent upon Boeing receiving the contract from the United States Air Force. DRS will also provide the interconnect design and associated cable sets to integrate the AROS into the Tanker.

On 3 December 2010, during the inter-government summit between Italy and Russia, **Russian Post**, **Poste Italiane** and Finmeccanica signed a partnership agreement for optimising the logistic network and for the development of innovative services at the Russian post offices. This agreement is part of a more general Memorandum of Understanding signed by the Ministers of Communications of the Russian Federation and of the Republic of Italy.

In the ***Aeronautics*** division, the rationalisation process of the Aeronautics division was completed in December 2009 with the merger by takeover of the two subsidiaries Alenia Composite SpA and Alenia Aeronavali SpA into Alenia Aeronautica SpA, effective as at 1 January 2010.

In the ***Energy*** division, on 9 April 2010 Ansaldo Energia and Ansaldo Nucleare, **Enel** and **EDF** signed a Memorandum of Understanding at the Fifth Forum of Italian-French dialogue held in Paris to develop nuclear power in Italy. Specifically, the aim of the agreement is to define areas of co-operation between Enel-EDF and Ansaldo Energia (which holds 100% of Ansaldo Nucleare) in developing and building at least four nuclear plants planned by Enel and EDF for Italy using Evolutionary Pressurised Reactor (EPR) technology. Enel and EDF will play the role of investors and architect engineers, which means they will have overall responsibility for the project and for managing the building of the plants. In this regard, they will draw on the wealth of experience of Ansaldo Energia in designing, planning and commissioning the nuclear systems and in providing support to licensing operations. In addition, Ansaldo Energia will participate in the qualification and tender process carried out by Enel and EDF in Italy and abroad for the supply of engineering services, equipment, installation and engineering systems.

Also on 9 April 2010, Ansaldo Energia and **Areva** signed a Memorandum of Understanding to develop a progressive industrial partnership, starting with existing Areva projects, and later extending to future Italian projects, as well as other projects planned in countries such as France and the UK. The collaboration will cover the production of special components and support with building and commissioning by Ansaldo Energia and Ansaldo Nucleare.

In the ***Transportation*** division, on 5 August 2010, Finmeccanica was awarded the contract for the high-speed train through its subsidiary AnsaldoBreda. The Board of Directors of **Trenitalia** approved the awarding of the contract to supply 50 V300 Zefiro trains to the temporary business grouping formed by AnsaldoBreda (60%) and the Canadian company Bombardier. This project is in line with the broader Cooperation Agreement signed by the two companies in 2008. The relevant contract was signed on 30 September 2010.

On the wake of a process commenced at the end of 2009, during 2010 the goal of improving and rationalising the Group's **real estate holdings** was fully implemented by concentrating them gradually into the subsidiary Finmeccanica Group Real Estate SpA (FGRE). This concentration has the goal of ensuring that the Group's real estate holdings are managed in a coordinated and consistent manner with a view to the improvement of efficiency and the rationalisation of activities, and relevant costs able to guarantee significant savings at full regime.

As part of this project for the improvement of the Group's real estate holdings, on 20 January 2011 the Board of Directors of Finmeccanica gave a positive opinion on the guidelines for a transaction for the transfer of some of the Group's real estate properties to a closed-end real estate fund, the majority of whose shares will be held by third parties. Further controls are now being made for the finalisation of the transaction.

In March 2011, Finmeccanica signed an agreement with First Reserve Corporation, a US investment fund that specialises in the **Energy** sector, for the sale of a 45% stake in Ansaldo Energia. This transaction, along with capital increase carried out in 2008 and the debt restructuring performed in 2010, marks the completion of the actions undertaken by Finmeccanica following its acquisition of DRS Technologies.

Financial transactions

The Group engaged in a considerable amount of activity in 2010, both in the bond markets and in the banking market.

Bond market

In August, €mil. 501 in bonds exchangeable into STM shares were redeemed at maturity. In February 2010, Finmeccanica had repurchased roughly €mil. 51 (nominal value) of bonds exchangeable for STM shares. The purchase price was equal to 99.40% of the bond's nominal value. This transaction, just one of the actions taken to optimise treasury resources, made it possible to cancel a corresponding amount of the correlated debt.

At 30 September 2010, the remaining USDmil. 3 of the bond originally issued by DRS Technologies in 2003 was extinguished ahead of the 2013 maturity date.

As more fully described in the footnotes on the individual bond issues reported below, a series of rate transactions have been undertaken to convert a portion of the interest rate exposure from fixed rate to floating rate, thereby making it possible to minimise the total cost of the debt.

Below is a list of bonds outstanding at 31 December 2010 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, the remaining amounts of the dollar-denominated bond issued by DRS, as well at the news 10-year and 30-year bonds issued by Meccanica Holdings USA for the US market:

Issuer	Year of issue	Maturity	Nominal amount (€mil.)	Annual coupon	Type of offer	IAS recog. amts (€mil.) (10)
Finmeccanica Finance SA (1)	2003	2018	500	5.75%	European institutional	498
Finmeccanica SpA (2)	2005	2025	500	4.875%	European institutional	514
Finmeccanica Finance SA (3)	2008	2013	1,000	8.125%	European institutional	1,009
Finmeccanica Finance SA (4)	2009	2022	600	5.25%	European institutional	629

Issuer	Year of issue	Maturity	Nominal amount (GBPmil.)	Annual coupon	Type of offer	IAS recog. amts (€mil.) (10)
Finmeccanica Finance SA (5)	2009	2019	400	8.000%	European institutional	460

Issuer	Year of issue	Maturity	Nominal amount (USDmil.)	Annual coupon	Type of offer	IAS recog. amts (€mil.) (10)
DRS Technologies Inc. (6)	2006	2016	12	6.625%	American institutional	10
DRS Technologies Inc. (6)	2006	2018	5	7.625%	American institutional	4
Meccanica Holdings USA Inc. (7)	2009	2019	500	6.25%	American institutional Rule 144A/Reg. S	380
Meccanica Holdings USA Inc. (8)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	226
Meccanica Holdings USA Inc. (9)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	380

1. Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of the loan. The transaction was authorised pursuant to Art. 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 Art. 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange. The amount of €mil. 250 of this issue was converted to a floating rate to hedge against increases in the interest rate.
3. Bonds issued as part of the EMTN 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 2 percentage points. The proceeds of the issues (the US dollar equivalent) were originally used to refinance (through an intercompany loan agreement) the DRS bonds redeemed early in January 2009.
4. Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. No rate transactions on the issue were made. The proceeds of the issue were partly used to repay the Senior Loan Facility, signed on the occasion of the acquisition of the DRS group.
5. Bonds issued as part of the EMTN 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 were completely used to partially repay the Senior Loan Facility. Rate transactions were made to optimise the total cost of the debt and were completed during the first half of 2010. These transactions generated revenues of around €mil. 37, for a profit of around €mil. 24. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.
6. DRS requested and received permission to delist all the bond issues on regulated US markets in December 2008. Therefore, the outstanding DRS bonds are no longer covered by the US Securities Act of 1933 and are no longer registered with the Securities and Exchange Commission (SEC).
7. Bonds issued under Rule 144A and Regulation S of the US Securities Act. No rate transactions on the issue were made.
8. Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds of this issue, as well as of that referred to in footnote (7), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.
9. Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (8). No rate transactions on the issue were made.
10. The difference between the face value and the book value of bonds is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt.

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

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

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

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

Banking market

In the banking market, in 2009, Finmeccanica signed a €mil. 500 loan agreement with the European Investment Bank (EIB). The loan is intended for Alenia Aeronautica (100%-owned by Finmeccanica) to be used for the production and development of technologically innovative aeronautical components. Repayment of the 12-year loan will begin in August 2012. In August 2010, Finmeccanica drew upon the full amount of the loan in accordance with its terms. The loan was drawn upon in the amount of €mil. 300 at a fixed rate of 3.45% and of €mil. 200 at a floating rate equal to the 6-month Euribor plus 79.4 basis points. Both of the tranches of the loan have a final maturity of August 2022 and the first instalment of principal repayment is due in August 2012. Starting from that date, the fixed-rate tranche will be repaid in 11 annual instalments with fixed principal payments, while the floating-rate tranche will be repaid in 21 semi-annual instalments, also with fixed principal payments. Under the above conditions, only the accrued interest will be paid between the disbursement date and the date the first instalment of principal repayment is due.

In September 2010, Finmeccanica was also able to extend the maturity of certain short-term confirmed lines of credit (with maturities up through 2012) to 2015. Specifically, on 21 September 2010, it signed a new revolving credit facility for €mil. 2,400 (final maturity in September 2015) with a pool of banks, including leading Italian and foreign banks. The main terms of the loan include:

- amount: €mil. 2,400
- maturity: 5 years ending 21 September 2015;
- type: revolving credit permitting utilisations of 1, 3 and 6 months;
- margin: 75 basis points above the Euribor for the chosen period of use; the margin will increase to 95 b.p. and 115 b.p, where use exceeds, respectively, 33% or 66% of the nominal value of the credit line;
- commission if not used: 26.25 b.p. on the unused amount.

As with the previous line of credit of €mil. 1,200, the loan is subject to a clause that calls for modifying these margins in the event Finmeccanica’s credit rating improves or deteriorates.

This line of credit is an important source of medium-term liquidity and, given the amount and its revolving nature, it is useful for meeting the Group's working capital needs, primarily in connection with the seasonal pattern of the Group's collections.

When the new contract was signed, the following were cancelled before their natural maturity dates:

- the medium-term line of credit of €mil. 1,200, signed in 2004, with a pool of domestic and foreign banks (maturity 2012);
- the revolving credit facility of €mil. 639 (maturity June 2011), entered into in February 2010 and arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the DRS group;
- all the confirmed bilateral lines of credit in existence at the time of signing of the new line (for a total of €mil. 670), except for one of €mil. 50 maturing at the end of 2011.

Neither of the above transactions includes clauses that require the assumption of any obligations with respect to specific financial parameters (i.e. financial covenants), although, with respect to Finmeccanica and its material subsidiaries, they do include, *inter alia*, standard legal clauses for these types of transactions entered into by corporate entities, such as negative pledge, cross-default and change of control clauses.

Other significant financial transactions during the period include: in January 2010, Finmeccanica's Board of Directors authorised the issue of a guarantee, up to €bil. 1, to support the "commercial paper" Issuance Programme up to the same amount, with maturities of between one day and one year, and for amounts divisible based on the issuer's needs and the market's receptiveness. If completed, the Programme will be listed on the Luxembourg Stock Exchange and the individual issues will be placed by Finmeccanica Finance on the euro market and/or on the French financial market with institutional investors. However, in part due to the completion of the other short-term market financial transactions described above, for now the Programme will not be undertaken.

In the first quarter, Finmeccanica sold an option mirroring the earn out option held under the agreement signed with Cassa Depositi e Prestiti for the sale of its stake in STM at the end of 2009. As a result of this transaction, Finmeccanica received a total of around €mil. 8, for a €mil. 1 gain in additional income over the fair value recognised at 31 December 2009, thereby almost completely neutralising any further change in fair value.

In July, the Euro Medium Term Note (EMTN) programme was extended for a further 12 months. The maximum amount was set at €mil. 3,800 of which a total of around €mil. 3,050 was already used at 31 December 2010 with respect to existing euro and pound sterling bond issues. The programme allows Finmeccanica and Finmeccanica Finance, secured by Finmeccanica, to act as issuer on the European bond market.

Other events

A period of great political and social upheaval erupted between January and February 2011 in several North African countries, specifically, Tunisia, Egypt and Libya.
Finmeccanica has long undertaken important commercial initiatives in these countries, obtaining significant civil (railway signalling and systems) and government (helicopters and defence and security electronics) contracts.
As to Libya in particular, given the still uncertain local situation, which has caused the Group companies to suspend work on contracts received from that country, as of now the events do not pose a serious risk to the Group's assets since the Group does not have any significant financial investments or investments in property, plant and equipment. Furthermore, even if work on those orders is suspended for the whole of 2011, this would have a limited impact on the Group's revenues, EBITA, and FOCF overall.
Since it is not currently possible to predict how the situation will evolve, Finmeccanica is closely monitoring events in order to protect its interests and is preparing a plan aimed at minimising the potential impact of the above factors.

FINMECCANICA AND RISK MANAGEMENT

RISKS		ACTIONS
The Group is strongly dependent on the level of expenditure of national governments and public institutions which, in the reference sectors of the Group, may be affected by further cuts	The major customers of the Group are national governments or public institutions. Moreover, the Group takes part in numerous international programmes funded by the European Union or other intergovernmental organisations. Given that the expenditure programmes adopted by governments may be subject to delays, changes under way, annual reviews or cancellations, in particular in periods with high instability like those that mark the global economy now, the Group's industrial plans, as well as the financial resources necessary for their implementation, might be affected by changes, even significant ones. The worsening of the reference economic scenario, with a possible negative review of the expense budgets of public authorities that are intended for the sectors in which the Group operates, might affect not only the volumes and results, but also Group debt, due to lower amounts received as advances or down payments on new orders. Moreover, any cuts to the defence budgets in domestic markets might have an impact on the financing of R&D activities, which are needed to successfully compete in the reference market.	The Group is pursuing an international diversification policy, which led to the identification of three "domestic markets" (Italy, the UK and the US), in order to be less dependent on cuts that may be made by individual countries and to competition in emerging markets marked by high growth rates, in particular in the aeronautics and defence markets. Moreover, under the Group strategy, performance in the major countries is constantly monitored in order to ensure a timely alignment of activities planned with customer needs.

RISKS		ACTIONS
The persistence of the economic crisis could reduce the Group's profitability and its ability to generate cash flow	The slow economic recovery that has followed the global economic crisis not only involves budget cuts by public institutions, which represent a significant portion of the Group's customers, but could also significantly affect civil markets, in particular helicopters, civil aeronautics and energy, thereby increasing competition in the sectors in which the Group operates. Delays or reductions in the acquisitions of new orders, or the acquisition of new orders on less favourable terms than in the past, including financially, may reduce the Group's profitability and increase the Group's financial requirements during the performance of such orders.	The Group continued actions aimed at increasing its industrial efficiency and in performing contracts on time, thereby reducing structural costs, while maintaining adequate levels of investment chosen using strict procedures for evaluating their potential returns and strategic value, in order to remain competitive in the current situation and in the long term.

RISKS		ACTIONS
The Group operates significantly on long-term contracts at a given price	In order to recognise revenue and margins resulting from medium- and long-term contracts in the income statement of each period, the Group adopts the percentage-of-completion method, which requires (i) an estimate of the costs necessary to carry out the contract, including risks for delays and additional actions to be undertaken to mitigate the risk of non-performance and (ii) checking the state of progress of the activities. Given their nature, these are both subject to management's estimates and, as a result, they depend on the ability to foresee the effects of future events. An unexpected increase in the costs incurred while performing the contracts might determine a significant reduction in profitability or a loss, if these costs exceed the revenues deriving from the contract.	The Group reviews the estimated costs of contracts regularly, at least quarterly. In order to identify, monitor and assess risks and uncertainties linked to the performance of the contracts, the Group adopted Lifecycle Management and Risk Assessment procedures, aimed at reducing the probability of occurrence or the negative consequences identified and at timely implementing the mitigation actions identified. Under these procedures, all significant risks must be identified from the offering stage and monitored while

RISKS		ACTIONS
<<<		the programme is being carried out, by constantly comparing the physical progress and the accounting status of the programme. Top management, programme managers and the quality, production and finance departments are all involved in making these assessments ("phase review"). The results are weighted in determining the costs necessary to complete the programme on an at a least quarterly basis.

RISKS		ACTIONS
During the current activity, the Finmeccanica Group is exposed to liability risks to customers or associated third parties in connection with the proper performance of contracts	As part of its activities, the Group may be held liable in connection with (i) the delay in or non-supply of the products or the services indicated in the contract, (ii) the non-compliance of these products or services with the customer's requests, due to design and manufacturing defects of products and services, for example, and (iii) defaults and/or delays in marketing, rendering of after-sale services and maintenance and revision of products. These liabilities might arise from causes that are directly ascribable to Group companies or causes that are ascribable to third parties outside the Group that act as suppliers or sub-suppliers for the Group.	Group companies usually take out insurance policies available on the market to cover potential damages. However, it cannot be excluded that there may be damages that are not covered by insurance policies, that exceed the limit of liability insured or that insurance premiums may be increased in the future. Moreover, the Group continuously monitors the performance of programmes using the aforementioned Lifecycle Management techniques.

RISKS		ACTIONS
Group debt was affected by the acquisition of DRS in 2008. This debt might affect the financial and operating strategy of the Group	At 31 December 2010, the Group had net debt of €mil. 3,133, equal to 44% of Group equity at the same date. This level of debt is due to the acquisition of DRS in October 2008, which led to an increase of the Group's debt of around €bil. 3.6. Later Finmeccanica reduced the impact of this acquisition by successfully completing a share capital increase, sales of non-core assets and bond issues on European, US and UK markets. This strategy allowed the repayment of DRS's payables and the reduction of the bridge loan used during the acquisition. However, the high level of debt not only reduced Group profitability due to greater financial expense and exposed the Group to future interest-rate variations regarding the floating-rate portion, but could also affected the Group strategy, thereby limiting its operational and strategic flexibility, also in consideration of the current conditions of the reference markets, which could cause the Group's financial requirements to grow, at least in certain periods. Potential future liquidity crises might also affect the Group's ability to repay its own debts.	The financial strategy initiated by the Group allowed, on one hand, to extend significantly the useful life of debt to more than 10 years and, on the other hand, to reduce its exposure to interest-rate performance through fixed-rate issues. The nearest maturity to be refinanced is the repayment of the €bil. 1 bond at 8.125%, maturing in 2013. In September 2010, the maturity of the short-term confirmed lines of credit was extended to September 2015 (with original maturities between June 2011 and December 2012), through the signing of a new revolving credit facility with a pool of leading Italian and foreign banks for €mil. 2,400. The new line of credit is an important source of medium-term liquidity and, given the amount and its revolving nature, it is useful for meeting the

RISKS		ACTIONS
<<<		Group's working capital needs, primarily in connection with the seasonal pattern of the Group's collections. Moreover, the expected level of cash outflow, the existing credit lines and the market success achieved so far by the existing financial transactions lead us to believe that the Group will have the necessary resources to meet all of its obligations. Finally, the Group continues to pursue a debt-reduction strategy by keeping a close eye on the generation of cash flows and the sale of assets.

RISKS		ACTIONS
The Group's credit rating is linked to the opinions of the rating agencies	All the Group's bond issues are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service, Standard and Poor's and Fitch. In December 2010, while Standard and Poor's confirmed its BBB rating for Finmeccanica's medium/long-term debt, it gave it a negative outlook. A reduction in the Group's credit rating could restrict its access to financing and increase borrowing costs on existing and future loans, which would have negative effects on the Group's business outlook and its performance and financial results.	The Group's financial policies and its policies on choosing investments and contracts force it to remain vigilant about maintaining a balanced financial structure. The Group took into account the potential effects that its possible alternatives would have on the indicators considered by the rating agencies. In addition, the Group continues to pursue a strategy debt cutting, including disposing of assets.

RISKS		ACTIONS
The Group realises part of its revenue in currencies other than the currencies in which costs are incurred, exposing it to the risk of exchange rate fluctuations. A part of consolidated assets are denominated in US dollars and pound sterling.	The Group reports a significant portion of revenues in dollars and pounds, while costs can be denominated in other currencies (mainly euros). Accordingly, any negative changes in the reference exchange rate might have negative effects (transaction risk). Moreover, the Group made significant investments in the United Kingdom and in the United States. Since the reporting currency of the consolidated Group financial statements is the euro, negative changes in the exchange rates between the euro and the US dollar and between the euro and the pound sterling might have a negative impact on the Group balance sheet and income statement due to the translation of the financial statements of foreign subsidiaries (translation risk).	The Group continuously applies an organised hedge policy to combat transaction risk for all contracts using the financial instruments available on the market. Changes in the US dollar and pound exchange rates also give rise to translation differences recognised in Group equity that are partially mitigated through the aforementioned pound and dollar issues. Moreover, in intercompany financing activities denominated in currencies other than the euro individual positions are hedged at the Group level.

RISKS		ACTIONS
The Group operates in some segments through joint ventures, in which the control is shared with other partners	The major joint ventures in the Aerospace and Defence area are MBDA, held at 25% (with partners BAE Systems and EADS), Thales Alenia Space, held at 33%, and Telespazio, held at 67% (both with partner Thales) and GIE-ATR, held at 50% through Alenia Aeronautica (with EADS). These joint ventures, which are consolidated by the Group on a line-by-line basis, jointly generated around 11% of the revenues consolidated in 2010. The operations of the joint ventures are subject to management risks and uncertainties, mainly due to the possible arising of differences between the partners on the identification and the achievement of operating and strategic objectives, and the difficulties in resolving any conflicts that may arise between them in the ordinary course of business of the joint venture. In particular, the joint ventures in which the Group has an interest may be subject to decision deadlocks which may ultimately lead to the liquidation of the joint venture. In the case of liquidation of the joint venture or sale of the interest by the Group, it may have to share or transfer technological skills or know-how that were originally contributed to the joint venture.	The Group constantly follows, including through the involvement of its own top management, the performance of these activities, in order to timely identify and manage critical issues.

RISKS		ACTIONS
The Group is a sponsor of defined-benefit schemes both in the UK and in the USA, in addition to other minor schemes in Europe	Under defined-benefit plans, the Group is required to ensure that the participants receive a given level of future benefits, assuming the risk that the plan's assets (stocks, bonds, etc.) are not sufficient to cover the promised benefits. If plan assets are lower than the benefits promised in terms of value, the Group regularly recognises as a liability an amount equal to the deficit; at 31 December 2010, this amount was €mil. 309. Should the value of plan assets fall significantly, for example due to the particular volatility of stock and bond markets, the Group compensates this decrease in value to the benefit of the plan participants, with subsequent negative effects on the financial statements.	Plan deficits and investment strategies are constantly monitored by the Group and regularly reviewed by the trustees. Corrective actions are timely implemented.

RISKS		ACTIONS
The Group operates in particularly complex markets, in which the settlement of any dispute may be extremely complex and can only be done over the long term. **The Group also operates through numerous industrial sites and is therefore exposed to environmental risks**	The Group is a party to legal, civil and administrative proceedings, some of which are recognised in a special provision for risks and charges in the consolidated financial statements to cover potential liabilities that may arise (equal to €mil. 228 at 31 December 2010). Some disputes in which the Finmeccanica Group is involved for which an unlikely or unquantifiable negative outcome is expected are not included in the provision. The Group activities are subject to laws and regulations protecting the environment and health that limit emissions into the atmosphere and discharge in waters and soil and govern the treatment of hazardous waste and the remediation of polluted sites. Under applicable laws, the owners and managers of polluting sites are responsible for the pollution created and, therefore, may be required to pay for the assessment and remediation costs, regardless of the causes of the pollution. In carrying out	The Group regularly monitors the status of existing and potential disputes, taking the necessary corrective actions and adjusting its provisions for risks on a quarterly basis. With regard to environmental risks, the Group has an environmental monitoring and assessment programme in place, plus insurance coverage in order to mitigate the consequences of a polluting event.

RISKS		ACTIONS
<<<	production activities, the Group is therefore exposed to the risk of an accidental contamination of the environment and may have to pay for the expenses for the remediation of polluted sites, if any.	

RISKS		ACTIONS
The Group operates in particularly complex markets which require compliance with specific regulations	The Group designs, develops and manufactures products in the defence sector. These products are particularly important to the protection of national security interests and, therefore, their exportation is subject to the receipt of special authorisations from the relevant authorities. The prohibition, limitation or withdrawal, if any (in the case, for example, of embargoes or geopolitical conflicts), of the authorisation to export the products might have significant negative impact on the Group's operations and its financial statements. Moreover, non-compliance with these regulations could result in withdrawal of authorisations.	The Group monitors, through specific structures, the constant updating of the relevant regulations. Commercial actions are subject to regulatory restrictions and receipt of the necessary authorisations.

RISKS		ACTIONS
A significant portion of the consolidated assets relates to intangible assets, specifically goodwill	At 31 December 2010 the Group reported intangible assets of €mil. 8,931, of which €mil. 6,178 relate to goodwill (20% of total assets) and €mil. 1,383 to development costs. The recoverability of these amounts is linked to the realisation of future plans of the reference businesses/products.	The Group constantly monitors performance against the expected plans, implementing the necessary corrective measures in the case of unfavourable trends. These updates are reflected, when the consistency of the amounts posted is assessed, in the expected flows used for the impairment tests.

FINMECCANICA AND THE ENVIRONMENT

Strategic guidelines and management approach

Being aware of the value of environment and sustainability, Finmeccanica has been committed to achieving excellence in full compliance with natural resources and to minimising the impacts of performing its activities. Based on these elements, the Group daily operates throughout the world on a "sustainable" approach.

The Group Sustainability Report (the Sustainability Report 2010 will be released in the coming months), prepared in line with the guidelines of the Global Reporting Initiative (GRI), is a factual and transparent proof of this commitment. A commitment that is continuously renewed, in line with the technological innovation and scientific development, highlighted by the extension of the scope of the Group Environmental Policy to the reduction of the environmental impact due to the climate-altering gas emissions and the implementation of the Group Carbon Management System (CMS), a system that allows Finmeccanica to govern the relevant upgrade path by implementing a process for planning, implementing and measuring the emission reduction objectives.

Developed in line with the relevant international standards and rules, in particular the Greenhouse Gas Protocol (GHG), the model allowed for the first time to report Scope I emissions (direct, from combustions, processing), Scope II emissions (indirect, from the consumption of electrical energy) and Scope III emissions (indirect, from business travels, production of raw materials, goods transport, waste disposal), which for the previous year stand

at about 1 million tons of CO_2 equivalent. The implementation of specific Carbon Audit activities in 2009 and 2010 also allowed on one hand to identify, analyse and evaluate specific actions for the reduction of emissions to be repeated across the Group, and on the other hand to define the Group reduction goals: -15/20% by 2015.
A governance system was also defined for the CMS, which became operational during 2010, and whose management structure assigns guidance, coordination and control functions to Finmeccanica Group Real Estate (FGRE), the responsibility for planning and organising to the companies and the management technical and operational role to the production sites.
In 2010 Finmeccanica was admitted to the 300 world companies included in the prestigious Dow Jones Sustainability Index (both Europe and World) which evaluates the performances of leading companies in terms of economic, environmental and social sustainability.
In addition to the above-described activities, FGRE is also in charge of reporting the Group environmental performances. In particular, the organisation unit Environment, Health and Safety in the workplace (EHS) is in charge of preparing the Environment Section of the Sustainability Report, through the Environment Information System, aimed at collecting, filing and processing the environmental data of some 180 production sites belonging to the companies owned by Finmeccanica. The constant achievement of the management efficiency of environmental issues is pursued through a wide and structured activity of analysis, monitoring and evaluation of actions and activities to be implemented for defining medium- and long-term improvement plans and for setting Group objectives accordingly: reduction of water, energy and emissions into the atmosphere, minimisation of waste production, etc.

The implementation and the success of these actions have required and still require, on one hand, an important economic effort, highlighted by investments for improving environmental performance, which in the previous year amounted to €mil. 12, and on the other hand the implementation and subsequent completion of the environmental management systems, in particular those that are ISO 14001 certified.
More specifically, 55 Group sites are ISO 14001 certified; moreover, some of them were EMAS registered (Eco Management and Audit Scheme) and in the last few years OHSAS 18001 (Occupational Health and Safety Assessment Series) certifications also rose within the Group. This confirms the growing attention paid by companies to management models for the health and safety of workers in the workplace.
In this context, it is particularly relevant that the SELEX Galileo factory in Luton (Great Britain) received the “Sword of Honour” award from the British Safety Council (BSC) for its commitment to health and safety issues.
The “Sword of Honour” award is the most prestigious international Health and Safety accolade that a company can receive and is only awarded to organisations that have already achieved five stars in the BSC Health and Safety Audit.

Innovation and spreading best practices

Knowledge-sharing and the valorisation and disclosure, at all levels, of a business culture that is sensitive to environmental-friendly issues are the basis for the construction of Group value, on the strength of its know-how, and sensitive to sustainable future.
This is the reason why Finmeccanica brings into play expertise and technology without leaving out environment: the importance of disclosing environmental best practices, developing and achieving projects that are increasingly eco-compatible is confirmed by several actions, such as for example the activities connected with the Focus Group Ecodesign (the hybrid electric driving system developed by DRS which will allow remarkable savings in terms of CO_2 produced); and the Green Company project of SELEX Galileo, whose aim is to coordinate, promote and ease any action that may help reduce the impact on environment.
In addition to actions of great strategic value connected with the single companies, FGRE carried out important studies on waste and water management within the Group, following which several targeted improvement proposals were made.

Communication, education and training

Training on matters of health, safety and the environment, together with the ongoing global training projects and professional training, is a fundamental requirement in order to preserve and strengthen Finmeccanica's role of industrial leader in the international scenario.
Training course on waste, also in consideration of the latest regulatory updates (SISTRI - *Sistema di controllo della tracciabilità dei rifiuti,* Control System for Waste Tracking), workshops and information and training meetings on the REACH (Registration, Evaluation and Authorisation of Chemicals) Regulation, the CMS and the implementation of activities aimed at defining plans for the reduction of Group environmental impacts (including CO_2), specific workshops for EHS Managers, are only some of the examples of the numerous activities developed by Finmeccanica; the aim is to provide highly-specialised training at all levels and in a continuous way, also through the intra-group Portal dedicated to the Companies' EHS Managers (EHS InPortal), where 200 users have subscribed and more than 120 documents are available, such as Guidelines, Best Practices, case studies, technical presentations and EHS regulations, for a homogeneous and consistent disclosure of the best environmental know-how.
Of particular interest is also the publication and diffusion within the Group of specific Guidelines ("Guideline for the identification, valuation and management of environmental emergencies" and "Guideline for water management at the sites of the Finmeccanica Group") which fit consistently in the CMS-related activities as they are connected with Climate Change issues.

Energy issues

Finmeccanica, through its subsidiary Finmeccanica Group Services (FGS), has developed an integrated management of Energy resources able to act simultaneously on provisioning conditions and on requirements by optimising the relationship between internal demand and the market, in line with the industrial development of the different companies. FGS operates along three lines:

- *Energy Supply:* management and rationalisation of the Group energy expenditure, equal to some €mil. 90 per year, through a structured negotiation process and constant monitoring of the Group supplies;
- *Energy Demand*: management of the Group Energy Efficiency Programme, launched in 2005 following timely reviews on the energy absorptions of the main production sites. Under the Energy Efficiency Programme, also financed using the savings from the negotiations of energy supply, Group investments were made in projects for the improvement of energy performances by some €mil. 15 in the 2006-2010 period;
- *Communication and Social Services*: coordination of the Group Energy Managers Community, support to Finmeccanica for the organisation of events linked to the issue of a rational use of energy resources (e.g.: Energy Day), negotiation of agreements to the benefit of Group employees.

FGS also organises regularly operating meetings on Energy and Environment in the Group Energy Managers Community. These meetings, which are held on a four-month basis, are key to the sharing of Group Guidelines and best practices, to the development of synergies among firms and to the introduction of technological and innovative process and contract elements.

Finmeccanica also formalised and disclosed the "Guidelines for the management of energy expenditure, plant investments and renewable energy sources" to all the companies of the Group. These guidelines identify the main course of energy action; in particular:

- application of the development model for energy procurement;
- identification of new initiatives to be included in the Energy Efficiency Programme;
- evaluation of new initiatives for the development of renewable sources.

Energy supply

In the activities for the central negotiation of the supply of electricity for the Italian offices and sites FGS requires specific offers to providers of energy from renewable sources every year. During 2010 FGS finalised contracts for the supply of energy for 2011 which state that 21% of the energy intended for the main Italian sites comes from renewable sources. Of this, 4% comes from hydroelectric plants and 17% indirectly from renewable sources through the acquisition of RECS (Renewable Energy Certificate System) certificates.
With regard to the management of energy supplies for the British Group sites, FGS formed an acquisition consortium, defining a service model that allows the dynamic purchase of amounts of energy over future horizons.
FGS also initiated contacts with the Group US companies in order to define a shared model for the negotiation of supplies, energy efficiency and development of renewable sources.
Finally, energy consumption at the sites of Italian and British companies is constantly monitored, in order to notify the suppliers of any invoicing errors and to verify the reduction of energy consumption deriving from actions for the improvement of efficiency.

Energy demand - Energy Efficiency Programme

The goal of the Group Energy Efficiency Programme is to improve the site energy performance by timely analysing the site absorption and the subsequent implementation of site and management actions. The Programme, started in 2005, helps control and reduce Group energy consumption and spread efficient technological solutions.
The actions performed in the 2006-2010 period helped generate a saving of some 25 GWh of electricity and more than 1,800,000 cbm of natural gas in 2010, avoiding the emission of some 14,000 tons of CO_2.
During 2010 more than 10 site actions were carried out, for an investment of some €mil. 1, mainly intended for:

- heat recovery;
- improvement of the efficiency of lighting;
- the installation of high efficiency electric engines and automated charge management systems;
- the replacement of obsolete equipment with more efficient machinery.

Overall, in the 2006-2010 period under the Energy Efficiency Programme 138 site actions were carried out, for a total Group investment of €mil. 15.

FGS is also involved in the analysis of technologies for efficient energy output (e.g.: cogeneration) and from renewable sources, to identify potential applications within the Group.

Communication and social services

Finmeccanica, with the support of Finmeccanica Group Services, actively involves Group employees in training and information activities regarding the aware use of energy resources and, more generally, environmental sustainability. On 29 November 2010 the third Finmeccanica Energy Day was organised, with various discussions and talks intended for the employees of the Italian, British and US employees on efficiency and energy saving and, more in general, on environmental sustainability. The event represented, as usual, a moment of awareness-raising and sharing the values of environmental and social sustainability that Finmeccanica purports to spread and apply to its industrial development strategy. The saving generated from the energy solutions adopted during the day was donated to a charity institution.

Relevant environmental issues and Group performance

Below are some of the most significant issues of Finmeccanica's activities which have a direct relation with the environment. For more details, reference should be made to the environmental section of the Finmeccanica website (Sustainability/Finmeccanica and the Environment).

Energy consumption, emissions into the atmosphere and Emission Trading

Even though the activities of Finmeccanica do not belong to sectors with high energy intensity, the reduction in energy consumption is one of the most significant environmental issues for the company. The energy sources used within the Group are:

- electric power;
- natural gas;
- diesel fuel for the production of energy and heat;
- other fuels.

Thanks to the attention that Finmeccanica has been paying for years to the issue of energy consumption, as more thoroughly illustrated above (Energy Efficiency Programme), the indicator of energy consumption per worked hour decreased significantly.
The continuation of an ever-increasing eco-sustainable path, from the energy standpoint, in line with the obligations undertaken in the Group Environmental Policy, will help actively to reduce CO_2 production in order to reach the reduction objectives set in the CMS project (-15/20% within 2015).
The industrial and combustion processes carried out by the companies in some cases involve the emission of substances into the atmosphere in addition to CO_2. The significant parameters of air quality – NO_X, SO_2, Volatile Organic Composites (VOC), Volatile Inorganic Composites (VIC), heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni) and particulate – are monitored through the analyses made, for the emission points authorised, according to the regulations.

The Emission Trading Directive (Emission Trading Scheme - ETS) (Directive 2003/87/EC), the regulation for the implementation of the Kyoto Protocol for the reduction of CO_2 emissions, involved 6 Companies in the Group and a total of 12 plants nationwide in the previous years. These sites are included in the scope of application of the Directive due to the presence of combustion plants with power greater than the threshold set (Group A, i.e. marked by quantities of CO_2 emissions that are lower than the other groups stated in the Directive). All the Group sites that are submitted to the Emission Trading Directive and that are bound to report quantities certified their own emissions.

In April 2010 the CRC Energy Efficiency Scheme (CRC EES) became effective, previously known as Carbon Reduction Commitment (CRC). It represents the scheme for energy consumption and emissions applicable in the United Kingdom, which includes companies with electricity consumption greater than 6 GWh.
The UK-based companies of the Group involved have been estimated to be 16 sites of 5 companies.

Water resources management

The use of water resources within the Group relates to production processes and civil uses. Procurement sources are waterworks and ground water from which water is drained through wells. Well drainings are the major source for the Finmeccanica companies.
Over the last few years, at Group level, the indicator for water consumption compared with worked hours has been continuously decreasing. The implementation of upgrade actions and improvements of efficiency on the site water cycle (such as water recycle and reuse systems) and ever-growing attention to the management of water resources factually helped safeguard this important resource.

The analysis of waters is not limited to water samplings but continues to the water discharge. According to the use made of it upstream of discharge point, the wastewater produced by sites can either be classified as domestic and equivalent wastewater or as industrial wastewater. Most of the Group's sites only produce wastewater that can be classified as domestic or equivalent. The major final recipient is public sewers. A part of the wastewater produced is treated in on-site treatment systems before discharge.

Special waste production and management

Waste production is a significant environmental factor for Finmeccanica, which pays great attention to its management (whenever possible giving priority to re-cycling rather than waste disposal) and, whenever possible, to minimisation of waste production. The waste produced is categorised as harmful based on the presence and concentration of certain substances.
Waste production is closely connected in particular to production processes/volumes that are peculiar to every business segment, company or site, and to ordinary and extraordinary plant maintenance operations.
One of the most important waste issues is the differentiation of waste. During the last years, thanks also to the numerous initiatives aimed at differentiation of waste, the percentage of waste sent for recovery has increased constantly.

Based on the new Italian waste regulations (creation of SISTRI, the control system for waste tracking), several training and information activities were carried out (e.g.: review of the waste management guidelines, specific courses), in order to provide all the companies with the support necessary for a proper understanding and application of the regulations.

Green areas and protection of the soil and subsoil

Finmeccanica Group sites cover a total surface area of approximately 1,400 hectares. The size of the sites is extremely varied, according to activities: hangars for assembly of planes or helicopters or the flight fields typical of the Aeronautics or Helicopters sectors require a much larger surface area than, for example, sites in the Defence and Security Electronics sector, which are much smaller in size.
Out of the Group's surface area, 40% is made up of green areas: flying fields, wooded areas or areas covered by spontaneous vegetation. Approximately 20% of sites is less than 1,000 metres from a natural area, in some cases a protected area.
Industrial activities may be exposed to risk of incident, possible cause of soil pollution. In the last decade the awareness of this risk has increased, particularly in relation to past pollution. For this reason Finmeccanica has carried out numerous environmental investigations, when necessary, also taking the necessary action to repair and/or remediate the area.
In some cases, companies have started environmental characterisation processes to identify possible sources of contamination of environmental receptors, so that these can be eliminated and the potentially contaminated areas can be remediated and enhanced. In many cases the site characteristics has excluded the presence of soil/subsoil contamination in the sites under investigation. Environmental characterisation is the description of the characteristics of the environmental component in-site and in the area affected by the site, and involves soil, subsoil and ground water investigations and chemical analyses.
One of the main potential sources of soil pollution is the presence of underground tanks, used by the Group to store liquid raw materials, fuels and/or liquid waste: wherever possible they are gradually being replaced by aboveground tanks or being eliminated to reduce the risk of soil contamination.
In line with the GRI, Finmeccanica started a series of activities connected with biodiversity (i.e. the variability of living organisms, ground and water ecosystems and the ecological complexes they form), and in particular with the valuation of this aspect within the Group sites.

Management of hazardous substances, companies at major accident hazard and IPPC

Some of the production processes carried out by the Group, in particular in the Aeronautics, Helicopters and Defence and Security Electronics sectors, involve the use of substances such

as paints, adhesives, solvents, impregnating agents or acids. Given also specific regulations on the matter (REACH Regulation: Registration, Evaluation and Authorisation of Chemicals), for some time now the Group has been researching less hazardous or non-hazardous alternatives to these products; this necessarily calls for significant R&D activities and the search for a supply chain to provide excellent quality standards and to meet high sustainability and environment-friendly standards.
Furthermore, to reduce the related risks, suitable training on optimum management of these substances is provided constantly.
The commitment to reducing the consumption of hazardous substances, as classified by Directive 2009/2/EC relating to legislative, regulatory and administrative provisions for the classification, packaging and labelling of hazardous substances (R 40 - Substance with possible cancerogenous effects; R 45 - Substance that may cause cancer; R 49 - Substance that may cause cancer due to inhalation), has led to the reduction of quantities used over the last few years.
Due to the amounts of substances and preparations used in the processes typical of companies in the Aeronautics and Helicopters sectors, and due to the size of the galvanisation bath used for surface treatment of metals, some of the Group sites included in these sectors are classified as having Major Accident Hazard (MAH). Some of these sites, together with others which are not included in the MAH, are subject to the Integrated Pollution Prevention & Control (IPPC) Directive; the aim of IPPC regulations is to minimise pollution caused by the various sources, requiring compulsory issue of Integrated Environmental Authorisations (IEA) for certain types of plant.
All the sites subject to IEA must consider using BAT - Best Available Techniques in their processes to reduce environmental impact.

Ozone-depleting substances

On Finmeccanica Group sites, ozone-depleting substances are mainly present in cooling and air conditioning systems.
The census of these substances is still under way. The sites that have completed this activity are progressively proceeding to replace them with substances that are less harmful to the atmosphere, as foreseen by international agreements and current regulations.

Electromagnetic fields

The question of electromagnetic fields mainly relates to the Group companies operating in sectors involving the production and/or of systems/equipment for radar, air traffic control and telecommunications.
Electromagnetic field emissions are the object of constant measurements both at the sites where the sources of electromagnetic fields are created and tested and in places where these sources are installed, based on the design, production and testing of plants/equipment that may change with time.
The measurement of electromagnetic fields and the adoption of the relevant prevention and protection measures are carried out according to that provided by the environmental laws in force on the protection of the health and safety of workers in the workplace.

FINMECCANICA AND RESEARCH AND DEVELOPMENT

Consistent with its approach to innovation and advancements, once again in 2010 Finmeccanica initiated new research and development (R&D) programmes featuring highly innovative content and that contribute to strengthening its technological and competitive positions. It also continued programmes already under way, focusing on consolidating the results achieved consistent with its strategic objectives, with an emphasis on containing risks.

Aerospace, Defence and Security

In the Aerospace, Defence and Security sectors it is particularly clear that innovation must be planned along varying timeframes to ensure that the Group maintains its competitive position and creates new products to gain more of the market.
The subdivision of R&D into the areas of **Technological research and development** (a) and **Research and development applied to products** (b) allows for proper planning with containment of risk, optimising the incorporation of new technologies in Group products and launching them in such a way that they are able to be commercially successful over time and remain competitive.

a) Technological research and development

These are technological developments that are sometimes described as “basic”, in that they are highly strategic and long-term, and that by nature require highly-qualified staff and specialised facilities.
Significant progress was made in developing materials and technologies to be used for microelectronic integration, ranging from individual SoC (System on Chip) components to miniaturised, hybrid analogue/digital SiPs (System in Package), involving several of the Group’s major companies (**SELEX Sistemi Integrati**, **SELEX Galileo**, **SELEX Communications** and the **MBDA** and **Thales Alenia Space** joint ventures).
In addition to its miniaturisation, the distribution and application of the SiP enables the cost of “quality” radio frequency processing components to be reduced, producing benefits for satellites and radars (Phased Array - PA antennas), for missile systems and avionics systems, and in general for all those applications where a small footprint, minimal power absorption and thermal dissipation are key factors for mission critical applications.
In the area of advanced on-chip integration, in the development of gallium nitride (GaN)-based solutions for creating high-powered, highly-efficient Monolithic Microwave Integrated Circuits (MMIC) for radar and active array applications, research was begun to optimise the reliability of devices, this being the key to integration into products.
With regard to multi-chip integration, development continued on ceramic substrate technologies using innovative solutions that replace the traditional component of aluminium oxide (Al_2O_3) with aluminium nitride (AlN) to build high thermal conductive ceramic substrates and high-density integration technologies utilising 3D solutions. Of particular importance is the research begun into new approaches to building radio frequency (RF) front end for active antenna arrays, aimed mainly at lowering costs by going beyond the traditional architectures populated by individual transmit/receive modules to concepts involving combinations of sub-arrays on plane boards or tiles that would constitute “conforming” antennas. There was increased activity in the area of Micro Electro-Mechanical Systems (MEMS) for electronic and sensor applications (**SELEX Sistemi Integrati**, **SELEX Galileo** and **SELEX Communications**).
Research was begun on the development of metamaterials and metastructures to be used in miniaturising microwave devices and advanced antennas (**SELEX Sistemi Integrati, SELEX Galileo** and **SELEX Communications**).
With regard to materials for electro-optical applications, Metal Organic Vapour Phase Epitax (MOVPE) technologies for producing infrared sensors in the next generation bi-dimensional dual-band arrays components having been consolidated, further development is being carried out on technologies for dual-band detector arrays and on arrays at higher temperatures (120-150°K) than conventional arrays (70-80°K), which would significantly reduce the power

needed to cool them, thereby opening the door to man-portable and unattended applications, as fruit of the collaboration between **DRS Technologies** (DRS) and **SELEX Galileo.** The two companies are also focusing on optimising methods for integrating sensors with electronic scanners.

SELEX Sistemi Integrati continues to make advances in the innovative photonic field with the development of prototypes of extremely high frequency analogue/digital (AD) samplers and direct synthesis waveform generators in collaboration with **SELEX Galileo**, and fibre-optic network architectures for broadcasting digital and analogue signals using active array antennas.
Collaboration between **Alenia Aeronautica** and **SELEX Sistemi Integrati** continues in the field of multi-functional aero-structures with the integration of fibre optic sensors in structures made of composite materials and the development of equipment for sending optical signals. A project is being carried out to expand the use of these fibre optic sensors in detecting chemical, biological and explosive (CBE) threats (**SELEX Sistemi Integrati**, **SELEX Galileo**).
Elsag Datamat's expertise in the quantum optics sector is contributing to research into the use of cutting-edge infrared sensors for detecting CBE threats, based on innovative plasmonic concepts and nanotechnologies.
WASS is also developing photonic technologies for underwater uses as part of its research into the application of sensor and fibre optic networks for static monitoring of maritime areas and for advanced sonar equipment. In the area of rail transportation, **Ansaldo STS** is researching the installation of sensors using fibre optics on railway lines.
Activity in the area of nanotechnologies has progressed on several fronts: in the field of microelectronics on the use of carbon nanotubes for the manufacture of nano-electronic devices such as nanovalves and nanotransistors (**SELEX Sistemi Integrati**), cold cathode emitters for tubes operating in the range of GHz to THz, and of material with high thermal conductivity for microelectronic packaging (**Thales Alenia Space**, **SELEX Galileo** and **SELEX Sistemi Integrati**).
In the aeronautics field, work continues into the use of nanotechnologies in composite materials and nanostructuring of metal alloys (**Alenia Aeronautica**). **MBDA** is currently conducting studies of high-resistance nanostructured ceramics to create radomes operating in the millimetric band. **Thales Alenia Space** is researching high-resistance shields to be used on re-entry vehicles and hypersonic flights. The Group companies are also cooperating in the area of nanotechnologies through developments that take a multi-scale approach to design.

In addition, new materials and structures technologies stimulate future development and production capabilities, both with low infrared and electromagnetic footprints and with high resistance thanks to the use of composite materials and specific welding treatments also intended for use on future national security projects (**AgustaWestland** with the ELIMAT project, **Alenia Aeronautica**, **Alenia Aermacchi** and **Oto Melara**).

SELEX Sistemi Integrati and **SELEX Galileo** are exploring new frontiers in extremely high frequency technologies (TeraHertz) to determine their potential in applications for sensors against CBE threats and security imaging, including with research on basic devices, such as, for example, the "slow" travelling wave amplifier with a cavity configuration.

There has been constant development in the field of sensor networks – "smart" networks of low-cost sensor nodes – relating to networks and their interoperability, and to sensor nodes (**SELEX Sistemi Integrati**, **Elsag Datamat** and **SELEX Communications).**

b) Research and development applied to products

All of our companies are heavily involved in maintaining, improving and streamlining their range of products to maintain and increase their competitiveness and customer satisfaction ratings thanks to basic research and development. The Group is conducting technological and systems development primarily in the following areas:

- in **radar**, with modern electronic PA scanning systems with integrated personal mobile radio module arrays for earth-observation by satellite (**Thales Alenia Space**); aircraft and helicopter navigation and surveillance (**SELEX Galileo**) and detection of and defence against aircraft from sea and land-based platforms, including those for air traffic control (**SELEX Sistemi Integrati**). In the field of onboard radar for airborne platforms (fixed-wing or rotary-wing), development and production continue on the active transmit/receive module, a fundamental building block for the entire family of products of **SELEX Galileo**, which range from highly-compact PICOSAR surveillance radar, specifically designed for use with UAVs (Unmanned Aerial Vehicles) and advanced SEA SPRAY radars, to a multiple-mode avionic radar called VIXEN-E with active electronic scanning, that will form the future system for combat aircraft (**SELEX Galileo**).
  Meanwhile, **SELEX Galileo** and **SELEX Sistemi Integrati** have continued making developments to revamp the exciter receiver processor which, using new digital technologies, will improve performance, particularly of very-high resolution modes (SAR), with regard to mechanical scanning radars (which have retained a level of market penetration) and to new electronic scanning radars.
  Following the excellent results achieved in the development of transmit/receive modules for C-band naval and land radar, using gallium arsenide (GaAs) microcircuits, produced in its own foundry and integrated using advanced microelectronic technologies, **SELEX Sistemi Integrati** is expanding the C-band active array radar line of products, including further development of the Kronos multifunctional radar system. **SELEX Sistemi Integrati** is also continuing to develop the LYRA radar family of products, ranging from the man-portable version (LYRA 10) for battlefield observation, to versions LYRA 50 and 80 designed for coastal and perimeter surveillance. In the area of passive covert location radar, the Aulos system is nearing the manufacturing stage (**SELEX Sistemi Integrati**).
  Finally, significant progress has been made in the field of multi-functional and multirole radar systems, Multirole Active Electronically Scanned Array (MAESA), designed to satisfy a growing demand for radar solutions integrated into a single antenna system (**SELEX Sistemi Integrati**);
- the electronic warfare segment of **defence electronics** continues to be part of **SELEX Galileo**'s core business. With its variety of systems for electromagnetic defence against radars and missiles, the Group's product range has expanded, allowing Finmeccanica to complete its integrated onboard defence and surveillance range for all air platforms. **DRS** has achieved important developments in the area of signal intelligence (SIGINT), even cooperating with **SELEX Communications** on field and man-portable applications. In 2010, the Group continued to upgrade its avionics products, expanding its catalogue with new high-performance, more compact solutions, particularly suitable for use on UAVs, and new interesting development began on land applications. These developments include the continual upgrading of **SELEX Communications**'s counter-improvised explosive devices (IED) product. Specifically, in 2010, Guardian RCIED suppression equipment developed by **SELEX Communications** became standard equipment on Lince vehicles used by the Italian Army. In the area of applied research, initial results have been achieved in the studies being conducted on new localisation techniques based on the use of networked systems;
- in **electro-optics** for battlefield applications and for both land and sea integrated weaponry systems, and fixed-wing and rotary-wing aircraft applications (**SELEX Galileo** and **SELEX Communications**). **SELEX Galileo** in cooperation with a well-known American company is focusing on new laser sources and more compact systems in the development of a new generation of Direct Infrared Counter Measures (DIRCM) for active protection of both military and civil aircraft against shoulder-fired missiles (**DRS**). **SELEX Galileo** is also continuing to develop products based on active imaging observation systems using Burst Illuminator Laser (BIL) techniques combining a laser source with a thermal imaging camera, allowing long-distance, high-resolution night-time surveillance, using innovative sensors for detecting laser emissions.
  Development still continues on the EO Hyperspectral system for avionics applications. Thanks to the analysis of the high-resolution image captured, this system, also designed for space applications, using hundreds of channels in the visible and infrared bands, even

permits determination of the type of material of which the object observed is made from a distance (**SELEX Galileo**).
DRS has begun to develop a family of smaller (less than 10” and up to 3.5” diameter) stabilisation platforms capable of holding more electro-optic sensors and several types of lasers. These systems are being designed for use on small unmanned aircraft and well as for applications on land-based platforms. **DRS** began development on highly-integrated, low-cost, night-vision products based on non-cooling technologies, which are also of high value to the civil market.
Finally, **SELEX Galileo** and **DRS** began development on multi-sensory solutions, based on visible and infrared band imaging, for detecting IED threats;

- in **defence systems and related components, Oto Melara** has intensified development efforts geared towards solutions applicable in asymmetric scenarios to provide solutions that enable operating capacity, starting with those that improve situation awareness while reducing soldiers’ exposure to risk. These include Counter-Rocket, Artillery, and Mortar (C-RAM) defence systems and the wheeled and tracked Unmanned Ground Vehicle (UGV) families, which represent cutting-edge technology with significant market potential for that sector.
In the field of components for land-based vehicles, **DRS** has completed development on an electric generator and an energy conversion system integrated into a scalable architecture. Based on the specific configuration of the vehicle, this scalable architecture can provide between 20 kW and 200 kW of electricity to power various onboard electronic systems. With regard to electronic components specifically, **DRS** is continuing to strengthen its line of laptop and tablet computers for vehicles to take advantage of the latest technological advances made in the commercial sector. It is seeking, in particular, to boost the capabilities of military IT products for land-based vehicles by improving the security and interoperability of different communication channels and in relation to networks for military applications;
- in **missile systems**, with special reference to advanced seeker missiles (both infrared and radar), and to active proximity fuses and related command and control systems (**MBDA**). Developments have continued in the application of new digital receivers to improve existing seekers (Aster Meteor) and the use of passive PA antennas for missile-based applications (**MBDA**);
- the area of architectures for major systems for land, naval and air traffic management (ATM) **command and control systems** (**SELEX Sistemi Integrati**), and that of specialised avionics systems based on advanced processing, presentation and control devices for fixed-wing and rotary-wing aircraft (**AgustaWestland**, **Alenia Aermacchi**, **Alenia Aeronautica**, **SELEX Communications** and **SELEX Galileo**). In this segment, the simulation aspect is taking on a great deal of importance, particularly with the activities of **AgustaWestland** and **SELEX Galileo. SELEX Galileo** has continued to develop a new generation of flight simulators. **SELEX Sistemi Integrati** is developing a modular simulator for major systems integration (Battle Lab).
Also as to naval systems, there have been benefits from the development presently under way on network-centric architectures with an impact on Combat Management Systems (CMS) using modular solutions for the new generation command and control systems market (**SELEX Sistemi Integrati**).
Following the completion of the feasibility study on the Forza NEC (Network Enabling Capability) project conducted by the Integrated Project Office consisting of Defence and Industrial segment companies (**AgustaWestland**, **Alenia Aeronautica**, **SELEX Galileo**, **MBDA**, **Oto Melara**, **SELEX Communications** and **SELEX Sistemi Integrati**), the detailed architectural plan was completed. Forza NEC is a project launched by the Italian Army to make its components network-centric, in order to provide an effective response to the commitment needs of the Italian Army in the face of a continuing increase in missions outside of Italy and to the demand for interoperability with other Coalition Forces operating internationally. In 2010, the project development and testing phase began. In addition, **SELEX Communications** provided support in preparing and training Italian Army personnel to use the Communications and Information System (CIS) in the new 8X8 Freccia MAV;

- in **security** (Homeland Security), where there continues to be a strong commitment to the development of technologies and solutions for major systems for territorial control systems, maritime traffic control systems, maritime and land border control systems, civil protection and crisis management systems, as well as port and critical infrastructures security systems. **SELEX Sistemi Integrati** has been given the mission of coordinating the Group companies in developing joint, integrated solutions. Among **SELEX Sistemi Integrati**'s achievements, those that deserve particular mention are the studies, feasibility analyses and testing conducted in the following areas:
  - › testing of very high-frequency photonics and circuit technologies for innovative sensor systems (detecting illegal or hazardous substances, locating persons in inaccessible environments following a calamity, etc.);
  - › testing of the latest generation, higher-powered small X-band radar (LYRA model) for coastline, territorial and border security applications, available in stationary and movable configurations (specifically for the Lince Light Multirole Vehicle (LMV) in collaboration with IVECO DVD and with the Italian Army);
  - › air transport security where, with the development of innovative architectures for infrastructures and airport services, the application of different operating procedures and the incorporation of new technologies, there has been improvement in the overall quality of the experience for passengers in a high-security environment;
  - › testing maritime security and counter-piracy systems through an integrated port protection system and new functionalities in the VTS system as to ground-based projects, while vessel-based projects involve advanced command and control systems for small patrol boats;
  - › testing of network-centric and data fusion architectures for domestic, maritime and land surveillance centres capable of integrating heterogeneous surveillance systems, resources and expertise for protecting large areas and borders;
  - › technological advances in Unattended Ground Sensor (UGS) wireless networks, in particular involving the use of technologies for effective deployment, for drawing energy from the environment and low power consumption communications, so as to lengthen the lifespan of individual sensors and of the network as a whole;
  - › technologies for autonomous and cooperative agent systems, including robotic systems, functioning based on the swarm model, to achieve better situation awareness and to act more effectively in complex and dangerous scenarios;
  - › the integration of electro-optical sensors and radar for panoramic and sectoral surveillance, the identification of potential threats and the automatic tracking of such threats;
  - › quantum encryption processes, nanocircuits for quantum processing and preliminary research into building quantum computers;
  - › modelling and simulation tools and systems, especially for crisis management applications and for analysing and evaluating the performance of major security systems.

  Also in the area of Homeland Security, **DRS** is continuing to develop command and control and situational awareness systems for the protection of borders, forces and critical infrastructures. These systems use a wide variety of data from surveillance systems consisting of distributed radar, electro-optical sensors, sonar and unguarded ground sensors, blended into a single operating vision using a service-based distributed architecture.
  Elsag Datamat continued work on the Law Enforcement (a complete system for reading number plates - ANPR), Make and Model Recognition (MMR) of vehicles (providing structured support for investigative activities), and Physical Security (security systems, video-surveillance and control of urban areas, critical infrastructures and events) systems. Specifically, the focus was on developing integrated Intelligent Transportation systems, particularly as they relate to security for the transport of goods and people. Elsag Datamat, Ansaldo Energia and Ansaldo STS are collaborating on researching and developing integrated solutions for the management and security of industrial plants, oil and gas

pipelines, power plants and grids and transportation systems, using as their launching pad Elsag Datamat's GRS SCADA (for transportation security and control) and S3I (for video-surveillance) products. As to Power Generation and Distribution, the ATOM2 software was developed in cooperation with Ansaldo Energia. Finally, redoubled effort is being made on the interoperability of diverse communication systems, permitting different security organisations to communicate and interoperate with one another should such be necessary based on the needs that arise in a variety of operating situations. Data security-related issues in this area resulted in the development of new IP codes and in actions pertaining to multi-level security, which plays a crucial role for heterogeneous communication systems (**SELEX Communications**);

- in naval, land, aeronautics and satellite **communications**, especially secure tactical and strategic communications networks, work continued in the field of architectures for future communications networks and network-centric services and in the development of a family of solutions based on the software defined radio (SDR) paradigm, an essential aspect of the emerging, irresistible need for integrated global communications (**SELEX Communications**). In 2010, the initial prototypes of the portable SDR terminal with sun broadband wireless (SBW) were successfully tested by the Italian Army.

In the area of *avionics communication*, **SELEX Communications** continues efforts to expand its portfolio of equipment, systems and solutions for developing an integrated communications, identification and navigation sub-system for fixed-wing (development agreements signed with Pilatus Aircraft Ltd for the PC21 and with SAAB for the Gripen NG) and rotary-wing platforms (agreement signed with **AgustaWestland** to equip Chinook ICH-47F helicopters with Communication Navigation Identification CNI systems). Specifically, progress continues to be made on avionic SDR, the Multifunctional Information Distribution System - Joint Tactical Radio System (MIDS-JTRS), on new families of HF (HFDR) and V/UHF (SRT 651) military radio, military laser obstacle avoidance systems (LOAM), wideband data links (LOS - Line Of Sight and satellite), successfully tested on Alenia Aeronautica's Sky-Y Unmanned Aircraft Systems (UAS), and support solutions for air traffic management (ATM) programmes.
DRS continues to develop miniaturised radio-frequency synthesizers for communications and signal intelligence on air and land platforms and that are man portable. **DRS** is also working on the integration of high-performance computers, on networking and on signal processing capacity within an intelligence communications sub-system capable of, among other things, performing functions such as locating the source of the signal and its processing, for air and land applications and for troops.

In the area of *military and space communications* (ground terminals), efforts continue to strengthen the Group companies'role as a telecommunication system provider by fully introducing WiMAX and ALL IP (Internet protocol) solutions. Version 6 of Internet protocol convergence (IPv6) will make it possible to create and manage networks dynamically, flexibly, and in an open and mobile environment. Also in this sector, **SELEX Communications** is continuing to develop vehicle, manpack and naval-based SDR as well as network-centric solutions for Future Soldier and Forza NEC forces.

In *satellite communications* (mesh ground terminal) in 2010, SELEX Communications demonstrated the operation of a prototype SatCom On The Move (SOTM) system to the heads of the Italian Space Agency (ASI).

In *professional secured communications*, work continued, as part of the TETRA (TErrestrial Trunked RAdio) project, on creating the communications network for the oil and gas industry (Russia and Arabia) and the Interpolice network (two more Italian regions, Campania and Basilicata, were added), offering greater operational interoperability capabilities between institutions such as the police force, the Carabinieri, fire department and civil protection using new-generation solutions and equipment. From a technological standpoint, the evolution of the TETRA system is mainly based on switching to full IP support. In 2010, SELEX Communications launched the new line of ADAPTANET products.

This is an IP-based TETRA communications systems, designed for small networks, that can be expanded to protect investments clients had made in previous TETRA networks. The future lies in the availability of basic trunked radio equipment based on the new specifications of the TETRA Enhanced Data Service (TEDS).
In the area of Digital Mobile Radio (DMR, the Simulcast version is currently available), the system is being installed and activated in Italy and the first important foreign contracts are starting to arrive. The cornerstones of the development of the product in this case are: porting all the features and configurations developed for the previous analogue model to the digital platform; using IP lines to connect the system components; commercial-grade encryption capabilities; extended frequency bands; and increased RF power (**SELEX Communications**). It should also be noted that **SELEX Communications**'s ECOS-D was the first system in the world to pass all the DMR interoperability tests.

In the area of *professional communications for transportation*, efforts are being made to develop the new generation of GSM-Railway (GSM-R) for onboard (RaCE2500) and handheld (RGG200 and ROG100LF) applications. Analysis has also begun on new potential areas for development (railway security, advanced diagnostics and transition towards Long Term Evolution - LTE protocols, etc.) by taking advantage of the collaboration with **Ansaldo STS**, to further refine innovative functions, particularly in the railway sector, signalling and communications for high-speed trains.

Activity continues in the *information and intelligence protection* area on projects involving the new family of ciphers for IP infrastructure networks, while the production phase has been completed. **SELEX Communications** will supply the IT systems for generating, managing and distributing encryption keys (EKMS - Electronic Key Management System) to all the Italian armed forces and the Information and Security authorities;

- in the area of **satellite communications**, where research and development has focused on the further development of next-generation systems based on onboard numerical processing and onboard routing to support next-generation network-centric communications in the relevant dual-system frequency ranges (UHF, SHF). Research also continued into secure communications for civil and governmental telemetry and command systems, an area where **Thales Alenia Space**'s technologies and products are among the best in Europe. In addition, **Telespazio** has continued a line of research into emergency communications at several levels: the first on new brief scenario planning and simulation systems for complex events, the second on the development of a new access system to optimise the use of the communication channel band, and the third on the introduction of new functionalities (including encryption) for the Full IP satellite networks; in particular, significant results were achieved in using the transponder with an over 30% improvement in the number of simultaneous communications;
- in **orbital infrastructures and transport systems**, where the STEPS research programme, co-funded by the Region of Piedmont as part of the aerospace district project, has entered into a critical development phase. In this area, research has continued on the myriad enabling technologies needed for **space transport**, manned flight and capsule re-entry, as well as for human stays in the space station and, in the future, in pressurised structures for planetary exploration. Research has continued in the field of life support systems for planetary missions and air and water regeneration systems and waste treatment systems. In the field of space exploration, research continued on Entry Descent and Landing (EDL) systems and on robotics for planetary exploration with the creation of a test bed simulating the terrain of Mars in support of the future EXOMARS mission (**Thales Alenia Space**);
- in **earth observation** based on radar instruments, where research has begun on developing enabling technologies for the next-generation of SAR systems (**Thales Alenia Space**), co-funded by the Italian Space Agency. These activities include research on devices based on GaN processes and produced in Italy (**SELEX Sistemi Integrati**), research on MEMS devices for delay lines, technological research into fibre optic interconnection for inter-satellite link-ups, multi-processor platforms for high computation capacity radar processors

and multi-channel architectures. Systems and architectural research continued in support of earth observations applications using radar instruments in the disaster monitoring and security fields (**Thales Alenia Space**). As to observation, **e-GEOS** strengthened the SAR-signal processing, specifically with regard to several high value-added functions, such as interferometry to increase resolution. In addition, **e-GEOS** continued and further consolidated a project with a wider scope on the automatic classification of SAR images and developed a method for eliminating the need for the corner reflector for the referentiation of images in largely inaccessible areas using a combination of interferometry, medium-resolution optic images and the associated 3D model of the terrain; activities relating to interferometry have led to significant results and synergies with communications activities since they are part of a joint project with the Russian railways agency;

- in **space exploration**, where **Telespazio** continued analysing the feasibility of large, ground-based interferometers in view of potential international cooperation opportunities, with the possibility that they may also be used in relation to problems pertaining to space debris;
- in the **orbital and satellite services management** sector, including the monitoring of sensitive areas using differential radar interferometry (**Telespazio**). Important research continued on navigation and infomobility, which will generate significant returns in the areas of logistics and telecommunications (**Telespazio**). Another business line that was consolidated during the year was the development of a web platform using GIS technology based on aerial and satellite imagery for providing value-added monitoring services. **Telespazio** has continued to develop analysis and planning tools for large-scale space operations, which could include trips to the moon and to Mars over the next several years; in addition, the systems for performing Telemetry, Tracking & Command (TT&C) analyses and simulations for major space missions in the solar system were fined-tuned;
- in **satellite navigation**, where research has continued in the field of Galileo navigation receivers, PRS technologies and enhanced GNSS systems, applications for maritime surveillance and in the field of Aerocom and Satcom applications for ATM (**Thales Alenia Space**);
- with respect to **value-added services**, there has been development of **tracking systems based on satellite localisation** (SISTRI – **SELEX Sema**).
  Important work has been done on **cyber security solutions and services**, provided (by **Elsag Datamat**) through outsourcing and/or through the establishment of special infrastructures (SOC - Security Operational Center) set up for customers when they request that these services for the protection of their networks and related data and processes, including incidents, be managed and provided onsite. In the area of cyber security, research is being conducted on applications to make complex infrastructures more resilient, i.e. so-called critical national infrastructures (e.g. transportation and energy management networks) and for defence uses (**Selex SI**).
  Finally, development of **infomobility** infrastructures and services is currently under way (**Elsag Datamat**);
- with respect to **aeronautical platforms**, in the helicopters division, during the Farnborough International Airshow 2010 **AgustaWestland** unveiled the AW169, a new-generation, twin-engine helicopter designed in response to the growing market demand for missions using 4.5-tonne class helicopters. The main technological developments pertain to new active rotors, which replace traditional systems with electrical-controlled elastomer actuators along with a variable rotor to optimise performance.
  In-flight testing continues of the prototype of the BA609, the first convertiplane employing cutting-edge systems and technologies to be used for national security.
  Also in the military sector, development has continued on the AW149 medium-class (8.5-tonne) multi-purpose vehicle, equipped with an advanced integrated mission system, capable of responding to the most modern operational demands.
  Research continues on “all weather” helicopter technologies, including recent experiments with the Enhanced Vision System (EVS), on improving platform comfort (internal noise and vibration reduction), on the onboard electrical system (innovative generation and distribution), on avionics and fly-by-wire flight controls and on Health and Usage Monitoring Systems (HUMS), as well as on eco-compatible propulsion systems.

Alenia Aermacchi is continuing to make developments regarding training aircraft, especially relating to the ultra-modern M346-Master military trainer, which has completed the final qualification stages.
Alenia Aeronautica is continuing to develop aerostructure technologies that are contributing greatly to the success of the components of the new A380. Concurrently production has begun on some of the main components of Boeing's B787 aircraft (the Dreamliner), with several examples of the fuselage having been assembled. Work was completed on building and organising facilities and technological development support infrastructures, such as the Sky-Light Simulator and the Anechoic Chamber at Torino Caselle, and efforts continued at the New Laboratory in Pomigliano d'Arco (also to provide services to other Group and non-Group companies).
Activities by **Alenia Aeronautica** to design the Neuron prototype (technologies for the Unmanned Combat Aerial Vehicle - UCAV, with the first flight scheduled for March 2011) and the Sky-Y (a Medium Altitude Long Endurance - MALE UAV) have continued. Alenia Aeronautica has already integrated and tested different payloads (electro-optic and radar) as well as advanced automated flight functions on the Sky-X (an advanced UCAV prototype), thus completing work started in past years. The purpose of these prototypes is to obtain advanced expertise in all the technological areas that relate to UAV applications, making other solutions available that could lay the groundwork for future European UAV programmes, through collaboration with other companies and nations interested in the project. Work is proceeding on the 3rd lot (March 2011 deadline) of the Future Technology for Aerial Refueling (FTAR) project (**Alenia Aeronautica, SELEX Galileo**).

The Falco Medium Altitude Endurance (MAE) UAV system (**SELEX Galileo**) for surveillance and tactical observation (Maximum Take-Off Weight <500 kg class) is fully operational. Other important initiatives include the TIAS (*Tecnologie Integrazione AeroStrutture*) project for coordinating the development of innovative aerostructural technologies to create one of the top centres in the world; the collaboration between **Alenia Aeronautica** and **Alenia Aermacchi** in researching systems for protecting aircraft and engine nacelles from ice; and work on the Alenet project (**Alenia Aeronautica**) for developing the Extended Enterprise.

Transportation and energy

Companies that operate in the civil sector also continue to carry out significant research and development, in addition to those described above, in part in collaboration with companies operating in the Defence and Security sector. Specifically, important activities are being carried out in the following areas:

- in **transportation**, development activities primarily regarded tracked transportation systems for city, suburban and heavy railway vehicles and related signalling and traffic controls systems (**Ansaldo STS**). The main projects were:
  - the development and installation of components for management, comfort and safety, including through the SAFEDMI (SAFE Driver Machine Interface for the ERTMS-European Rail Traffic Management System automatic train control project - **AnsaldoBreda, Ansaldo STS**) and the European ALARP project, for the research, design and construction of a more efficient Automatic Track Warning System (ATWS) for train yard worker safety;
  - the research and development of integrated solutions, targeted at reducing electricity consumption and minimising environmental impact, particularly within a regional urban context. In Naples on **AnsaldoBreda**'s test ring, Ansaldo STS conducted extensive testing of the TRAMWAVE catenary-free pick-up system (magnetic ground power supply system) developed by the two companies for trams. AnsaldoBreda fitted out a Sirio tram with a TRAMWAVE system, made by Ansaldo STS, for Azienda Napoletana di Mobilità (Naples) to test along a 400 m urban tram line section. Work continues on the development and integration of systems that accumulate braking energy through the use of distinct or mixed devices (onboard and off-board);
  - the continuation of functional testing of the axial-flow permanent magnet motor for "electric-

wheel" tram applications (**AnsaldoBreda**), and implementation of techniques for controlling the converters and the permanent magnet motors. A resin is currently being developed to provide class 220 °C thermal insulation for motors. An enclosed permanent magnet motor is being created for urban rail and an electric axle is being designed for regional transportation;

› developments, in the signalling field, focusing on the implementation of the new generations of ERTMS wayside and onboard systems for high-speed lines and CBTC (Communications Based Train Control) for light railway lines. There was also development of dual-use security/safety components (**Ansaldo STS**), including the multi-function diagnostic portal (currently in operation on RFI's Naples-Rome network) for checking that trains running up to 300 km/h are operating properly, and the completion of a tunnel-fire simulation tool (**AnsaldoBreda** and **Ansaldo STS**);

› development of new component and system solutions to address the progression of interlockings towards the Wayside Standard Platform (WSP). This solution is based on high-performance, dependable innovative technologies and is comprised of sub-systems capable of forming modular and scalable architectures that can be configured based on different application requirements;

› determination of developments (**Ansaldo STS**), derived from ERTMS to the extent possible, required for innovative applications for satellite localisation, based on new distancing systems: PTC/HS (Positive Train Control/High Speed) for the US market, ATMS (Advanced Train Management System) for the Australian market and similar products for the Russian market;

› developments in the field of entirely automated (i.e. driverless) subway systems have confirmed their effectiveness (**AnsaldoBreda** and **Ansaldo STS**);

› cross-over technologies regarding which **AnsaldoBreda** has activities involving predictive diagnostics for carriages, basic architectures for traction converters, (European) equipment standardisation projects, polymers/thermoplastics and structural adhesives, high-performance electric motors, manufacturing processes and software engineering;

• **energy**, where in 2010 **Ansaldo Energia** focused its efforts on the plants segment, specifically plants that generate electricity from fossil fuels, and related services, while maintaining a significant commitment in the nuclear segment (**Ansaldo Nucleare**) and to the diversification of renewable resources.
Specifically, work continued with regard to the development of gas turbines featuring Ansaldo technology, the programme to further develop the AE94.3A, an F class turbine, in order to optimise it and improve its performance in terms of power (> 300 MW) and efficiency. These improvements will be seen in simple-cycle and in combined-cycle (gas-steam) plants where we are seeking to boost yields to over 59%.
An important step in that direction was made in late 2010 when testing began on the AE94.3A4+ version of the gas turbine, featuring an improved combustion system using VeLoNox (Very Low NO_X) technology and significant changes to the mechanics and to the cooling of the turbine blades.
Also concerning gas turbines, Ansaldo has completed the basic engineering of the advanced version of the AE94.2 turbine and entered into a concurrent engineering agreement with suppliers of microfuses for the new turbine blades.
Work continued on development projects involving the operational flexibility of combined-cycle plants in response to new electricity market needs in Italy and other European countries in collaboration with the most interested customers.
Programmes are under way in the service segment to expand the portfolio for servicing Ansaldo's machinery, especially extending the maintenance intervals in the Long Term Service Agreement (LTSA), and for servicing third-party machinery through the Business OSP (Original Service Provider) line, which also includes **Ansaldo Thomassen** and **Ansaldo ESG**. These developments relate largely to the reverse engineering of combustion systems and turbine blades and alternator shafts.
In the field of steam turbines, the programme to upgrade machinery of up to 800 MW to

make them capable of withstanding steam temperatures of up to 620 °C was completed, while projects are under way to determine the characteristics of special materials for "ultra-supercritical" turbines capable of handling even higher steam temperatures.
With regard to electric generators, new automated 3D design methods were completed and applied to product engineering.
In the field of machinery and plant automation, an important partnership agreement was signed with ABB to develop a new system based on the AC800 platform to be marketed under the **Ansaldo Energia** brand.
As to distributed *renewable energies*, **Ansaldo Energia** has begun developing a prototype plant employing an advanced technology for transforming vegetable oils into synthetic diesel fuel and has signed an agreement with Confagricoltura and the Ministry of Agriculture, Food and Forests to develop agricultural biomass gasification plants with a capacity of less than 1 MW.
Ansaldo Nucleare has continued research into Generation IV nuclear reactors. **Ansaldo Nucleare** represents an industry standard in Europe for the development of the lead-cooled fast reactor through the coordination of the EU-FP7 LEADER contract to design a prototype whose thermal power (300 MWth) could be deemed strategic, not just as a demonstration of a higher-powered commercial plant, but as a prototype for the Small Modular Reactor (SMR).
Ansaldo Nucleare is also seeking to develop the sodium fast reactor (CP-ESFR), the gas-cooled fast reactor (GoFastR) and, in particular, to design the European Myrrha irradiation facility located near the Mol site of the Belgium Nuclear Research Centre (SCK-CEN), through participation in European projects.
All activities relating to Generation IV nuclear reactors fall within the development framework established by the Sustainable Nuclear Energy - Technology Platform (SNE-TP), specifically, the European Sustainable Nuclear Industrial Initiative (ESNII), in which the leading European stakeholders (industries, universities, research centres, governmental organisations, NGOs) are taking part.
As to nuclear fusion, as part of a consortium with other Italian firms, **Ansaldo Nucleare** received a very important international contract to design and build the Vacuum Vessel for the ITER (*Cadarache*) project.

Group governance of technologies and products

To improve the Group's technological developments, to foster the sharing of knowledge between companies and to stimulate joint projects in partnership with national and international research centres, Finmeccanica has introduced a series of initiatives for a Group Technology Governance.
One of the main governance tools used is the **Technological Communities** within the MindSh@re® [1] platform that, given its inter-company configuration, is an effective method for sharing information and steering development, research and integration activities, with interesting collaborations in Defence Administration areas (the OPTEL Consortium for radar systems and the NMP Programme for nanotechnologies). The communities' areas of research were adjusted during the year and currently seven communities have been started and are operating, with the involvement of over 500 technicians, researchers and engineers (compared with 700 in 2009) from all the Group companies:

- ***Radar Community***: advanced radar system technologies;
- ***Software Community***: technologies, systems and methods for avionics, naval and land-based software as well as military, civil and security software;
- ***Advanced Materials and Enabling Technologies Community***: research and development on the new frontiers of basic emerging technologies, including innovative materials, microelectronics, MEMS, photonics, robotics, nanotechnologies, and the design and management of eco-compatible products;
- ***Integrated Environments for Design and Development Community***: analysis and rationalisation of processes, methods and tools along the entire product development cycle, system engineering, and all stages of mechanical and electrical design;

1. MindSh@re® is a registered trademark of Finmeccanica SpA.

- ***Simulation Technologies Community***: local and distributed simulation technologies and systems and advanced training of operational personnel;
- ***Customer Services Solutions Community***: processes for developing and spreading a customer support and service culture within the Group companies, and systems for the management of logistics systems within the scope of providing integrated services;
- ***Intellectual Property Community***: dissemination, rationalisation, management and enhancement of the Group's intellectual capital and technologies (patents, trademarks, know-how, trade secrets).

  In 2010, important initiatives originating within the communities of the MindSh@re® project continued through four new **Corporate R&D** projects (partially financed by the Group Parent), with the goal of promoting and increasing collaboration between the various Group companies and universities, research centres and end users on issues such as:
  - "**Engineering processes associated with NIILS Regulation**", to develop a common engineering "solution" that satisfies the requirements of the NIILS Regulation issued by SEGREDIFESA;
  - "**FIN BOX**", to provide a software platform that enables interoperability between systems (ATC, Communications, Identification) from different areas in order to make the integrated systems for sharing information more efficient;
  - "**High stability RF sources**", in the area of radar surveillance, the project seeks to expand capabilities for identifying and localising small or stealth targets by improving space imagery resolution applications using Synthetic Aperture Radar;
  - "**Metamaterial Resonators**", to study metastructural solutions for miniaturising microwave components, including resonators.

Other research and development activities - Domestic Platforms

Domestically, Finmeccanica is promoting the SEcurity Research in ITaly (SERIT) technological platform, along with the National Research Council (CNR), for the development of a technological roadmap in the area of security.

Finmeccanica also participates in the PHOtonic Research in ITaly (PHORIT) platform, on photonic technologies, which form the basis of highly important applications in all the Group's fields of interest.

Many Group companies continue to take a significant direct part in the ACARE Italia platform for guiding research and development in the aeronautics field by coordinating the action of all the Italian players in the sector, from the government to industries and to research centres and universities, in line with European strategies.

European and NATO Programmes

This section outlines new R&D projects and international programmes in which the Group companies or Finmeccanica itself were involved in 2010. Even when not explicitly mentioned, it should be assumed that the initiatives reported in the 2009 financial statements are still under way.

The Group is also involved in European research and development activities (European Commission, EDA, NATO):

- **EDA** (**European Defence Agency**), in which **SELEX Sistemi Integrati** is participating:
  - in the *Manufacturable GaN/SiC substrates and GaN epi-wafers supply chain* (MANGA) study to improve the production capacity of solid state gallium nitride (GaN) integrated circuits on which a new generation of radar systems, currently made using silicon or gallium arsenide (GaAs) components and circuits, is based;
  - in the *Frequency Allocation for RADArs in the coming YearS* (FARADAYS) project to study technologies and frequency allocation for next-generation radar.

In addition, **SELEX Sistemi Integrati** and **Selex Communications** are participating in the *COgnitive RAdio for dynamic Spectrum MAnagement* (CORASMA) programme to study cognitive radio (CR) applications for military use.
Alenia Aeronautica and **AgustaWestland** received a contract for the FAS4Europe research programme through tender 10-I&M-001 - *The future of the European military aerospace Defence Technological Industrial Base (DTIB) – MilAerospace 2035+*.
With regard to the JIP- Innovative Concepts and Emerging Technologies (ICET) programme, **AgustaWestland** received a Research & Technology contract for the *Helicopter fuselage crack monitoring and prognosis through onboard sensor network* (HECTOR) project, the main purpose of which is to propose modelling techniques for the analysis of multiple sensors for identification, monitoring and prognosis of potential damages (like cracks) in the fuselage of a helicopter.
MBDA is participating in the *Non-linear Innovative Control Designs and Evaluations* (NICE) project to study a wide range of non-linear control techniques that will be tested with three realistic models (a combat aircraft, a missile and a UAV), while **WASS** is involved in:

› **RACUN** (*Robust Acoustic Communication Underwater Network*), regarding research on an underwater communications network using stationary and moving nodes;

› **HaPS** (*Harbour and base Protection System*) regarding research on "portable" naval base protection systems.

The **MIDCAS** consortium, formed by 13 European companies – including **Alenia Aeronautica**, **SELEX Galileo**, **SELEX Communications** and **SELEX Sistemi Integrati** – continued work on building a sense and avoid system capable of helping unmanned aircraft systems (UAS) identify and avoid mid-air collisions.

Phase 1 of the Unmanned Ground Tactical Vehicle (UGTV) programme on which Oto Melara is working has been completed. The objective was to demonstrate the potential, on a real prototype, of an automatic control system for a land-based vehicle already in production;

- **NATO**: Finmeccanica took part in the following NATO Industrial Advisory Group (NIAG) High Level Advice Studies:

  › "**NATO Agencies Reform**" – its aim was to contribute, from an industrial standpoint, to the plan to cut the number of agencies from 14 to three. Finmeccanica made an active contribution to this study by sharing its own experiences is the post-merger and acquisition stages. It also supported the Italian delegation to NATO with regard to involving industry in interoperability and to the new NATO planning process. Finally, it contributed to the analysis of the proposal to improve the computerised system for managing functions shared by several divisions and sectors at NATO headquarters and in evaluating the French proposal to create a "NATO Stamp" for products/systems/procedures that industries supply to NATO.

  › "**Trans-Atlantic Defence Industrial Cooperation**" – at the request of CNAD, a select team of experts (**SELEX Sistemi Integrati** and **Alenia Aeronautica** for Finmeccanica), drew up the proposal to continue pursuing TADIC initiatives carried out in 2007-2009 and concluded in an International Conference held in October 2009. In late 2010, the NIAG launched a High Level Advice Study that will be coordinated by Finmeccanica and NG, to continue initial phase activities and to organise another TADIC conference for October 2011.

  › "**The Industrial Dimension of Territorial Missile Defence**" – Finmeccanica (**SELEX Sistemi Integrati, SELEX Communications, MBDA**) participated in the NIAG High Level Advice Study that allowed industry to contribute to the new approach to European missile defence, based on the proposal by the US government to adopt a phased adaptive approach (PAA).

  › With regard to **ETAP**, no new contracts were awarded in 2010, but **Alenia Aeronautica** continues to coordinate the Global System Study and is active in the Low Observable Aperture Integration project along with **SELEX Galileo**.

- ***Seventh Framework Programme - Security*** (2007-2013): in 2010, the results of the second call for Security were announced, an area in which Finmeccanica's strategy has been

consolidated, with broad initiatives for defining programmes and potential consortiums. Initiatives launched in 2009 and reported in the financial statements for that year are still under way.
Finmeccanica played a significant role in the following projects:

› **SECUR-ED** (*Secured Urban Transportation - European Demonstration*), with Ansaldo STS. The project seeks to demonstrate, in three European cities (one of which is Milan), security systems for protecting passengers and goods.

› **AIRBEAM** (*AIRBorne information for Emergency situation Awareness and Monitoring*), with Alenia Aeronautica, SELEX Communications and SELEX Galileo. The project proposes to study the use of the UAV platform in crisis management.

› **PRACTICE** (*Preparedness and Resilience Against CBRN Terrorism using Integrated Concepts and Equipment*), with Elsag Datamat and SELEX Galileo. The project proposes to improve existing capabilities in responding to CBRN (chemical, biological, radiological and nuclear) attacks.

› **CONTAIN** (*CONtainer securiTy Advanced Information Networking*), with Elsag Datamat and Telespazio. The project seeks to develop a European container security system.

› **ACRIMAS** (*Aftermath Crisis Management System-of-systems Demonstration*), the study's aim is to establish the requirements for an integrated crisis management system.

› **BONAS** (*BOmb factory detection by Networks of Advanced Sensors*), with the CREO consortium. The project proposes to develop a network of advanced wireless sensors to improve protection of the citizenry against IED devices.

• ***Seventh Framework Programme - ICT*** (2007-2013).
Finmeccanica continued to conduct R&D under the Joint Technology Initiative Artemis programme for research into embedded systems technologies. Specifically, Finmeccanica, along with its international partners, promoted the SHIELD initiative which is comprised of a *pSHIELD* pilot programme, for which the funding agreement is expected to be signed shortly, and a much larger project, *nSHIELD*, which was recently presented to and favourably received by European Commission exports.
The two projects aim to develop technologies for more efficiently achieving advanced reliability, security and protection for "embedded" system data.
Activities relating to *nSHIELD* include demonstration of the results achieved in the fields of application, such as avionics and rail transport.

• ***Seventh Framework Programme - Space*** and ***Galileo*** (2007-2013).
The initiatives begun in 2009 and reported in the financial statements for that year are still under way. In 2010, Telespazio coordinated the following projects:

› **DOLPHIN** (*Development of Pre-operational Services for Highly Innovative Maritime Surveillance Capabilities*): the goal of the project, coordinated by e-GEOS within the scope of GMES (Global Monitoring for Environment and Security), is to develop innovative technologies and services that make use of a satellite's earth observation capabilities for maritime surveillance applications.

› **SIRAJ** (*SBAS Implementation in the regions ACAC and ASECNA*): the purpose of this project is to foster initiatives aimed at extending EGNOS services to areas covered by ACAC (Arab Civil Aviation Commission) and ASECNA (Agency for Aerial Navigation Safety in Africa and Madagascar). The project will demonstrate the benefits of EGNOS services for the civil aviation sector in those regions.

• ***Seventh Framework Programme - Transportation, including Aeronautics*** (2007-2013).
In relation to the third call for the EU's Seventh Framework Programme, which closed on 14 January 2010, Alenia Aeronautica is participating in 6 projects in the "Transport and Aeronautics" area, namely 4DCO-GC, COOPERATUS, GRAIN, PRIMAE, SMAES, and X-NOISE-EV.
Group companies are continuing to provide committed, experienced participation in research in the aeronautics field, particularly to the Clean Sky and SESAR Joint Technology Initiatives:

› The **Clean Sky** Joint Technology Initiative seeks to develop the most suitable technologies

for drastically reducing the environmental impact of aircraft.
Finmeccanica is co-leader of two of the six ITD (integrated technology demonstrators): the Green Regional Aircraft (**Alenia Aeronautica**) and the Green Rotorcraft (**AgustaWestland** in cooperation with Eurocopter).
Avio, **SELEX Galileo** and **SELEX Sistemi Integrati** are also involved, along with many other companies, research centres and Italian universities.

› The **SESAR** Programme, instead, seeks to develop the new European ATM system for efficient air traffic management through 2010 with the active involvement of **SELEX Sistemi Integrati** and **Alenia Aeronautica** (top-level leaders), **SELEX Galileo**, **SELEX Communications** and **Telespazio.**

Finally, partnerships continued with leading **Italian universities** (**Genoa**, **Federico II of Naples**, **Parma**, **Sant'Anna of Pisa**, **La Sapienza**, **Tor Vergata and Roma 3 of Rome**, **Politecnico of Turin**, **Politecnico of Milan**, **IUSS of Padua**, **Trento** and **others**) in the fields of aeronautics, radar, security, transportation and communications. Similarly in the UK, the Group has strengthened its scientific partnerships with various **British (Bath, Bristol, Edinburgh, Glasgow, Imperial College, Liverpool** and **others**) **and American** (**MIT**, **Univ. of Maryland**, **Stanford** and **others**) **universities.**

FINMECCANICA: HUMAN RESOURCES

Organisation

The intensive revision and adjustment of the Group companies' organisation, aimed at meeting the new challenges of our competitive environment and reference framework, continued in 2010: consolidation of international business; integration of strategic Group assets; and leveraging of international acquisitions and partnerships concluded in previous years in terms of greater productivity and operating synergies, and cultural and industrial conversion based on the global competitor model.

Following are some of the most significant organisational developments during the year.

In the first half of the year

In 2010, under the **RED** (*Riassetto Elettronica per la Difesa* - Defence Electronics Reorganisation) Project several business areas in the Defence and Security Electronics and Space divisions were reorganised and rationalised domestically and internationally (United Kingdom, Germany, France, Spain, the Netherlands). This initiative, which involved the completion of various intragroup operations (spin-offs, disposals, etc.), with a structured programme of in-depth analysis, preparation and sharing of information with the trade unions, mainly affected **SELEX Sistemi Integrati**, **Elsag Datamat**, **SELEX Galileo** and **Telespazio**.

The primary organisational change/development that occurred during the year at **AnsaldoBreda** was the reorganisation of its Operations Department. This reorganisation was done mainly to simplify and reduce the amount of coordination needed and to rationalise the business supply chain by combining all aspects of operations (purchasing, materials and inventory management, etc.) into a single, integrated structure.

The turnover in top management accelerated the process of integrating the organisational structures of the **Aeronautics** division, conducted in steps over the year, following the merger of Alenia Aeronavali and Alenia Composite.
Specifically, the new Training Systems Division was formed in December and reports directly to the CEO, while staff/business support units and resources were "centralised", with divisional organisational charts. As to the General Administrative Office, operating activities (specialised product/technology engineering, production, programme/project management, supply chain, product support, product quality assurance, etc.) were arranged and concentrated into four Product Units based on market segment and product type.

In the second half of the year

Another important Group project that has a significant organisational impact was concentrating the operations and resources for managing and maintaining the Group's Italian real estate holdings in **Finmeccanica Group Real Estate** (FGRE). This process was completed in the last few months of 2010 and involved **Alenia Aeronautica**, **Elsag Datamat**, **SELEX Communications**, **AnsaldoBreda**, **Oto Melara**, **WASS** and **BredaMenarinibus**.

SELEX Sistemi Integrati also unveiled a new organisational model. It completely redefined the management positions within its operating structures, for its subsidiaries and for its other equity investments based upon three top coordinating and supervising positions (Co-General Manager, Deputy General Manager and Operations Director), reporting to the CEO. New specialised (first-tier) organisational units were also formed; business activities and employees of other Group companies (Elsag Datamat and SELEX Galileo) were funnelled into these units based on the architecture and the rationale of the aforementioned RED Project.

Elsag Datamat considerably transformed its structure during the year, in a process that took several steps, starting with a turnover in top management and thereby streamlining its structure by eliminating both Co-General Managers and reconfiguring its operations (previously arranged into three divisions) into seven more flexible business units that operate in markets and develop expertise complementary to those of other Group companies, particularly those in the Defence and Security Electronics division.

Ansaldo Energia also underwent considerable organisational modifications in response to changing market conditions and the outlook for power generation. It is seeking to spur new commercial action, to integrate and organise all business activities in the Services segment within a single organisational unit, to make processes more efficient and significantly rationalise operating costs. A variety of important changes were made in top and second-tier management positions in keeping with the succession plans established during the annual Management Review process.

During the formation of the new Business Improvement office under the Co-General manager, **SELEX Communications** reorganised several "key" business areas and processes, including strategic planning, business development, the Chief Technical Officer (CTO) and the coordination of its subsidiaries, with an important internal and intragroup job rotation system to accompany this organisational change.

The most significant organisational changes at the **Group Parent** in 2010, resulting from the "rolling maintenance" of its structure, were, in brief:

- the reorganisation of the **Communications Department**;
- the reorganisation of the **General Administrative Office**;
- the formation of the new **Operations Department**, within the General Administrative Office, replacing the Technical, Industrial and Commercial Development Department;
- the reorganisation of the **Commercial Department**;
- the reorganisation of the **Human Resources Unit**.

Finally, a special Service Order was issued establishing that **Finmeccanica Group Real Estate** (FGRE), the "hub" for the coordinated management and leveraging of the Group's real estate holdings, reports to the Co-General Manager.

As usual, Finmeccanica Group premises throughout the world were upgraded. At the end of 2010, the Group operated through 402 sites, of which 257 around the world (64% of the total) and 145 in Italy. In the United States, Group companies operate 81 sites, in the United Kingdom 37 sites, in France 20 sites, in Germany 12 sites and in India 9 sites.
There were 184 so-called "operational" sites (manufacturing plants and other sites used mainly for production), or roughly 46% of the total (74 sites in Italy). A census of Group sites is updated every six months.

Management Review, Succession Plans, Compensation and Incentive Systems

Between November and December 2010, traditional meetings were held with the Group companies within the scope of the **Management Review** process, which, since 2002, has been a fundamental opportunity for analysing, sharing and verifying corporate programmes for managing, enhancing and developing Finmeccanica's human resources.

Within this framework, analysis and discussion of the **Succession Plans** for all the top management positions and the top organisational level of the main Group companies continued to hold a central place in the agendas for the Management Review meetings. Centralising all information on potential candidates for "critical" positions in the Group companies at the Group Parent level is an absolute priority in terms of business and leadership continuity while, at the same time, being essential to the complete optimisation of the Group's human capital with management potential.

In order to forge an even stronger model for partnership between Finmeccanica and the Group companies, in 2010 work began on designing the architecture for an integrated management, development and improvement system of the talent pool called the **Finmeccanica Elite Management System** (FEMS). This system, using a structured approach, seeks to create and enhance an international managerial class that will make it possible for the Group to successfully face upcoming challenges in international markets, and will help with the necessary turnover in management.

The targeted pool of employees, called the **Group Elite**, consists of about 600 managers divided into three categories based on the organisational importance of the positions held and on the personal characteristics of the employees. At the top of the new pyramid are the “Top 100”, i.e. those who hold top positions in Finmeccanica and the Group companies; the intermediate level holds the “200 Successors”, i.e. those who are set to succeed the Top 100 in the short term; at the bottom of the pyramid are the “300 Top Talents”; i.e. those with a great medium/long-term development potential, who fit the international profile and who are highly motivated, identified from among Group executives and middle managers.

For the FEMS to be sustainable over the medium/long term, a broader “talent pool” will have to be assembled by integrating current management, development and training tools and processes. The profiles identified will form the **Green House** pool from which the Group Elite will draw.

Identifying the profiles that will fill the three Group Elite levels is a priority for 2011. Alongside this, a matrix of professional and managerial positions will be defined based on organisational complexity, on the one hand, and professional content, on the other. This will make it possible to govern, using a common, structured approach, the management of career development paths and personnel selection. Using this system, one-to-one management of more valuable management personnel will translate into establishing individual **Career Plans**, designed around organisational, professional and managerial rules and criteria and on the aptitudes of each employee.

In the area of **Compensation**, the scope of the beneficiaries of the **MBO System** was further consolidated, with participation reaching almost 100% of Group senior managers and executives and continues to represent a significant component of the overall compensation package.

Compared with the 2009 MBO System, the underlying operating strategies, general structure and mechanisms aimed at ensuring a strict correlation between the incentives and the achievement of financial and operational results and “excellence” in operating performance remain unchanged. The mix of financial and performance indicators was partially revised to be consistent with performance priorities and targets.

With regard to **long-term incentive systems**, specifically to the **Performance Share Plan 2008-2010** (share grant plan, the guidelines for which were approved by the Ordinary Finmeccanica Shareholders’ Meeting of 30 May 2007 and subsequently implemented by the Board of Directors of the Company on 18 December 2007), once it was verified that the performance targets (EVA and New orders) were achieved, allocation and delivery free of charge of the second instalment of Finmeccanica shares up to 25% of the total shares granted under the Plan was made in 2010.

A significant portion of the Plan participants identified based on the results of the Management Review process is comprised of young management employees who, although they do not currently hold positions that have a high impact on corporate business, represent strategic Group assets based on their long-term development potential.

Given that the Performance Share Plan 2008-2010 (PSP) is set to expire, a new medium/long-term incentive plan for the 2011-2013 cycle was drafted. The plan was submitted to the Remuneration Committee, which recommended its introduction at its meeting of 16 December 2010. At its 2 March 2011 meeting, the Committee gave final approval for the three-year Plan

and related Rules. The goal of the plan, called the **Performance Cash Plan** since it awards incentives in the form of cash rather than free-of-charge Finmeccanica shares, it is to ensure substantial continuity in the architecture of the Group's compensation system and to effectively address the challenges that the Group is preparing to face in the coming years.
In addition to making overall management of the plan easier in the countries in which the Group operates, the new incentive tool will make it possible to establish remuneration "ceilings" since potential incentives are awarded in cash.

The criteria for participating in the new Plan were explained during the Management Review 2010 meetings and will reflect those for being admitted to the two uppermost tiers of the Finmeccanica Elite Management System, i.e. the "Top 100" and "200 Successors". This will reduce the scope of the plan by cutting the roughly 600 PSP participants down to an estimated 300 participants in the Performance Cash Plan 2011-2013 and will lead to a greater focus on more valuable employees, based on the positions they hold or their short/medium-term potential for being trained for more complex general management positions.

The decision to link participation in the Performance Cash Plan 2011-2013 to membership at the highest level of the Elite Management System is consistent with the priority given to turning over the Group's management, a process that requires timely development of the talent pool capable of taking on leadership roles within Finmeccanica and the Group companies in the future. The process of identifying participants in the new plan began with the Management Review sessions and should be completed in early 2011.

In 2010, the **2010-2012 cycle of the Plan** targeted at the top management of Finmeccanica and of the main Group subsidiaries, with **cash incentives** payable based on the achievement of ambitious Group targets, using an entirely self-financed logic, was initiated. Under the traditional rolling-scheme approach, this Plan runs concurrently with the three-year cycles already in effect, with the goal of maintaining, among the uppermost level of management, a high level of attention on and motivation towards the joint achievement of medium/long-term performance levels that are significantly higher than the performance and financial targets in the budget and in terms of the appreciation of the value of Finmeccanica stock on the stock market.

Industrial Relations and Social Affairs

In 2010 Finmeccanica was able to uphold its tradition of unified Industrial Relations, a hallmark of collaborating to find solutions to problems, despite a difficult organised labour situation due to FIOM-CGIL's failure to sign the national collective bargaining agreement of 15 October 2009.

Specifically, through the signing of framework agreements with the three unions, two important reorganisation plans for the Defence and Security Electronics (June 2010) division and for concentrating the Group's real estate holdings in FGRE (September 2010) were reached.

Analysis continued on the project, begun in 2009, to develop a new common employee classification scheme for the Group companies as well as, under certain conditions, the extension of healthcare coverage to office staff and blue collar workers. An Industrial Relations working group (also composed of the heads of Industrial Relations for several of the companies) was formed on an experimental basis to draw up a policy on the issues of work flexibility, the labour market, corporate welfare, supplementary healthcare coverage, training and workplace health and safety.

Finmeccanica also continued to show its commitment within Federmeccanica in 2010 by, among other things, making a greater contribution through the positions it held at various levels: the Vice-Presidency of Federmeccanica with responsibility for European Affairs, the Presidency of the Council of European Employers of the Metal Engineering and Technology-Based Industries (CEEMET), membership on the Board of Directors of the supplementary pension fund COMETA, and the Vice-Presidency of the metal-working section of the Rome

Industrialist Association (UIR). In particular, as part of its Presidency of CEEMET, Finmeccanica was involved in the relaunch of the “know how” culture through educational campaigns and the involvement of the leading players in the worlds of industry and the European educational system.

Moreover, in the wake of the memorandum of understanding signed with trade unions and the Group policy issued by the Group Parent, the Group continued to implement and monitor the skills of corporate middle managers to achieve its goal of improving the professional abilities of these managers and helping them identifying with Finmeccanica’s business goals and values.

Of special importance is the commitment made to a number of Group companies involved in restructuring, reorganisation and realignment during the year.

Industrial reorganisation was undertaken in the **Aeronautics division** which led, as early as 2010, and should lead over the next few years, to a profound organisational and operational realignment. In the first half of the year, Alenia Aeronautica took action in accordance with the agreement signed between its management and the national trade unions. The agreement called for an initial cycle of the Ordinary Wages Guarantee Fund (CIGO) for all Aerostructures Business Unit sites (except for Grottaglie-Monteiasi) and for the related staff offices, for a total of 986 employees on average for the year. The closures subject to CIGO were for the Pomigliano d’Arco, Nola, Casoria and Foggia facilities.
An announcement was made that use of the CIGO (Law 164/1975) for the Venice site (200 employees) and the Extraordinary Wages Guarantee Fund (CIGS) for the Brindisi site (71 employees) would be necessary.
Alenia Aeronautica signed an agreement with the local trade unions to make 20 employees at the Turin and Caselle sites redundant (Law 223/91), with termination of employment to occur by 31 December 2011. This process of reducing and redeploying employees was sped up in the last few months of 2010, with the start of the redundancy process and the closing of the Brindisi factory. The company agreed to make 23 of the factory employees redundant (Law 223/91), with employment to terminate by 31 October 2011. It was decided to transfer the other 55 employees to the Grottaglie-Monteiasi factory, with a lump-sum payment and a flat reimbursement of expenses for about two years.
At the end of the year, the Group and the national and local trade unions agreed on the procedure for making 900 employees (787 in Alenia Aeronautica, 98 in Alenia Aermacchi and 15 in Alenia SIA) redundant. The workers to be made redundant were chosen from among those who meet certain requirements pertaining to their personal situations and the contributions made towards retirement and age-based pensions during the redundancy period, with employment to terminate at the end of such period. The terminations should occur by the end of 2012.
Finally, during the year Alenia Aeronautica abandoned the Capodichino Sud site and transferred its workforce to the Pomigliano facility.

In the **Helicopters division**, following the acquisition of Polish company PZL-ŚWIDNIK by AgustaWestland, early retirement incentives were offered to employees, leading to the termination of over 900 workers. This plan was based on two specific agreements with the trade unions at PZL, one signed in January 2010 (“Social Package”) which set out the procedures for handling the collective layoffs, and the other signed in May 2010 addressing the procedures for handling early retirement incentives.

As to the **Defence and Security Electronics division**, the primary reorganisation and restructuring activities were seen at Elsag Datamat, with the signing of a special agreement with the unions that led to around 150 employees being terminated, between voluntary redundancy and retirement, in 2010.
This operation also involved the payment of a bonus for those taking early retirement and payment of the difference between the redundancy benefit and the pension benefit while the individual is classified as redundant.

The reorganisation process, begun last year, within the DRS Technologies group (terminating 950 employment contracts) and within SELEX Communications, continued this year under unions agreements or standard policies followed in the United States.

With regard to the **Transportation division**, and to AnsaldoBreda in particular, the agreement signed with the trade unions provided, *inter alia*, for use of the Extraordinary Wages Guarantee Fund and the special Extraordinary Redundancy Fund via the rotation mechanism (in 2010, there were over 378,000 hours of employment suspension in total), as well as use of ordinary redundancy (Law 223/91, as amended) for 200 employees, that will apply between June 2010 and May 2012.
Finally, the reorganisation and improved efficiency plan was implemented at AnsaldoBreda, as were plans to reassign Elsacom and So.Ge.Pa. employees and/or make them redundant and make use of the Wages Guarantee Fund (for Elsacom) as the two companies are being liquidated, all with the approval of the trade unions.

Finmeccanica also took steps to selectively control hiring, a process begun in 2009. It did this by monitoring hiring practices in order to maximise intragroup mobility and to more carefully select hiring from the market, verifying that the proper types of contracts are used in bringing employees into the companies.

In renewing the second-tier contracts, supplemental agreements and performance bonuses were agreed for BredaMenarinibus and MBDA Italia, and several transitional agreements on performance bonuses for 2010 were signed (Finmeccanica, Finmeccanica Group Services, SELEX Sistemi Integrati). In all cases, the focus was on containing labour costs.

On a regulatory level, the working group formed in 2009, consisting of the regulatory affairs officers of several of the companies, continued to monitor regulatory changes and to apply the common guidelines necessary for ensuring that there is a steady flow of information and that new rules are properly applied.
Special focus was given to “pension reform”, which began the topic of in-depth discussions between the Group companies, outside experts and INPS (the Italian Social Security Institution).

Work continued on promoting and implementing the so-called **social services**. Finmeccanica employees healthcare services were also strengthened and coordinated by uniting the traditional healthcare activities (ambulatory physician and check-ups) with a series of preventive medicine and staying healthy initiatives.

As to Finmeccanica, the well-received medical screening initiatives were continued as were programmes to provide information and spread awareness about endocrinology (thyroidology), posturology (postural therapy using the EBS system and exercise classes conducted on a cyclical basis), physiotherapy (physiotherapy exercises performed in the gym under the supervision of a specialist), dermatology (aging and the prevention of skin cancer), and bronco-pneumology (fight against smoking).

The Health and Safety Coordination Committee continued its work. It is responsible for reporting and monitoring with regard to regulatory, organisational, training, occupational health and environmental oversight, in accordance with Legislative Decree 81/2008, as amended by Legislative Decree 106/2009.
Specifically with regard to occupational medicine, the health oversight programmes at all the Group companies were strengthened and the role of the occupational health physician was expanded to provide greater attention to the problems related to workplace health and safety.

Finally, other important initiatives included the organisation of a workshop on the topic of “Work-related stress” which led to the preparation of operational and methodological guidelines for the Group.

Training and development of Human Resources and Knowledge Management Systems

During the year, Finmeccanica initiated a series of actions geared towards consolidating a system that, as early as 2011, will be able to provide:

- greater synergies between the Group Parent and the Group companies by establishing procedures for collaboration and for rationalising processes and instruments;
- greater international integration, by organising approaches/tools and processes for consolidating the Group's distinctive identity and culture;
- identification of Group "excellences";
- a strengthening of the business partnership between the Human Resources Professional Family and the line, by focusing more heavily on programmes to develop core skills;
- greater efficiency for processes and measuring results.

These actions will make it possible to fully guide and coordinate strategic training and development programmes, thereby optimising costs and investments and monitoring their actual implementation by the Group companies by the end of 2011.

Since the pursuit of excellent performance by employees involves constant attention to existing **quality control processes and methods**, in 2010 Finmeccanica received the updated UNI EN ISO 9001:2008 quality certification for "The Finmeccanica Group's Processes for Designing, Carrying Out and Managing Human Resources Training and Development Projects" from the international certifying body, Globe Certification.

The qualification and certification of individual initiatives provided a further boost to integration and cooperation between the Group Parent and the Group companies, resulting in a more refined establishment of common methods and tools. The quality of the training and development system is also ensured by the fact that Finmeccanica addresses these issues as part of an international panel comprised of 1,800 companies located in Europe and the United States.

Benchmarking shows Finmeccanica's ranking with respect to a set of internationally-established indicators (Learning & Development Key Performance Indicators) and analyses performance, particularly with regard to a very short list of industrial operators comparable by sector of activity, size of workforce and geographical distribution. The Group was in line with the reference panel average, demonstrating a positive trend compared to last year.

As compared with 2009, the year 2010 saw a slight decline in investment in training and in hours of training provided, although there was a substantial increase in the volume of training activity in terms of participants (+17%). This was accompanied by a considerable improvement in efficiency, in part thanks to the achievement of economies of scale and scope and to the significant increase in the use of professional training funding (+90% from 2009). Total funding used in 2010 amounted to over €mil. 4.

The main initiatives pursued under the 2010 Business Plan, all of which share the Talent Oriented Organisation approach, can be categorised as follow:

1. ***Development initiatives***, aimed at identifying and developing talent within the Group, at all levels and job categories, with the goal of, over time, making the systems for identifying, developing and managing "excellent" resources more consistent. A pilot of the Elite Management process was carried out for the Program/Project Manager Professional Community.
2. ***Dedicated courses (the Young People Programme and the Executive & Middle Manager Programme),*** for specific target populations within the Company, to support the professional and managerial development of personnel with a view towards life-long learning. They were

conducted continuously, focusing on clusters of employees deemed strategic (from recently hired young persons to top management), with an approach designed to develop individual strengths and to internalise common Finmeccanica values.

3. Initiatives aimed at reinforcing ***Group Culture*** to promote:

a) the spread and development within employees of core skills, which are fundamental for handling complex situations effectively and the building of a **Business Culture** characterised by respect for timing and costs, the search for innovative products and processes and attention to customer satisfaction: all crucial to remaining competitive in the global marketplace (**Business Culture & Knowledge Management**);

b) the construction of a *distinctive, multi-cultural Finmeccanica identity* (**Group Identity**), that respects the origins and local peculiarities of its personnel, but that also creates a "network" that connects and expands the Group's wealth of expertise and intelligence.

1. Development initiatives

The development initiatives carried out and completed in 2010 include the third edition of the Future Leader Review initiative (individual and group assessment) aimed at the Human Resources Professional Family, with 20 executives and high-potential middle-managers taking part.

For the **Project Management Professional Community**, the **Elite Management** pilot programme was created to study, assess and develop individual Program and Project Managers. To date 1,000 employees have been identified, of which 200 "Elite" employees have been chosen. The experience served to test the Elite Management System and led to another edition of the Future Leader Review aimed at 20 PMs from around the world identified as Elite ready (executives and middle managers).

The **People Review** process, meant to complement that of the Management Review and focusing on middle managers and young persons with a great deal of potential (Rockets), was further expanded.
The People Review matrix consists of 600 employees chosen based on specific criteria (international experience, organisational adaptability, managerial skills and openness to change) for the planning and pursuit of targeted training and development programmes. The process makes it possible for the human resources departments of the companies to be directly involved in the line structures to provide a more thorough assessment of employees to be included in the People Review pool.

In 2010, the first edition of the Finmeccanica **Assessor Academy**, an international qualification and certification process for Human Resources Professional Family **Internal Assessors**, was completed. The goal is to "internalise" the core skills needed to analyse and assess the potential of candidates, standardising the tools and the methods in order to create a "Finmeccanica model" for identifying and developing the Group's talent pool even further.
The 22 Assessor from 14 Group companies that took part received the "Finmeccanica Assessor" certification which is accepted by the international community with which the Group does business.
Since 2010, certified assessors have been able to apply the Finmeccanica assessment methods to company and Group training and development programmes (Future Leader Review for PMs, assessment of potential).
In 2010, 30 applications for participation in the second edition, scheduled for 2011, were received. A web community offering a forum for Assessors to compare and share their experiences will become active in the first half of 2011.

In the final quarter of 2010, an integrated Development, Training and Management programme was introduced for the purpose of defining the One Company Approach (in terms of approach, tools and guidelines) to finding, developing and managing the talent pool, from the date of hiring through their professional development and carrier path, to ensure that employees obtain the professional and managerial skills required to satisfy business needs.

2. Dedicated courses

2.1 Young People Programme

The Young People Programme is a training and development programme dedicated to all the Group's young people which aims to initially instruct them in the complex world of Finmeccanica and its distinctive values and to later develop specific professional and managerial skills.

The first step of the programme consists of the **FHINK Master**, the Finmeccanica Master in International Business Engineering, the **fifth edition** of which was held in 2010.

Reflecting its pronounced international scope, more than 6,000 applicants from 140 countries submitted applications during the selection phase.
The subsequent phase resulted in a class of **26 students from 12 countries, with an average age of 25 years**.
Confirming its tried and true formula, the Master programme is a cornerstone for integrating the world of academia and the business world, combining educational modules prepared by leading professors from major Italian and foreign universities (Politecnico of Milan and the Imperial College of London to name just a few) with lectures from some of the most respected international and Group managers, in order to put the issues discussed in a Finmeccanica context.
The Master programme includes 1,500 hours of classroom learning held in Rome and internships with Group companies. It is divided into four major subject areas: Project Management, International Sales, Innovation & Business Development, and Technology & Operations Management.
In order to foster non-professional development as well, foreign students are also required to take a 40-hour course in basic Italian in order to ease their insertion into the Italian cultural and relationship system.
In 2010, a total of 128 graduates of the Master programme were hired by Group companies, showing that the "Master product" is increasingly effective at addressing the operating companies needs. The companies have also given **13** of the 70 participants in the first three editions of the Master Programme **formal positions of responsibility** within their organisations (equivalent to 18.5% of the total), despite their relatively short working experience with the company (3, 2 and 1 years, respectively). Fourteen graduates received praise during the People Review process.
Also under the Young People Programme, all recent graduates newly hired by the companies take part in **FLIP**, the Finmeccanica Learning Induction Programme. Since 2005, about 1,300 young persons have taken part. Its goal is to guide, engage and familiarise young people with the Group's One Company philosophy, consistent with Finmeccanica's managerial skills model (GEAR).
Participants are invited, during their training, to make a personal contribution in analysing management skills, in using more innovative collaborative learning tools and in continuing to meet and work in teams. The programme is unusual in that it takes a blended learning approach, effectively combining traditional and innovative methods based on a mix of classroom learning, e-learning and work groups (virtual and in person).

The first international edition came to an end in late 2010. In total, 284 participants from four countries (the United Kingdom, the United States, Italy and France), their Flippers (30 HR tutors) and their Mentors (40 executives from the From Technology to Values community, who monitored the participations during all stages of training) were involved.

BEST (Business Education Strategic Ten), Masters in General Management, targeting at brilliant university graduates from all Group companies who have been with the Company around three years and incorporating blended learning, has received ASFOR (Italian Management Training Association) accreditation as a **corporate executive MBA** programme.

Since 2002, the BEST Masters programme has attracted about 700 young people from 17 Group companies to its 35 editions. In 2010, three editions were held attracting 55 participants.

The third edition of the **Future L.I.F.E.** (Learning Intensive Finmeccanica Experience) came to an end in March 2010. Future L.I.F.E. is a new training experience that, in addition to rewarding the winners of the BEST Masters, is also an essential step in developing and grooming young talent for management positions within the Group. The goal was to give them an opportunity to interact with "excellent role models" at the international level. The programme provided for the involvement of an SME (Subject Matter Expert) who will provide useful suggestions for in-depth study and academic work and a well-rounded view of the subject identified by involving suppliers, customers, universities and local institutions.
The 2010 edition gave 19 participants the chance to engage in an intense training experience within the world of Finmeccanica, culminating in an interactive live session in Toulouse, hosted by Thales Alenia Space and GIE-ATR.

The Young People Programme also encompasses the **NEW CHANGE Project** (Challenge Hunters Aiming at New Generation Excellence), a completely revised initiative intended to leverage skills and develop **Rockets**, excellent Group resources (middle managers and 7th level employees or foreign equivalent) with about 10 years of seniority, identified by their companies, with international visibility who have clear growth potential to take on more complex roles.
The Project, entirely in English and divided into three separate editions, involves prior assessment of all participants in order to verify that the young people fit the Group's management model and have the necessary energy and motivation.

The third edition was held in 2010, with roughly 200 young persons from different companies attending. During the three "launch" days, outside and in-house Group experts took part in special round tables on "Technological innovation, Internationalisation and Value Creation".
During the next month, using e-learning tools, participants worked on creating five work projects on the subjects of *Innovation, Value Creation, Technological/Operational Development, Multiculturalism* and *Internationalisation*.
Each work group was assisted by a mentor, chosen from among the CEOs of some of the companies, who is an expert in the particular issue analysed and studied in-depth.
The best work projects on each topic, once assessed by each mentor and a special academic committee, will be presented to Finmeccanica's top management and to some of the Group CEOs at a final event (scheduled for the first half of 2011).
At the end of the programme, a ranking of excellent employees to receive targeted development plans will be created based on the assessments made.

2.2 Executive & Middle Manager Programme

The **Management Training** programme aims to develop the professional skills of the Group's executive and management class and to promote the formation of a distinct management culture based on Finmeccanica's **leadership style** and inspired by a powerful vision of steering employees towards a common goal.
In keeping with this, the **Competency Lab-CLab for Executives and Middle Managers Project**, aimed at Group company executives and middle managers, is a training system to hone Finmeccanica's seven leadership skills (GEAR).
The initiative sprang from the most successful experiences in this area and is designed around Group characteristics (it addresses international integration, governance shared by the companies and measurability of results).
The training courses, structured around the seven GEAR skills, follow a modular design based on the level of complexity of each skill and can be taken using a number of methods and channels. A web learning environment on an advanced dedicated platform is used to support the entire training process. Each CLab course is designed to include:

- **Self assessment:** short questionnaires designed to analyse the extent to which the individual skill is mastered and to identify training options based on individual needs.
- **Learning pathway** encompassing:
  - classroom and on-line learning (**LEARNING LAB**);
  - options for further study through reading and video (**LIBRARY**);
  - opportunities to meet within a global management network (**COMMUNITY**).

- **Stage of verifying satisfaction** with the process, the extent to which learning was acquired and whether such knowledge can be transferred to real professional settings, to provide feedback on the quality of the system and for continuing development. (Verification of learning acquired and transfer of learning to on the job situations is currently being started).

The pilot phase of the initiative, funded by Fondirigenti (€thous. 391) and Fondimpresa (€thous. 751), was completed in 2010 with the involvement of about 150 executives and 500 middle managers from all of the Group companies.
The project is being gradually rolled-out worldwide through the formation of special inter-company working groups (in the UK and the US). The working groups' purpose is to ensure that the content and teaching methods are "localised" to address their specific needs. In December, the first pilot edition, targeted at executives, was held in the United Kingdom. It was designed to develop Collaboration and International Orientation skills. The project is also almost under way in the United States.

Another well-established management training initiative is "**From Technology to Values**", the international seminar aimed at high-potential Group managers that seeks to develop the ability to analyse business complexities and processes of change.
In 2010, two editions of the seminar were held, with 42 managers of various nationalities (Italian, English, American and Australian) attending. The Community now has 311 executive members who, during the year, served as **mentors** for newly-hired recent graduates taking part in the FLIP (Finmeccanica Learning Induction Programme) programme.
The mentors' role is to help the young trainees understand the company in its relation to the larger Group and to support and guide them as they grow within a complex corporate structure, easing their integration and helping them develop a sense of belonging.

In May 2010, the **Finmeccanica Executive Leadership Programme,** designed to instil a higher level of management development and training, was introduced. The Programme, funded by Fondirigenti (€thous. 385), was provided to 33 executives (27 Italian and 6 foreign) with high potential who already hold key positions within the companies.
The Programme was developed with the assistance of the Imperial College of London as part of a broader strategic partnership framework agreed with Finmeccanica in 2009.
The content of the programme was broken down into six modules, all designed to strengthen the following business leadership skills: Visioning, Managing Customer Relationships, Leadership and Change, Managing Innovation, Project Based Organising, Intellectual Capital.

2.3 Programme for Executives on Supplementary Pension Scheme

In June, a training programme funded by Fondirigenti (€thou. 185), entitled "**Supplementary Pension Scheme: information and professional training**", aimed at Group executives enrolled in the Pension Fund for Group Executives - Supplementary Pension Fund ("Group Pension Fund") was held. Its goals were to:

- explain the general concepts behind supplementary pension schemes;
- show how to obtain information about the Group Pension Fund more easily;
- provide more specific training on the legal and financial aspects of pension funds.

The Programme offered two types of training:

- Professional course on **Supplementary Pension Finance and Management**;
- **Technical Training on the Supplementary Pension Scheme.**

The professional course on "Supplementary Pension Finance and Management" is targeted at 19 executives from the main Group companies (chosen by the unions and the companies), who are seeking positions on the Group Pension Fund's management bodies. The course aims to:

- provide the skills and tools needed to properly and effectively manage the Group Pension Fund, particularly concerning the regulatory/governmental, economic/financial, accounting, organisational and managerial aspects;

- teach the professional expertise required under the laws applicable to the supplementary pension scheme so that participants are prepared to undertake the duties required when sitting on the Pension Fund's management bodies.

The programme length was 168 hours, running from June 2010 to February 2011, and is divided into four training modules:

- Institutional legal aspects.
- Enrolment and services.
- Tax and accounting rules.
- Management system.

At the end of the course, participants must pass a final test to receive certification that they have met the requirements of the course accreditor, LUISS Business School, a division of LUISS Guido Carli University.
The "Technical Training on the Supplementary Pension Scheme" course is aimed at all managers enrolled in the Group Pension Fund and seeks to:

- provide information (updated periodically) on the supplementary pension scheme, focusing on general concepts and offering a clear framework for understanding the topic;
- respond to managers' requests for targeted communication campaigns on the supplementary pension scheme;
- show enrolees in the Group Pension Fund how to obtain information to help them better understand the Fund's performance-linked benefits and make informed decisions about the pension plan in which each participates.

The course centres around four major issues:

- Issue 1 "The supplementary pension scheme".
- Issue 2 "Contributions to pension funds".
- Issue 3 "Pre-retirement rights".
- Issue 4 "The complementary pension".

The content of the course, offered through a navigable multimedia tutorial, has been available online (http://www.education-finmeccanica.com) since October 2010. There is also an area on the online site containing more in-depth information on the topic, a glossary and quizzes to "test" readers' understanding of each issue. Using the online material – available for one year – is equivalent to four hours of classroom learning.

3. Training by Finmeccanica SpA

In 2010, training activities dedicated to **employees of Finmeccanica SpA** were also carried out:

a. Legislative training/information initiatives:

The training course for employees and managers who handle personal information, in compliance with Italian Legislative Decree 196/03 and the corporate Security Policy Statement (SPS), continued. This course was created in the form of web-based training (WBT) and was made available on the corporate Intranet.

The training/information programme on administrative liability (Legislative Decree 231/01) – launched last year with a training programme for Finmeccanica top managers and executives – was completed this year for all middle managers and employees with the updating of the on-line course on the "Organisational, Management and Control Model" adopted by Finmeccanica in accordance with Italian Legislative Decree 231/01 (roughly 200 persons involved). Training for new hires and employees not yet trained is scheduled for 2011.

In 2010, in compliance with Italian Legislative Decree 81/2008, as amended and supplemented by Legislative Decree 106/2009 and by the corporate Security Policy Statement, creation of the online course was completed. The process began last year with the development of the first two modules. The final module was completed this year

following the signing of Finmeccanica's Emergency Plan by top management.
The course will be available on the corporate Intranet in 2011 (roughly 250 participants expected), once the training course for Finmeccanica top managers and executives (around 80 persons) is completed.

The conception and preparation of the **Information Security Awareness Programme (ISAP)** in 2010 was the final step in the two-year project (2009-2010) involving 400 Finmeccanica and Finmeccanica Group Services employees. Training courses to bring all Finmeccanica personnel up to date on security awareness issues are scheduled for 2011.

b. Language Training:
The process of internationalising the Group has, in recent years, been more heavily focused on certain geographical areas, affecting Finmeccanica personnel in particular. Therefore, training to improve the participants' understanding of the business foreign language continued. In 2010, **128 Finmeccanica employees** took part in *traditional classroom courses*, organised into semi-individual weekly classes (middle managers and employees) and o*n-demand individual lessons* (executives).

3.1 Business Culture & Knowledge Management

In 2010, the Group continued efforts to reinforce its business culture in order to keep skills continually up to date, share best practices, in particular methods for managing projects and new orders, and share experiences in the different sectors in which the Group operates.

The third edition of the ***Project Management Programme*** (**PMP**), introduced in 2007, was held in 2010. It was funded by Fondimpresa (€thous. 1,148) and seeks to:

- reinforce, align and update key Project Management skills through training courses of excellence;
- spread Group Project Management methods organised in an integrated framework to create a shared language;
- create the *Finmeccanica Project Management Professional Community* and provide adequate support to professionals in this area by sharing best practices among companies through the Group's Knowledge Management System;
- assist a select number of candidates in receiving their Project Management certification from the most accredited international certifying bodies: PMI - Project Management Institute (United States) and IPMA - International Project Management Association (Switzerland).

In summary, the total number of PMP initiatives during the **2008-2010 period** are impressive: **22** companies involved, **1,993** participants from **15** nations, **23** training sites in **5** countries (Italy, France, United Kingdom, United States and Australia), over **100,000** training hours provided (largely funded) and **221** edition of classroom training, with **184** PM certificates received from 2008 to the present.

The 2010 edition of the PMP had four areas of focus:

- launching the Collaboration Portal for the Group's Project Management Professional Community;
- holding a third edition of the training courses;
- measuring the effectiveness of the initiative, assessing the impact of training on participants during the 2008-2009 period at the company level;
- preparing the PMP for a gradual roll-out at the company level starting from 2011.

In late 2010, a survey of participants in the 2008 and 2009 editions was conducted in conjunction with MIP-Politecnico of Milan to assess the impact of the PMP programme. It sought to measure any improvements in skills over time. More specifically, the survey covered: better application of practices over the last 12-18 months, the contributions PMP training made in clarifying how these best practices should be applied, and the impact of any contextual factors that helped or hindered in applying these practices.

The survey of over 550 PMs was conducted via the web, with responses submitted anonymously. More structured interviews were conducted with the heads of Program Management of the main companies.
The results of the survey reveal an actual improvement in skills, especially those covered by the PMP programme, and offered important suggestions on areas that still need improvement and that will be addressed in targeted initiatives in 2011.

Finally, again as part of efforts to reinforce the Group's Business Culture, in 2010 the **Finmeccanica Economics Programme** was conducted. It aims to improve economic and financial management skills, specifically value creation approaches and methodologies, along three increasing levels of depth depending upon the areas from which the participants come. **Finmeccanica Economics Programme 2.0** is blended and uses advanced distance-learning training methods based on Web 2.0 technologies. The business simulation course was expanded, being held in the UK also. Finally, a special module on Industrial Costs Control and the Planus method was development.
In 2010, **300** persons took part in the various modules of the ***Finmeccanica Economics Programme,*** bringing the total number of participants since its inception in 2006 to over **1,400**.

3.2 Group Identity

In 2010, under the **Business Culture Project**, the third **Finmeccanica Corporate Climate and Culture Survey** was conducted through publication of an on-line questionnaire available in 11 languages on the Group's portal. Over 38,000 persons from 27 countries once again expressed their opinions on a series of questions about their work and the business atmosphere, thereby contributing to tracking the progress made since the last surveys were conducted (2006-2010 trends) and the areas most requiring action in 2011.
This year, more in-depth questions were asked about certain subject areas that Finmeccanica has always held to be important, such as meritocracy and improving the talent pool, sustainability, workplace health and safety, corporate identity and international integration.
The high response level, with 56.5% of the workforce participating, a confirmation of the positive trend seen in past editions (2006=43%; 2008=51%), proves the high degree of employee interest in the initiative, as well as how the process has become rooted as one of the main Group "listening tools" within the various companies.

Within the scope of the **Integrated Project of Internal Communication & Group Identity,** the **Training Course** for **Finmeccanica In-house Communicators,** from the Human Resources Development Department and the Communications Department of the various companies, continued. The In-House Communicators ensure that the communication processes are **widespread** and **effective** by monitoring and continually providing information for various in-house company and Group communication tools.

In order to stimulate and leverage the skills, abilities and technologies of the various companies, Finmeccanica has, since 2004, sponsored the **Innovation Award**, an international award open to all employees of the Group who present innovative ideas and projects for corporate business areas. Over the years, the project, now in its seventh edition, has attracted a growing participation, involving more than 16,000 participants worldwide, for a total of almost 5,500 innovative projects submitted, of which 15% have resulted in patent applications.

In 2010, Finmeccanica also decided to devote attention to Employer Branding, i.e. the Group's ability to effectively communicate its "values and corporate culture" to make its brand more attractive to the international labour market so that it is able to attract, retain and motivate talented employees.
As part of this framework, in 2010 Finmeccanica completed all the steps required to apply for **Top Employers 2011** certification by participating in a research project conducted by the CRF Institute (an international organisation that identifies and certifies Top Performer Companies in the area of HR polices), in collaboration with LUISS University and Il Sole24Ore.

FINMECCANICA: SECURITY POLICY STATEMENT (SPS)

"Information provided pursuant to Italian Legislative Decree 196 of 30 June 2003 (Personal Data Protection Code)"

Pursuant to Section 26 of the Technical Regulations on minimum security measures, which constitutes Annex B to Legislative Decree 196 of 30 June 2003 (the Italian Personal Data Protection Code), the **Security Policy Statement** (SPS) on the handling of personal data was updated during the year 2010.

The Security Policy Statement contains the information required by Section 19 of the Technical Regulations and describes the security measures adopted by the Company to minimise the risk of even accidental destruction or loss of personal data, unauthorised access, unauthorised handling of information, or use for any purpose other than that for which it was gathered.

Information security management system

On 25 May 2010 the annual inspection was successfully carried out by the certification body Det Norske Veritas (DNV) for maintaining the ISO/IEC 27001:2005[1] certification concerning the system for the "Management and provision of the electronic mail service of Finmeccanica SpA".

On 15 October 2010 Directive 15 "On the protection of company assets in the Companies of the Finmeccanica Group" was issued, and it superseded and replaced the former directive of December 2004, in order to include the new operational needs and regulatory updates, as well as to integrate updated tools and methods for information security management.
The main new elements, also included with the help from the security of Group companies function and the ICT function, relate to:

- the timely definition of responsibility in the Information Security, Operation Security and ICT Security areas where security is involved;
- the indication of the security policies forming the Information Security Management System at companies, including Travel Security for employees to operate in geographical areas considered to be at risk, security in relations with third parties (suppliers, partners, etc.) and Business Continuity;
- the definition of the approach for activities aiming at the defensive controls to be carried out by companies according to the indications of the Data Protection Authority using the Electronic mail and Internet Guidelines of 1 March 2007.

At the end of 2010 the "Business Impact Analysis of Finmeccanica SpA" was updated, as a follow-up to the programme for the management of Operational Continuity that started in 2008; the plans for Crisis Management, Operational Continuity and IT Disaster Recovery were finalised for the Parent Company; and employee training activities and validation tests for the plans above were planned.

1. ISO/IEC 27001:2005 sets out the guidelines and related controls that companies must follow in implementing an ISMS (Information Security Management System), essentially to achieve the objective of protecting corporate information and data.

INCENTIVE PLANS (STOCK-OPTION AND STOCK-GRANT PLANS)

2002-2004 Long-Term Incentive Plan

On 16 May 2003, the Ordinary and Extraordinary Shareholders' Meeting resolved to approve a Long-Term Incentive Plan (Stock-Option Plan) for the key resources of Finmeccanica SpA and its subsidiaries, based on the granting of subscription and purchase options for ordinary shares of Finmeccanica SpA, subject to the attainment of specific objectives.

When the Plan was created, up to 7,500,000 (150,000,000 prior to the reverse split) shares made available by issuing new shares and/or by purchasing treasury shares, were allocated, leaving the Board of Directors with the power to choose one or the other instrument in light of how the stock was performing at the time the grant was made and of its performance outlook. Once granted, options were exercisable through 31 December 2009.

There were 271 Plan beneficiaries including almost all the Group's executives or directors.

Each option grants the right to purchase/subscribe a Finmeccanica SpA share at a price not less than the "normal value" to ensure that the Plan is tax efficient. That value was set at €14.00 (€0.70 prior to the reverse split).

The Plan, following the Shareholders' resolution, was established by the Board of Directors on 12 November 2003 and was entrusted to the management of the Remuneration Committee.

As contained in the Plan Regulations, the Remuneration Committee took steps to verify whether the performance objectives had been attained, based upon the draft individual and consolidated 2004 financial statements approved by the Board of Directors, and calculated the number of options effectively exercisable for each participant.

Upon completion of the verification process, it was discovered that the objectives had been reached, thus permitting the Group to release for the period 60% of the options originally granted, for a total of 3,993,175 (79,863,500 prior to the reverse split) exercisable options, at the fixed price of €14.00 each.

In relation to the capital increase carried out in 2008, the exercise price was adjusted by the Remuneration Committee on 15 October 2008 to €12.28 each for options not yet exercised at the start date of the capital increase, although the number of options granted remained unchanged. The foregoing was carried out in accordance with the Plan Regulations to offset the dilutive effects on the capital.

On 21 April 2005, the Board of Directors resolved a paid capital increase of a nominal maximum of €16,432,108.00 through the issuance of a maximum number of 3,734,570 shares (74,691,400 prior to the reverse split), to be offered for subscription at €14.00 (€0.70 prior to the reverse split) each (with allocation of the difference to the share premium reserve) to the executives of Finmeccanica SpA and its subsidiaries, as established by the Remuneration Committee on 4 April 2005.

For the remaining 258,605 options (5,172,100 prior to the reverse split) granted to persons not employed by the company, the Shareholders' Meeting of 1 June 2005 had extended for a further 18 months the authorisation to purchase/sell the corresponding number of treasury shares, taking into consideration that the company already held 193,500 such shares (3,870,000 prior to the reverse split). In order to ensure that the Incentive Plan was adequately serviced, the Company had purchased 65,105 (1,302,100 prior to the reverse split) shares of treasury stock.

Under the Plan, of the 3,993,175 options granted (79,863,500 prior to the reverse split), 3,334,474 ordinary Finmeccanica SpA shares have effectively been subscribed, with a resulting capital increase of €14,671,685.60, while 91,790 options to purchase treasury stock have been exercised.

The Finmeccanica SpA Shareholders' Meeting of 16 January 2008 revoked the authorisation to purchase and make available the shares approved on 30 May 2007 resulting from the unexercised options, however it guaranteed the availability of the same number of shares to service the Plan – as well as the shares still required for other plans – within the scope of a broader treasury share buy-back programme.

On 17 December 2009 the Board of Directors of Finmeccanica SpA approved the extension of the option exercise period through 31 December 2011 and authorised the use of treasury shares to service the exercise of any options.

2008-2010 Long-term Incentive Plan

The ordinary Shareholders' Meeting of 30 May 2007 approved a proposed Incentive Plan for the three-year period 2008-2010 for key members of the Finmeccanica Group's Management. Under the Plan, beneficiaries are given the right to receive free shares that the Company (thus, a stock-grant plan) bought back on the market. The related request for authorisation to buy back 7,500,000 ordinary shares of Finmeccanica SpA for a period of 18 months from the date of the resolution pursuant to Art. 2357 of the Civil Code was also approved.

On 20 April 2007, the Board of Directors of the Company approved the general guidelines for the proposal. The proposed Plan is substantially the same as the Plan created for the 2005-2007 period, which, during the period it was implemented, proved to be a valid incentive and loyalty tool which also ensured an optimum level of correlation between management compensation and the Company's financial results over the medium term. Based on the experience, the Board of Directors decided to propose to the Shareholders' Meeting that the Plan be confirmed for a further three-year period.

The Plan – called the Performance Share Plan 2008-2010 – consists of awarding Plan beneficiaries the right to receive free ordinary Finmeccanica SpA shares through a "closed" cycle of three years, from 1 January 2008 to 31 December 2010, subject to achieving set performance targets for the 2008-2010 three-year period and for each year thereof.

Specifically, the objectives refer to two performance indicators, New orders (and related EBIT) and EVA, and the relative targets set under the 2008-2010 Budget/Plan for the Group and the subsidiaries, based on the operating situation of each beneficiary.

As mentioned above, the Finmeccanica SpA Shareholders' Meeting of 16 January 2008 revoked the authorisation given on 30 May 2007 to purchase and make available its treasury shares, however it guaranteed the availability of the required number of shares to service the Plan through a specific resolution on a broader treasury share buy-back programme which will include the purchase of the shares needed for the Performance Share Plan 2008-2010.

At its 18 December 2007 meeting, the Board of Directors adopted a resolution formally creating the 2008-2010 Stock Incentive Plan (called the Performance Share Plan), and instructed the Remuneration Committee to oversee all aspects of Plan management.

At its 28 February 2008 meeting, the Remuneration Committee allocated the right to receive shares of the Company without cost to 562 beneficiaries for a total of 4,579,483 shares.

The number of shares granted is calculated (according to the usual market practices for such a transaction and consistently with the grants made under the previous 2005-2007 Plan) on the basis of the individual beneficiary's annual gross remuneration (AGR), which depends upon both the position held in the company and on the assessment made during the annual Management

Review. For this purpose, the unit value of the share is taken to be €20.44, which is the average price of the share from 1 October 2007 through 31 December 2007, the same value on which the performance of Finmeccanica SpA stock is measured throughout the long-term cash incentive plan cycles for the top management of Finmeccanica SpA.

Under the Plan, the granting of shares is conditional on achieving certain objectives set out in the Regulations. These objectives regard New orders (while maintaining expected margins) for 40% of the shares and economic value added (EVA) for 60% of the shares. Shares would be granted as follows: 25% for achieving targets in each of 2008 and 2009 and 50% for 2010 targets. Under the Regulations, achievement of the latter could enable "recovery" of share rights that had not been allocated in previous years.

The Remuneration Committee shall provide that, following the conclusion of each accounting period (2008, 2009 and 2010) and the approval of the relative individual and consolidated financial statements by the Board of Directors of Finmeccanica SpA – based upon the representations and the data provided by the Company's departments that are duly certified in accordance with Group procedures – an assessment shall be made of the degree to which the assigned performance objectives have been reached and shall calculate the number of shares to be allocated to each person, providing that notice of such be given to the participants.

In relation to the capital increase carried out in 2008, on 22 May 2009 the Remuneration Committee adjusted the number of total options granted under the Plan by increasing them by an amount equal to 31% of the original options granted and setting the number of shares at 6,098,662.

In accordance with the Plan Regulations, this adjustment was made to offset the dilutive effects of the abovementioned capital increase for all Plan participants. The number of options to be adjusted was calculated according to the usual market practices.

The total number of options granted also reflects the changes in the scope of Plan participants that occurred after 28 February 2008, the date that the Remuneration Committee formally instituted the Plan. Based on the findings of the annual Management Review, on 22 May 2009, the Chairman and Chief Executive Officer presented a proposal to the Remuneration Committee for granting 80 Group managers the right to receive up to a total of 445,223 Finmeccanica SpA shares (339,865 prior to adjustment) at no cost, following the removal of 31 persons from the scope of Plan participants and the "recovery" of 263,881 shares. This change was accepted by the Remuneration Committee in managing the Plan.

Also on that date, the Committee conducted a review to verify whether the performance targets had been achieved at the Group and company levels on the basis of the draft consolidated and statutory financial statements for 2008, and calculated the number of shares to be granted to each of the beneficiaries for 2008. Upon completion of the review, the Committee approved the granting of a total of 1,233,712 shares (941,788 prior to the adjustment), equal to about 84% of the total attributable to 2008. Due to a number of minor changes in the scope of beneficiaries that occurred subsequent to the date of the Committee meeting above, the total number of shares awardable declined to 1,213,088.

On 1 September 2009, Finmeccanica SpA sent written notice to each of the beneficiaries of the shares to be granted based upon the results achieved in 2008.

Throughout 2009 up to the end of July 2009, the Company bought back a further 1,348,000 shares to add to 447,209 held at the end of 2008 to service the Plan and the remaining obligations under the 2002-2004 Long-Term Incentive Plan.

On 1 December 2009, effective delivery was made of the shares awarded for 2008. Of the 1,213,088 total shares available, 651,132 shares were transferred into individual deposit securities indicated by the beneficiaries, while the remaining 561,956 shares were withheld, at the beneficiaries' discretion, to cover tax and social security obligations arising under the Plan.

In the meeting of 14 April 2010, the Committee conducted a review to verify whether the performance targets had been achieved at the Group and company levels on the basis of the draft consolidated and statutory financial statements for 2009, and calculated the number of shares to be granted to each of the beneficiaries for 2009. Upon completion of the review, the Committee approved the granting of a total of 749,960 shares equal to about 49% of the total attributable to 2009. On that occasion, the Committee also approved the addition of 4 managers of the Group to the scope of the Plan, with the removal of 25 persons. Due to a number of minor changes in the scope of beneficiaries that occurred subsequent to 14 April 2010, the total number of shares awardable declined to 738,381.

On 1 September 2010, Finmeccanica SpA sent written notice to each of the beneficiaries of the shares to be granted based upon the results achieved in 2009.

On 1 December 2010, effective delivery was made of the shares awarded for 2009. Of the 738,381 total shares available, 431,562 shares were transferred into individual deposit securities indicated by the beneficiaries, while the remaining 306,819 shares were withheld, at the beneficiaries' discretion, to cover tax and social security obligations arising under the Plan.

Taking into account the shares already delivered based on the 2008 and 2009 results and as a result of the changes in the scope of the Plan beneficiaries that occurred during its period of application, a total of 3,827,278 Finmeccanica SpA shares may be granted to the 564 Plan participants in the event the targets for 2010 are fully reached.

With a view to the expiration of the Performance Share Plan 2008-2010 and to ensure continuity within the Group compensation system, a new medium/long-term incentive plan for 2011-2013 was drafted. The plan was submitted to the Remuneration Committee, which recommended its introduction at its meeting of 16 December 2010. At its 2 March 2011 meeting, the Committee gave final approval for the three-year Plan and related Rules. This plan will be called Performance Cash Plan, because the incentives allocated will be in cash rather than in the form of Finmeccanica SpA free shares; the shift to a new incentive tool is one of the main new elements for a plan that purports to be substantially consistent with the previous plans.

EQUITY INVESTMENTS HELD BY MEMBERS OF ADMINISTRATIVE AND CONTROL BODIES, BY THE GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

SURNAME AND NAME	INVESTEE COMPANY	Number of shares held at previous year-end	Number of shares acquired	Number of shares sold	Number of shares held at current year-end
Guarguaglini Pier Francesco	Finmeccanica	167,404	38,355 (1)	-	205,759
Greco Richard Jr.	Finmeccanica	2,350	-	-	2,350
Venturoni Guido	Finmeccanica	-	21,000 (2)	21,000	-
Zappa Giorgio	Finmeccanica	139,040	11,667 (3)	-	150,707
Managers with strategic responsibilities	Finmeccanica	41,565	10,959 (4)	-	52,524

(1) Of which no. 20,549 + 2,246 of spouse assigned free of charges.
(2) Of which no. 6,000 of spouse.
(3) Of which no. 11,667 assigned free of charge.
(4) Of which no. 10,959 assigned free of charge.

FINMECCANICA AND FINANCIAL COMMUNICATION

The Finmeccanica ordinary shares are traded in the Italian Electronic Stock Exchange organised and managed by Borsa Italiana SpA and are identifiable with these codes:

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

Relations with the financial market

Finmeccanica boosts a constant dialogue with the national and international financial community – financial analysts, institutional and individual investors – through continuous communication from the Investor Relations Function with both the stock market and the bond market. Investor Relations provides the quality and quantity information on the expected financial and economic performance and the Group commercial performance, supporting the financial market in achieving a perception and an assessment of Finmeccanica that is consistent with the intrinsic value of the stock of the Group.
The methods used by Investor Relations are described in the section "Corporate Governance Report and Shareholder Structure", section "Shareholders' Relations".
Investor Relations organises various events aimed at improving the financial community's knowledge of Finmeccanica and dealing with the specific issues arisen from the dialogue with the financial community. In addition to daily contacts with analysts and investors, of particular significance are the conference calls made with the Group Top Management when the first and third quarter results are published, as well as when significant transactions are announced, the institutional roadshows with the Group Top Management when the annual and half-year results are published, deal roadshows when extraordinary transactions are made and the Investor Day.
The 2010 Investor Day was held in London; the event focussed on the issues of Group profitability and future growth trends in emerging countries and innovative technologies. A visit to the plants of SELEX Galileo in Edinburgh was also organised.
More information on the shareholder activities performed by Finmeccanica's Investor Relations is also available in the section Investor Relations of the institutional site www.finmeccanica.com. Through the Internet site, access is gained on the economic and financial data, market presentations, financial statements and prospectuses on financial transactions, shareholding structure and information on Corporate Governance, and the most important events on the Group financial communication can be followed live or through the audio/video documents available, such as results presentation and the Investor Day. An integral part of the restyling of the entire Finmeccanica institutional site is the Investor Relations section, which includes new elements available from July 2010. In particular, in addition to a new architecture improving usability, there is a section specially intended for individual shareholders ("For the Shareholder" box) which gives immediate access to this information: dividends, sharestructure, Bylaws, reports and resolutions, and Corporate bodies.
Shareholders can also reach Investor Relations at this e-mail address: investor_relations@finmeccanica.com.

Financial Calendar 2011

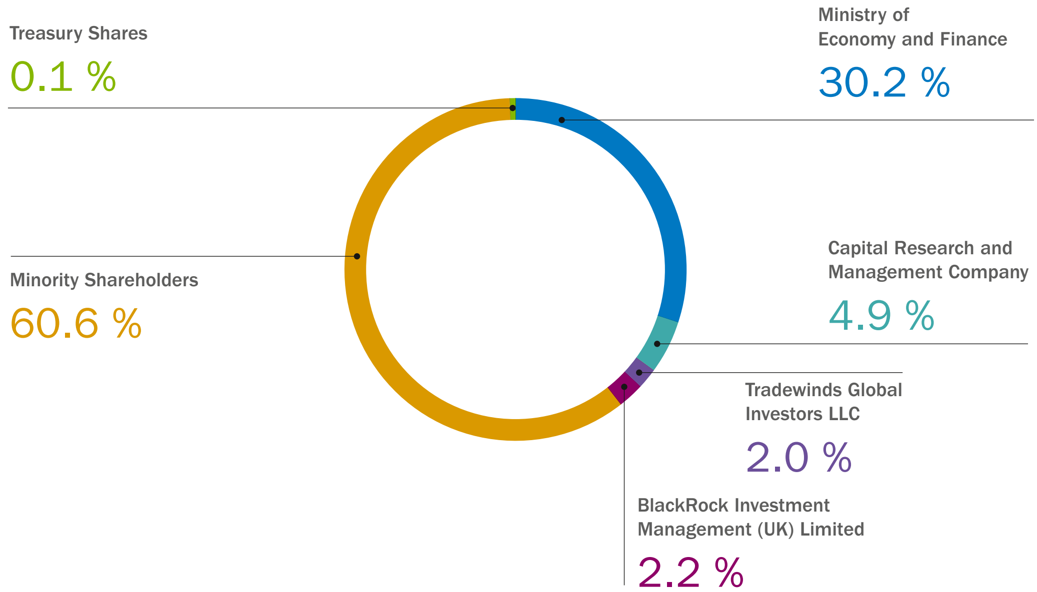
- 2 March 2011: 2010 Annual Report;
- 26 April - 13 May 2011: AGM of Shareholders for FS 2010 approval;
- 28 April 2011: Results at 31 March 2011 - First Quarter 2011;
- 27 July 2011: Results at 30 June 2011 - First Half 2011;
- 3 November 2011: Results at 30 September 2011 - Third Quarter 2011.

Inclusion of the Finmeccanica stock in the Dow Jones Sustainability Indexes

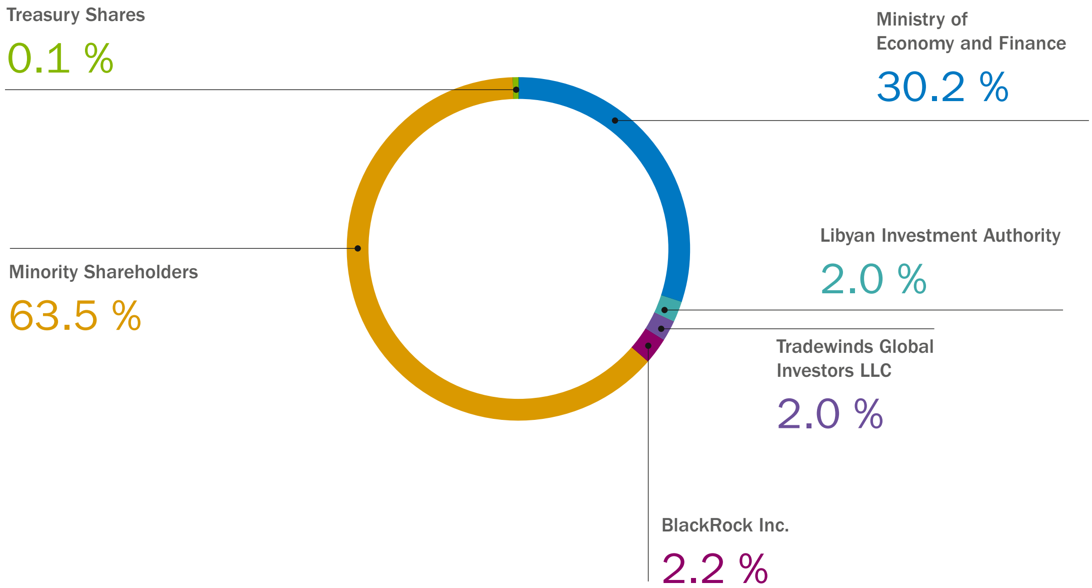
At the top of an initiative coordinated by Investor Relations, on 9 September 2010, after an assessment procedure carried out by rating agency SAM GmbH, the Finmeccanica stock was included in the prestigious world and European Dow Jones Sustainability Indexes (DJ Sustainability World and STOXX respectively). This acknowledgement certifies the commitment that the Finmeccanica Group has brought into play for a while in the Economic, Social and Environmental dimensions.

Major Shareholders

At 31 December 2010 Finmeccanica's share capital is divided into 578,150,395 ordinary shares, broken down as follows:



At 31 December 2010, in addition to the Ministry of Economy and Finance, three institutional investors owned more than 2% in the share capital of Finmeccanica, for a total of more than 9% of the share capital. More specifically, Capital Research and Management Company held 4.9%, BlackRock Investment Management held 2.2% and Tradewinds Global Investors held 2%. Subsequent to 31 December 2010 and until the date of preparation of this document, changes were made to the shareholding structure of Finmeccanica, which is presently as follows:



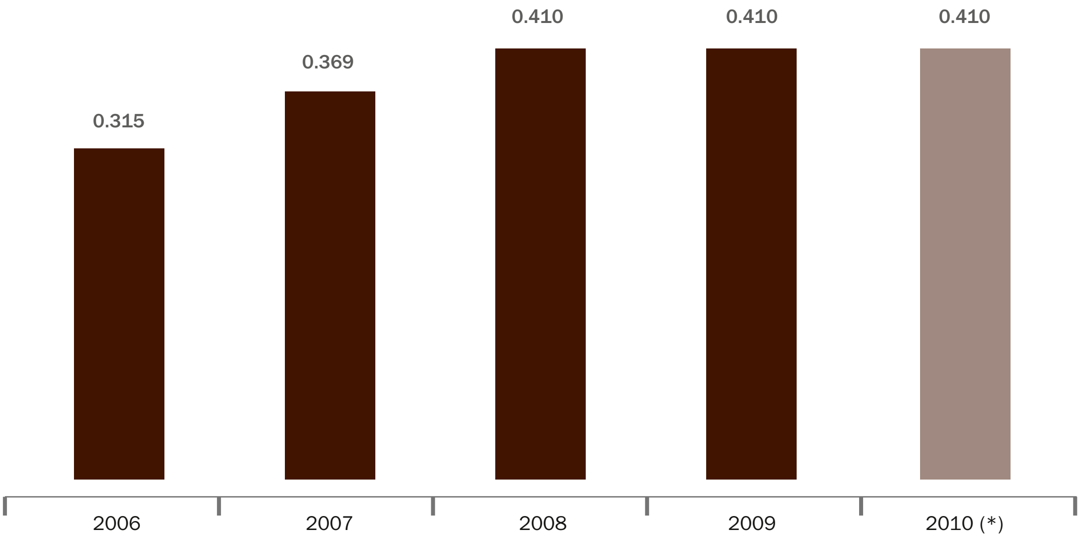
As of the date of this Report, in addition to the Ministry of Economy and Finance, three institutional investors own more than 2% in the share capital of Finmeccanica, for a total of more than 6% of the share capital. More specifically, BlackRock Inc. owns 2.2%, Tradewinds Global Investors owns 2% and Libyan Investment Authority owns approximately 2%.
For more information, reference should be made to the page "Shareholding Structure" in the section "Investor Relations" on the institutional site of Finmeccanica (www.finmeccanica.com).

Main data per share (2006-2010)

Earnings per share (in euros)	2010	2009	2008	2007	2006
Basic EPS	0.854	1.134	1.294	1.140	2.353
Diluted EPS	0.853	1.133	1.293	1.138	2.344

Dividends

The dividend proposal for the year 2010 of €0.41 per share confirms Finmeccanica's commitment to remunerating shareholders.



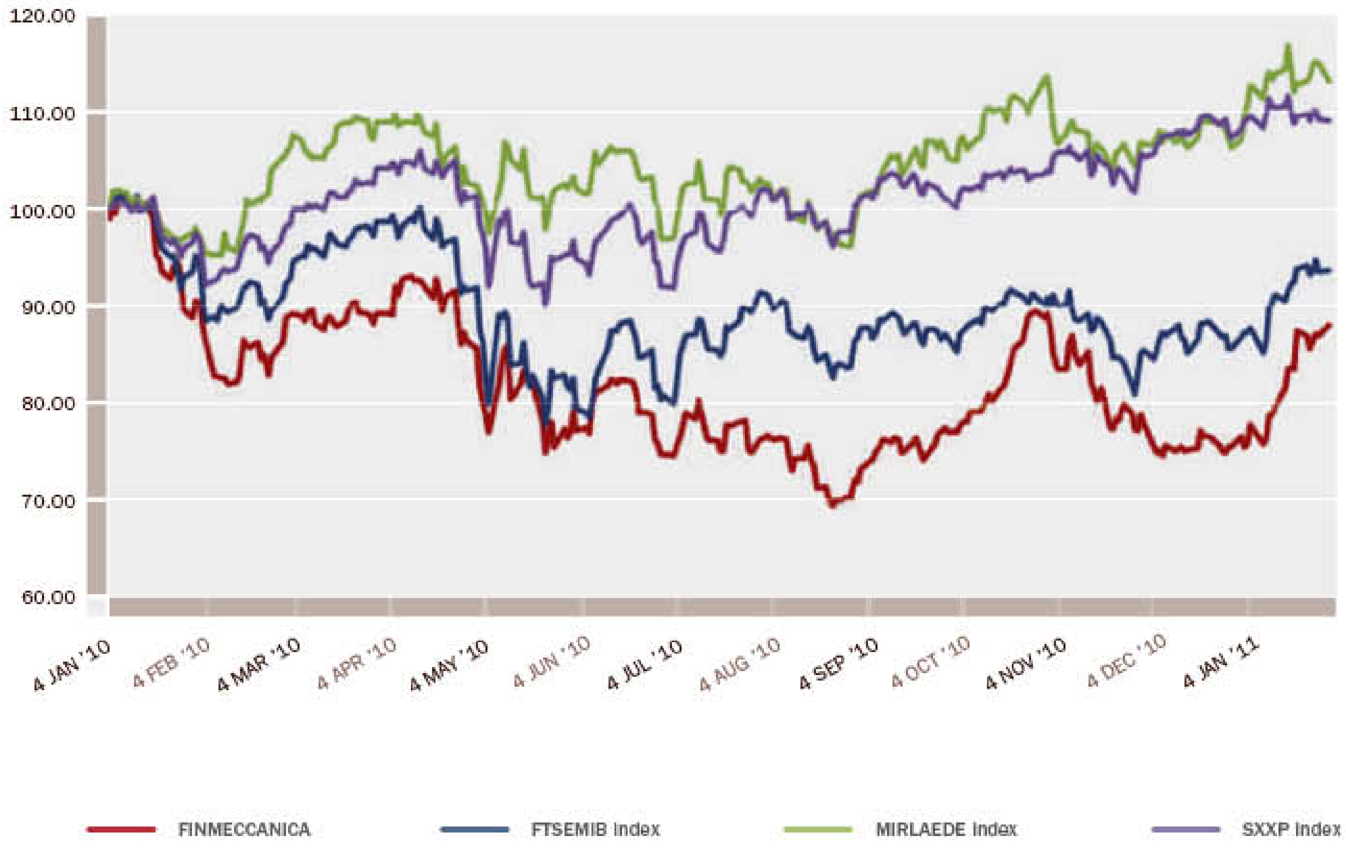
(*) Dividend proposed by the Board of Directors to the Shareholders' Meeting.

FS of reference	Detachment date of coupon	Date of payment	Dividend per share	Dividend yield (at 31 Dec.)	Dividend payout
2010 (*)	23 May 2011	26 May 2011	0.41	4.8%	0.48
2009	24 May 2010	27 May 2010	0.41	3.7%	0.36
2008	18 May 2009	21 May 2009	0.41	3.8%	0.31

(*) Dividend proposed by the Board of Directors to the Shareholders' Meeting.

Performance of the Finmeccanica stock in the Italian S&P/MIB index and the European segment index Morgan Stanley A&D (at 4 January 2010 = 100)

After a few years of economic crisis, the year 2010 was marked by the crisis of public debt, strongly felt in the eurozone, which spread after a 2009 when Governments intervened to support the financial segment in order to curb the negative effects of the crisis on real economy.
The high levels of public debt in many industrialised Countries made it necessary to rationalise public spending in order to ensure high quality standards in strategically important sectors. The Defence budgets were also part of the process, but the numerous interpretations of the Countries regarding times and amounts of possible public spending cuts adversely affected the Stock Exchange performance of Defence stocks.
The performance of the Finmeccanica stock in 2010 can – at least in part – be due to these segment trends, also confirmed by the comparable performance of other European companies operating in the Defence segment.
An opposite trend was recorded in the Aerospace civil segment, which benefited from the positive signs of recovery in air traffic volumes, meaning an increase in orders and deliveries which caused the stocks to generally increase in value during the year.
Below is Finmeccanica's stock performance during 2010 and until 31 January 2011 according to the index of the major listings in the Milan Stock Exchange (FTSEMIB), the index composed of the 600 major listings in Europe (S&P600) and the Morgan Stanley A&D Europe Index, with 100 basis at 4 January 2010.



CORPORATE GOVERNANCE REPORT AND SHAREHOLDER STRUCTURE

SECTION 1: ISSUER PROFILE AND SHAREHOLDER STRUCTURE

Introduction

The purpose of this Report, pursuant to Art. 123-*bis* of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998), as well as the current laws and regulations governing disclosures concerning compliance with codes of conduct, is to provide the necessary periodic and analytical description of Finmeccanica SpA's corporate governance system and its shareholder structure.

Specifically, the section Information about the Shareholder Structure was prepared in accordance with paragraph 1 of the aforementioned Art. 123-*bis*.

Concerning the information required by Art. 123-*bis*(2), the section information on corporate governance was prepared based on the Corporate Governance Code for Listed Companies, approved in March 2006 by the Corporate Governance Committee and supported by Borsa Italiana SpA. The Company declares that it is compliant with the Code.

The aforementioned Corporate Governance Code can be found on the Borsa Italiana website (www.borsaitaliana.it).

1. Issuer profile

The following is a brief profile of the Company. A fuller description is provided in later sections of this Report.

Share capital

The share capital of Finmeccanica, totalling €2,543,861,738.00, is represented by 578,150,395 shares and consists solely of ordinary shares with a par value of €4.40 each.

The Minister of Economy and Finance holds a 30.204% stake in the share capital of Finmeccanica. The State's participation is governed by the terms of the Prime Minister's Decree of 28 September 1999, which states that the publicly owned stake may not fall below a minimum threshold of 30% of the Company's share capital, a requirement confirmed by Art. 59 of Law 133 of 6 August 2008.
The Company holds 712,515 treasury shares, equivalent to about 0.123% of its share capital.

Special powers

In accordance with Law 474 of 30 July 1994, as amended by Law 350 of 24 December 2003 (the 2004 Finance Act), the Minister of Economy and Finance, jointly with the Minister for Productive Activities (now the Minister for Economic Development), holds "special powers" (the so-called "golden share") in a number of State-owned companies, including Finmeccanica. Following the changes introduced by the law and in implementation for the provisions of Ministerial Decree 3257 of 1 April 2005, the Ministry of Economy and Finance set out the exact content of the clauses in the Bylaws that attribute special powers in Finmeccanica. This was incorporated in the Company's Bylaws as Art. 5.1-*ter* by resolution of the Board of Directors on 21 April 2005.

Specifically, according to this clause, the "special powers", described in detail in Section 2, letter D.1), include the rights:

- to oppose the acquisition of material shareholdings (at least 3%) in the Company;
- to oppose the signing of agreements or contracts in which at least 3% of the share capital is represented;

- to veto, if duly justified in view of the harm that would be done to State interests, decisions to wind up the Company, sell the business, conduct mergers or demergers, relocate the Company's registered office to a different country or change its business purpose;
- to appoint a Director without voting rights.

Company organisation

The organisation of the Company, based on the traditional model, is consistent with the applicable laws provided for listed issuers and is as follows:

- Board of Directors, which is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company's business purpose, except for those acts reserved to the Shareholders' Meeting by law or by the Bylaws. The current Board of Directors was appointed by the Shareholders' Meeting on 6 June 2008 for the 2008-2010 term.
- Board of Statutory Auditors, which has the task of monitoring: (a) compliance with the law and Bylaws and observance of the principles of proper business administration; (b) the adequacy of the Company's organisational structure, internal audit system and administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; (c) the adequacy of the Company's instructions to subsidiaries with regard to disclosures. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 29 April 2009 for the 2009-2011 term.
- Shareholders' Meeting, which has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the Bylaws.
- Independent Auditors: the Shareholders' Meeting of 23 May 2006 appointed PricewaterhouseCoopers SpA to audit the Company's accounts for the period from 2006 to 2011.
- Officer in charge of preparing the Company's accounting documents: on 26 June 2008, pursuant to Art. 154-*bis* of the Consolidated Law on Financial Intermediation, the Board of Directors appointed Alessandro Pansa, Co-General Manager of the Company, as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

Objectives and corporate mission

Finmeccanica intends to maintain and enhance its role as the leading Italian industry in the high technology field, developing a synergetic and integrated portfolio of activities primarily focused on Aerospace, Defence and Security by means of which it can meet the needs of domestic customers effectively, take part in work on European and international programmes and compete selectively on the global market. To date, the Company operates also in the Energy and Transportation sectors.
Finmeccanica pursues its mission by rigorously pursuing its objective of creating value for its Shareholders and aiming to protect and enhance Italian expertise in its different business areas.

2. Information about the Shareholder Structure

A) Structure of the share capital

The Company's share capital consists exclusively of common shares with a par value of €4.40 each, all accompanied by the same rights and obligations and having the same voting rights at both ordinary and extraordinary Shareholders' Meetings.

B) Restrictions on share ownership

In accordance with the laws on privatisation, the Company Bylaws (Art. 5.1-*bis*) provide as follows: "Under Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, no one, except for the State, public bodies or entities controlled thereby and any other party authorised by law, may possess, on any basis, shares in the Company that constitute a shareholding of more than 3% of the share capital represented by shares with voting rights.

The maximum shareholding limit is also calculated in consideration of the total holding of the controlling undertaking, which may be a natural person, legal person or corporation, by direct or indirect subsidiaries and by the subsidiaries of a single controlling undertaking, by affiliated undertakings and by relatives within the second degree of consanguinity or affinity or spouses, provided that the spouses are not legally separated.
With reference also to parties other than companies, the term “control” is held to be within the meaning of Art. 93 of Legislative Decree 58 of 24 February 1998. The term “affiliation” is held to be within the meaning of Art. 2359(3) of the Italian Civil Code, and is also deemed to exist between parties who, directly or indirectly, through their subsidiaries, other than those which manage mutual funds, sign, with third parties or otherwise, agreements relating to the exercise of voting rights or the transfer of shares, belonging to third parties or otherwise, or other agreements or contracts with third parties or otherwise, as referred to in Art. 122 of the aforesaid Legislative Decree 58 of 24 February 1998, if such agreements or contracts concern at least 10% of the voting capital for listed companies or 20% of the voting capital for unlisted companies.
For the purposes of calculating the aforesaid shareholding limit (3%), consideration is also given to shares held through trust companies and/or intermediaries or by third parties in general”.

C) Material shareholdings

Based on information received by the Company pursuant to Art. 120 of the Consolidated Law on Financial Intermediation and other available information, at the date of approval of this Annual Report, the following entities, either directly or indirectly, have a material shareholding (exceeding 2% of the share capital):

Material shareholdings

Owner	Direct shareholder	% ownership of ordinary share capital and share capital with voting right
Ministry of Economy and Finance	Ministry of Economy and Finance	30.204
BlackRock Inc.	BlackRock (Netherlands) BV	0.018
	BlackRock Institutional Trust Company NA	0.889
	BlackRock Fund Managers Limited	0.016
	BlackRock Advisors (UK) Limited	0.634
	BlackRock Investment Management (Australia) Limited	0.003
	BlackRock Investment Management LLC	0.063
	BlackRock Financial Management Inc.	0.020
	BlackRock Asset Management Japan Limited	0.183
	BlackRock Asset Management Australia LTD	0.008
	BlackRock Asset Management Canada Limited	0.016
	BlackRock Fund Advisors	0.358
	BlackRock Investment Management (UK) Limited	0.001
	BlackRock International Limited	0.031
		TOTAL 2.240
Tradewinds Global Investors LLC	Tradewinds Global Investors LLC	**2.026**
Libyan Investment Authority	Libyan Investment Authority	**2.010**

D) Holders of securities that confer special rights

No securities have been issued conferring special rights.

D.1) Special powers of the Italian Ministry of Economy and Finance

The special powers conferred upon the Minister of Economy and Finance by Art. 5.1-*ter* of the Bylaws provides that pursuant to Art. 2(1) of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as replaced by Art. 4(227) of Law 350 of 24 December 2003, the Italian Minister of Economy and Finance, jointly with the Italian Minister for Productive Activities (now Minister for Economic Development), has the following special rights:

a) "the right to oppose the acquisition, by parties subject to the shareholding limit, as referred to in Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, of material shareholdings, this being understood to mean shareholdings that – as laid down by Decree of the Italian Minister for the Treasury, Budget and Economic Planning of 8 November 1999 – represent at least 3% of the share capital composed of shares with voting rights at Ordinary Shareholders' Meetings. The objection shall be raised within 10 days from notification, to be issued by the Directors when entry in the shareholders' register is requested, if the Minister considers that the operation could harm the vital interests of the State. During the period in which the right of opposition may be exercised, the voting right and any other rights not relating to equity pertaining to shares representing the material shareholding shall be suspended. If the right of opposition is exercised, in the form of a ruling duly justified by the actual harm caused by the operation to the vital interests of the State, the shareholder concerned may not exercise the voting rights or rights not relating to equity pertaining to the shares representing the material shareholding and shall transfer these shares within a period of one year. In case of non-compliance, the court, upon the request of the Italian Minister of Economy and Finance, shall order the sale of the shares representing the material shareholding in accordance with the procedures set out in Art. 2359-*ter* of the Italian Civil Code. The ruling by which the right of opposition is exercised may be challenged by the shareholder concerned within 60 days before the Regional Administrative Court of Lazio";

b) "the right to oppose the signing of pacts or agreements as set out in Art. 122 of the Consolidated Law on Financial Intermediation, Legislative Decree 58 of 24 February 1998, in the event that – as laid down by Decree of the Italian Minister of the Treasury, Budget and Economic Planning of 8 November 1999 – such pacts or agreements represent at least 3% of the share capital composed of shares with voting rights at Ordinary Shareholders' Meetings. So that the right of opposition may be exercised, CONSOB shall inform the Italian Minister for the Economy and Finance of any material agreements and contracts within the meaning of the present article of which it has been informed under said Art. 122 of the Consolidated Law on Financial Intermediation, Legislative Decree 58/1998. The right of opposition must be exercised within 10 days from the date of notification by CONSOB. During the period in which the right of opposition may be exercised, the voting right and any other rights not relating to equity of shareholders who signed the agreement shall be suspended. If an opposition ruling is issued, duly justified in view of the actual harm caused by said agreements or contracts to the vital interests of the State, said agreements or contracts shall be invalidated. If the behaviour at meetings of syndicated shareholders suggests that the obligations assumed under the agreements or contracts referred to in Art. 122 of the Consolidated Law on Financial Intermediation, as referred to in Legislative Decree 58/1998, still apply, resolutions adopted with the vote of the shareholders concerned may be challenged. The ruling exercising the right of opposition may be challenged within 60 days by shareholders who signed the agreements or contracts before the Regional Administrative Court of Lazio";

c) "the right of veto, duly justified in view of the actual harm caused to the vital interests of the State, resolutions to wind up the Company, transfer the business, proceed with mergers or demergers, relocate the Company's registered office to a different country, change the corporate purpose or amend the Bylaws, where such resolutions abolish or alter the powers referred to in the present article. The ruling by which the right of veto is exercised may be challenged within 60 days by dissenting shareholders before the Regional Administrative Court of Lazio";

d) "the right to appoint a director without voting rights" (see letter "L" below).

E) Employee shareholdings: voting mechanism

No provision is made for any employee shareholding scheme.

F) Voting restrictions

In accordance with the laws on privatisation (Law 474/1994), the Corporate Bylaws provide that voting rights relating to shares held above the maximum limit of 3% laid down by Art. 5.1-*bis* of the Bylaws may not be exercised.
Article 5.1-*bis* also provides that "voting rights held by shareholders in excess of the shareholding limit shall be reduced proportionally, unless otherwise previously and jointly indicated by all the shareholders concerned.
In case of non-compliance, meeting resolutions may be challenged under Art. 2377 of the Italian Civil Code if the required majority would not have been reached had the votes exceeding the maximum limit not been included.
However, non-voting shares shall be included for the purposes of calculating the meeting quorum".
Note should also be taken of the contents of subsection D.1) above, with reference to Art. 5.1-*ter* of the Bylaws and, specifically, the special powers described therein.

G) Agreements notified to the Company pursuant to Art. 122 of the Consolidated Law on Financial Intermediation

The Company has no knowledge of any shareholders' agreements as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, regarding the shares.

H) Change of control clauses

Material agreements entered into by Finmeccanica or its subsidiaries and which will become effective, will be amended or extinguished in case of a change of control of the company concerned are listed below with an indication of the corresponding effects.

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
FINMECCANICA	Bnpp-Bnl, Banca Intesa Sanpaolo, Unicredit, Société Générale, The Bank of Tokyo-Mitsubishi, Hsbc Bank Plc, Sumitomo, Royal Bank of Scotland Plc, Bank of America-Merril Lynch, Banco Santander	Loan authorisation agreement	After an optional 90-day registration period, banks may request the restitution of their stake
FINMECCANICA	ING Bank NV and ING Bank NV, Milan Branch	Guarantee agreement for AnsaldoBreda	After an optional 90-day registration period, the banks may cancel the agreement and request a refund for guarantees issued
FINMECCANICA	BAE Systems and EADS	Shareholders' agreement relating to MBDA SAS, a company operating in the missile systems sector	In case of a change of control of Finmeccanica, the other shareholders – BAE Systems and EADS – have the option of deciding whether to extinguish Finmeccanica's right to appoint certain managers and to obtain certain information about MBDA. If this is requested by the shareholders, Finmeccanica can ask these shareholders to buy its stake in MBDA at market price

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
FINMECCANICA	Finmeccanica Group Real Estate (100% Finmeccanica)	Loan agreement	Finmeccanica has the right to terminate the contract in the case of a change of control of Finmeccanica Group Real Estate or sale of the company or a major unit of the company to a third party
FINMECCANICA	European Investment Bank	Loan agreement for Alenia Aeronautica	EIB may request early reimbursement if a party or group of parties acting in concert acquires control of Finmeccanica pursuant to Art. 2359 or if the Italian government ceases to hold at least 30% of the share capital of Finmeccanica
FINMECCANICA	Thales	Shareholders' agreement relating to Thales Alenia Space SAS (TAS) (Finmeccanica 33%), a company operating in the satellite manufacturing sector	In case of a change of control of Finmeccanica to a competitor of Thales, Thales is entitled to buy Finmeccanica's shares in TAS at a price to be agreed by the parties
FINMECCANICA	Thales	Shareholders' agreement relating to Telespazio Holding Srl (TPZH) (Finmeccanica 67%), a company operating in the satellite services sector	In case of a change of control of Finmeccanica to a competitor of Thales, Thales is entitled to sell to Finmeccanica its shares in TPZH at a price to be agreed by the parties
FINMECCANICA	Thales and Benigni	Shareholders' agreement relating to Elettronica SpA (Finmeccanica 31.33%), a company operating in the Defence Electronics sector	In case of a change of control, the other shareholders have the right to buy finmeccanica's shares in elettronica on a pro-rata basis at a price to be agreed by the parties
FINMECCANICA	DRS Technologies Inc. and its subsidiaries 100% Finmeccanica	Loan agreement	In case of a change of control, DRS Technologies must immediately repay the loan to Finmeccanica

PARTIES /SUBSIDIARIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
Agusta SpA 100% Finmeccanica through AgustaWestland NV	General Electric Company (through the Aviation Business Unit, MA, USA - "GE")	Framework agreement relating to the supply of helicopter engines	Renegotiation of agreements if control of Agusta is acquired by a competitor of GE; Agusta is liable for any breach of confidentiality in relation to GE's proprietary information
Agusta SpA 100% Finmeccanica through AgustaWestland NV	Bell Helicopter Textron	License for the production and sale of 412, 412SP, 412HP, 412EP-SAR, 212, 206A, 206B helicopters and spare parts	Termination of the agreement in case of transfer of ownership of Agusta to a third-party helicopter manufacturer and seller, excluding intra-group transfers
Agusta SpA 100% Finmeccanica through AgustaWestland NV	Boeing Company Defence & Space Group	Agreement for the revision and sale of the CH47C and spare parts	Express cancellation clause, excluding transfer of control within the Finmeccanica Group
Agusta SpA **Agusta US Inc.** **AgustaWestland NV** 100% Finmeccanica through AgustaWestland NV	Bell Helicopter Textron Inc.	Joint venture Bell/Agusta Aerospace Company LLC for the development of the convertiplane project, also known as BA609	In case of *de facto* or *de jure* transfer of control to a competitor of Bell or any third party, Bell may wind up the LLC; if Bell decides to not wind up the LLC, it may stipulate that certain research projects and confidential information /techniques cannot be transferred to third parties
Alenia Aeronautica 100% Finmeccanica	Boeing Company	General Terms Agreement concerning Alenia Aeronautica's stake in the Boeing 787 programme	Authorisation of Boeing required in the case of change of control of Alenia Aeronautica. Boeing has the right to terminate the contract in the event this clause is violated
Alenia Aeronautica 100% Finmeccanica	Abu Dhabi Uav Investment LLC	Joint venture agreement concerning the formation of a company (Advanced Male Aircraft LLC) in Abu Dhabi for the development and production of a class of remotely-piloted aircraft	Termination of the agreement at the option of the party not subject to a change in control. Termination subject to the initiation of a special amicable settlement process and not an arbitration procedure. In the alternative, the nonbreaching party may demand that the breaching party sell its shares at market value less 20%, or that the breaching party purchase the shares of the nonbreaching party at market value plus 20%

PARTIES /SUBSIDIARIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
Alenia Aeronautica 100% Finmeccanica	Lockheed Martin	Strategic teaming agreement that sets out the general terms of the relationship between the parties under the Joint Strike Fire ("JSF") programme to build a 5th generation multirole fighter plane	Termination of the agreement at the option of Lockheed Martin in case of a change of ownership or control of Alenia Aeronautica or sale of assets that would result in a significant loss or decrease in expertise or facilities essential to the performance of Alenia Aeronautica's obligations
Word's Wing SA 94.94% Alenia Aeronautica **Alenia Aeronautica** 100% Finmeccanica	Oao Sukhoi Company, Oao Sukhoi Design Bureau Zao Sukhoi Civil Aircraft	Joint venture agreement concerning Sukhoi Civil Aircraft Company, a Russian company that produces the Sukhoi Superjet 100 regional aircraft	In the event of a change of control of Alenia Aeronautica, Sukhoi Company has the right to exercise a purchase option on the shares of Sukhoi Civil Aircraft Company, held by Alenia Aeronautica through World's Wing SA, at market price, equal to the lessor of fair market value and floor value (which corresponds to the total purchase price of shareholdings in SuperJet International and in Sukhoi Civil Aircraft Company) plus the total contributions paid by Alenia under the Funding Plan, less 10%
Wing NED BV 100% Alenia Aeronautica **Alenia Aeronautica** 100% Finmeccanica	Sukhoi Company SuperJet International SpA	Joint venture agreement concerning SuperJet International SpA, an italian company that markets regional jets, including the Sukhoi Superjet 100	In the event of change of control of Alenia Aeronautica, Sukhoi Company has the right to exercise a purchase option on the shares of SuperJet International, held by Alenia Aeronautica through Wing NED BV, at a market price, equal to the lessor of fair market value and floor value (which corresponds to the total purchase price of shareholdings in SuperJet International and in Sukhoi Civil Aircraft Company) plus the total contributions paid by Alenia Aeronautica under the Funding Plan, less 10%
Alenia North America Inc. 100% Finmeccanica through Alenia Aeronautica SpA	L-3 Communications Integrated Systems LP	Joint venture agreement concerning US company Global Military Aircraft Systems LLC, for undertaking activity in relation to the C27J aircraft	If a stake equal to or more than 50% of the stake of the LLC or assets is transferred to a competitor of the other party, the party not involved will be entitled to a purchase option at the market value on the shareholding of the party that underwent the change of control

PARTIES /SUBSIDIARIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
AnsaldoBreda (100% Finmeccanica) as a member of the Trevi Consortium along with: • Alstom Ferroviaria SpA • Firema Trasporti SpA • Bombardier Transportation Italia SpA	Trevi Consortium, which has a locomotive supply contract with Trenitalia SpA	Bylaws of the Trevi Consortium	The bylaws of the Trevi Consortium stipulate that the shareholders' meeting can decide to exclude a member of the consortium
AnsaldoBreda 100% Finmeccanica	Bombardier Transportation GmbH	Cooperation Agreement concerning the joint development, manufacture and sale of the new high-speed train	In the case in which more than 50% of the share capital of one of the parties or its parent company is transferred to a competitor of the parties, or in the case of merger of one of the parties with a competitor or in the case of the transfer of the assets to a competitor, the party not involved will be entitled to terminate the contract
Ansaldo Energia SpA 100% Finmeccanica	Siemens AG	Supply contract for turbine blades	Express cancellation clause
Ansaldo STS SpA 40.065% Finmeccanica	Naples City Council	Concession agreement for the construction of Line 6 of the metro	Termination of the contract in case of the incorporation or merger with other non-Group companies
SELEX Galileo Ltd 100% Finmeccanica	Northrop Grumman	"Missile Counter Measure (Infrared)" contract	Termination of the contract or alternatively a request for additional performance guarantees, at the discretion of the party not subject to a change in control
SELEX Systems Integration Ltd 100% Finmeccanica through SELEX Sistemi Integrati SpA	Lockheed Martin IS&GS (Civil) UK	Teaming Agreement for presenting a bid for the Joint Military Air Traffic Services project	Termination of the contract at the discretion of the party not subject to a change in control
Telespazio SpA 100% through Telespazio Holding Srl (Finmeccanica 67%)	DLR GfR	Bylaws for Spaceopal GmbH (50% Telespazio SpA; 50% DLR GfR), a company operating in the field of satellite services relating to the Galileo project	Right of the shareholder not subject to a change in control, with the prior authorisation of the shareholders' meeting, to sell its shares to a third party or another shareholder or to withdraw in exchange for a payment to be determined

PARTIES /SUBSIDIARY		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
Telespazio SpA 100% through Telespazio Holding Srl (Finmeccanica 67%)	Italian Space Agency (ASI)	Shareholders' agreement relating to e-GEOS SpA (Telespazio SpA 80%, ASI 20%), a company operating in the earth observation satellite fied	Right of ASI to, at its option: • repurchase the property, plant and equipment and intangible assets contributed by ASI to e-GEOS • sell the shares to the shareholders of e-GEOS in proportion to the stakes held in the company
DRS Systems Management LLC 100% Finmeccanica through DRS Technologies Inc.	Sunburst Management Inc.	Partnership Agreement concerning Laurel Technologies, a company operating in the circuit card and cable assembly sector	Right of the party not subject to a change of control to purchase the other party's stake at a price equal to the book value of the stake recorded by the other party
DRS Defence Solutions LLC 100% Finmeccanica through DRS Technologies Inc.	Thales USA Inc.	Joint venture agreement concerning DRS Sonar Systems LLC (now Advanced Acoustic Concepts LLC), a company operating in the sonar sector	Option of the party not subject to a change of control (i) to purchase the stake of the other party at the market price as determined by an expert, or (ii) to offer its stake at a reasonable price to the party subject to the change of control which, if it refuses the offer, will be required to sell its stake at the same price (in proportion to the percentage held) to the party not subject to a change of control
DRS Power & Control Technologies Inc. 100% Finmeccanica through DRS Technologies Inc.	Elliot Company	Joint venture agreement concerning Canopy Technologies LLC, a company operating in the magnet machinery sector	Right of the party not subject to a change of control to purchase the stake of the other party at a price equal to the shareholders' equity
DRS Radar Systems LLC 100% Finmeccanica through DRS Technologies Inc.	Thales Nederland BV Thales USA Defence & Security Inc.	Technology transfer and licence agreement	Right to terminate the contract
DRS Defence Solutions LLC 100% DRS Technologies	DRS Technologies Inc.	Loan agreement	In case of a change of control, obligation of DRS Defence Solutions of accelerated repayment of the loan to DRS Technologies

I) Compensation for Directors in case of resignation or dismissal without just cause or termination of employment following a takeover bid

There are no agreements to provide compensation for Directors in the case of resignation or dismissal without just cause or termination following a takeover bid.
As to the Chairman and Chief Executive Officer, Pier Francesco Guarguaglini, in the event his mandate is terminated early for any reason (except for voluntary resignation), he will be paid a scaled severance indemnity, equal to, respectively, 36, 24 and 12 twelfths of his annual compensation based on whether the termination occurs during the first, second or third year of his mandate.
For this purpose, annual compensation consists of a fixed portion (paid pursuant to Art. 2389 of the Italian Civil Code) and a variable portion comprised of the MBO and the incentive plans, taking as reference, for the measurement of the variable portion, the average of the compensation effectively received or accrued for the last two years.
As to medium/long-term incentive plans based on financial instruments and right to receive cash incentives, existing regulations require that the options granted be maintained *pro rata temporis* unless the Director's mandate is terminated for good cause or if the Director resigns for good reason. These continuing *pro rata temporis* options may be transferred to the Director's heirs in the event of death. To be entitled to cash-based incentives under the annual MBO System, a Director must serve a minimum of six months.
No agreements exist that give the Director the right to assign or maintain non-monetary benefits following termination of his mandate or are there any "special" contracts providing that the Director will act as a consultant for a period of time following termination of his mandate.
The Chairman and Chief Executive Officer has signed a non-competition agreement that provides that, for three years following the termination of his service as a Director, he will receive the annual compensation described above for each year the agreement is in effect.
Starting from the second year, the Board of Directors has the exclusive right to terminate the non-competition agreement with no further compensation owed to the Chairman and Chief Executive Officer.

L) Laws governing the appointment and replacement of Directors and amendments to the Bylaws

Appointment and replacement of Directors

- The Directors are appointed as provided by Art. 18.4 of the Company's Bylaws:
  "Without prejudice to the powers of appointment referred to in the preceding subparagraph, Directors shall be appointed by Shareholders' Meetings based on lists submitted by shareholders and by the retiring Board of Directors in which the candidates are numbered consecutively.
  If the retiring Board of Directors submits its own list, this must be deposited at head office and published by the twenty-fifth day preceding the date of the meeting at first convocation, and published by the company at least twenty-one days before the date of the meeting, still in case of first convocation, in accordance with the procedures provided for in the relevant regulations.
  The lists submitted by shareholders must be deposited at head office by the twenty-fifth day preceding the date of the meeting at first convocation, and published by the Company at least twenty-one days before the date of the meeting, still in case of first convocation, in accordance with the procedures provided for in the relevant regulations.
  Each shareholder may submit or take part in the submission of only one list and each candidate may appear on only one list, failing which he or she shall be disqualified.
  Only those shareholders who, either alone or together with other shareholders, represent at least 1% of the shares with voting rights at Ordinary Shareholders' Meetings, shall be entitled to submit lists, or such lesser number as might be provided by legal or regulatory provisions, where applicable. In order to prove possession of the number of shares necessary for the submission of lists, shareholders must deposit at head office, within the deadline provided for the publication of the lists by the Company, the relevant certificate proving that they are in possession of the number of shares represented.

At least two Directors must satisfy the independence criteria as laid down for statutory auditors by law. Candidates on the lists who satisfy the independence criteria must be expressly indicated.
All candidates must also satisfy the requirements for good repute laid down by the applicable legislation.
Declarations must be deposited with each list, within the aforesaid time limit, in which each candidate accepts his or her candidacy and attests, under his or her own responsibility, that there are no reasons for ineligibility and that the requirements laid down by the applicable legislation for the office in question have been met, including satisfying the independence criteria, as required by these Bylaws.
Directors nominated shall immediately inform the Company if they no longer satisfy the aforesaid independence criteria and requirements for good repute and if any reasons for ineligibility have arisen.
Each person entitled to vote may only vote for one list.

Directors shall be elected as follows:

a) two thirds of the Directors to be elected shall be taken from the list that receives the most votes from shareholders, according to the order in which they appear on the list, rounded down to the nearest whole number where necessary;

b) the remaining Directors shall be taken from the other lists; for this purpose, the votes received by the lists shall be divided once, twice, three times and so on, according to the numbering of the Directors to be elected. The ratios thus obtained shall be assigned in consecutive order to the candidates on each list, based on the order shown in the list. The ratios thus allocated to the candidates on the various lists shall be arranged in decreasing order in a single list. Those candidates who have obtained the highest ratios shall be elected.
If several candidates obtain the same ratio, the Director shall be chosen from the list which has not yet elected a Director or which has elected the fewest Directors.
If none of these lists has elected a Director, or if all of them have elected the same number of Directors, the candidate on the list with the highest number of votes shall be elected. In case of a tied vote, where the same ratios are obtained, the entire meeting shall hold another vote and the candidate that receives the simple majority of votes shall be elected;

c) if, following the application of the aforesaid procedure, the minimum number of independent Directors required by the Bylaws has not been appointed, the ratio of votes to be allocated to each candidate on the various lists will be calculated according to the method described in subparagraph b); candidates not yet elected from the lists pursuant to subparagraphs a) and b) and who satisfy the independence criteria and who have obtained the highest ratios shall be elected. They shall be sufficient in number to ensure compliance with the Bylaws and shall replace non-independent Directors who have been allocated the lowest ratios. If there are insufficient candidates to fulfil the required minimum of two independent Directors, the Meeting shall adopt a resolution based on the statutory majority to replace those candidates who do not satisfy the independence criteria and who have obtained the lowest ratios".

Art. 18.5 of the Bylaws also provides that "for Directors not appointed in accordance with the aforesaid procedure for any reason, the meeting shall adopt a resolution based on the statutory majority. If during the financial year one or more Directors should be absent, the procedure laid down by Art. 2386 of the Italian Civil Code shall be adopted, without prejudice to the powers of appointment referred to in Art. 5.1-*ter*(d). To replace Directors who have left office, the meeting shall adopt resolutions based on the statutory majority by selecting replacements from the same list as that to which the departed Directors belonged, provided that candidates not previously elected remain on this list. The Board of Directors shall proceed with the replacement pursuant to Art. 2386 of the Italian Civil Code by selecting replacements based on the same criteria as set out in the preceding subparagraph at the next suitable meeting after the withdrawal from office is announced".

Art. 5.1-*ter* of the Bylaws provides, pursuant to Art. 2(1) of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as replaced by Art. 4(227) of Law 350 of 24 December 2003, that the Minister of Economy and Finance, jointly with the Italian Minister for Productive Activities (now the Minister for Economic Development), has the special right to appoint a Director without a voting right (see subsection D.1 of section D above). Should the Director thus appointed leave office, the Minister of Economy and Finance, jointly with the Minister for Economic Development, shall appoint a replacement.

Plans for replacement of executive Directors

The Company has not adopted a Plan for the Replacement of the Chairman and Chief Executive Officer.

Amendments to the Bylaws

Amendments to the Bylaws are ratified by the Shareholders' Meeting in accordance with the law. However, under Art. 24.1 of the Bylaws, the Board of Directors has the power to adapt the Bylaws to legislative provisions.
Under Art. 22.3 of the Bylaws, any proposals to amend articles or to adopt new Bylaws are decided by the Board of Directors with the vote in favour of 7/10ths of the Directors in office, excluding the Director without voting rights, appointed in accordance with Art. 5.1-*ter*(d) of the Bylaws.
Finally, as illustrated in subsection D.1 of section D, the Minister of Economy and Finance, jointly with the Minister for Productive Activities (now the Minister for Economic Development), has a veto over the adoption of amendments to the Bylaws that revoke or modify the powers referred to in Art. 5.1-*ter* of the Bylaws or that alter the object of the Company.

M) Authorisation for capital increases and authorisation to purchase own shares

Directors have no authority to increase the share capital under Art. 2443 of the Italian Civil Code, nor do they have the power to issue equity instruments.

It should be reported that the Finmeccanica Shareholders' Meeting of 16 January 2008 ratified the share buy-back programme proposed by the Board of Directors on 21 November 2007 for up to approximately 8% of the Company's share capital (a maximum of 34 million common shares), distributed as follows:

- approximately 2.6% for stock incentive plans (a maximum of 11.1 million common shares, 7.5 million of which are intended to be assigned over the next few years), subject to the withdrawal of any unused purchase authorisations and the availability of treasury shares allocated to service the plans, and without prejudice to existing resolutions of Shareholders' Meetings concerning the ratification of these stock incentive plans;
- approximately 5.4% (22.9 million common shares) to create maximum shareholder value.

The programme provides that the shares purchased will remain available to be used to service the stock incentive plans and as part of industrial projects or extraordinary financial operations. The Shareholders' Meeting determined that the share buy-back programmes were to be implemented within 18 months, that is by 16 July 2009, and in accordance with standard market practice for this kind of operation, taking into account the Company's performance. The programme was to be financed primarily using cash flow from operations generated by the Group.
Shares to service the programme were to have been purchased, at suitable intervals, at a maximum and minimum unit price equivalent to the reference price on the Italian Electronic Stock Exchange (MTA) on the day before the purchase (plus or minus 5% for the maximum and minimum price respectively), either on the market or by buying and selling derivatives traded on regulated markets.

During this 18-month period (by 16 July 2009), Finmeccanica purchased a total of 2,573,000 shares (equal to roughly 0.4450% of the share capital), all of which will go to service the existing stock incentive plans, as the conditions for a broader buy-back programme were not met.

As of the date of this Report, Finmeccanica holds 712,515 treasury shares, equivalent to 0.123% of the share capital.

SECTION 2: CORPORATE GOVERNANCE AND IMPLEMENTATION OF THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

3. Compliance

At its 17 October 2006 Meeting, Finmeccanica's Board of Directors resolved to bring the Company's corporate governance model into compliance with the standards and application principles found in the new Corporate Governance Code for Listed Companies (March 2006). The model, which was in any event already substantially in line with the recommendations of the previous Code, adopted the changes introduced by the new Code, incorporating them into the document entitled "**Rules of Procedure of the Board of Directors - Role, Organisation and Operating Procedures**" (the "**Rules of Procedure**"), the final version of which was approved by the Board on 1 March 2007 and updated at the meeting of 17 February 2011 to bring it in line with new CONSOB regulations on transactions with related parties. The text of the Rules of Procedure may be consulted on the Company's website (Investor Relations/Corporate Governance/Corporate Documents section).
Neither Finmeccanica nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company's corporate governance structure.

4. Direction and coordination

Finmeccanica is not subject to direction and coordination pursuant to Art. 2497 *et seq.* of the Italian Civil Code.

5. Board of Directors

5.1. Appointment and composition

The Company's administrative body is a Board of Directors comprised of between 8 and 12 members who are appointed by the shareholders. The shareholders also establish the number of members and the length of their terms in office.

Art. 18.4 of the Bylaws calls for the appointment of Directors via the submission of lists of candidates, as described in Section 2(L) above.

As to the election and composition of the Board of Directors, the Consolidated Law on Financial Intermediation, in Art. 147-*ter*(1), provides that the Bylaws shall establish a minimum shareholding required to present a list of candidates and that said minimum cannot be greater than 1/40th of the share capital, or any other proportion established by CONSOB in consideration of the Company's capitalisation, circulating shares and shareholder structure.

Through its Resolution 17633 of 26 January 2011, CONSOB set the minimum shareholding required to present a list of candidates for Finmeccanica's administration and control bodies at 1%, which corresponds to the percentage provided for in Art. 18.4 of the Company's Bylaws.

In addition to the elected Directors, there is to be one Director without voting rights appointed (in accordance with Arts. 5.1-*ter* and 18.1 of the Bylaws) by the Ministry of Economy and Finance, together with the Ministry for Economic Development (formerly the Ministry for Productive Activities), pursuant to Law 474 of 30 July 1994 (as amended by Law 350 of 24 December 2003).

The Bylaws (Article 5.1-*ter*) also expressly define the rights and obligations of this ministry appointed Director: he has the same rights granted to the other Directors by law and by the Bylaws, with the exception of the right to be granted proxy or other particular positions, including on a replacement or interim basis, but he may not act as Chairman of the Board of Directors or as a Company representative for legal purposes.

The Board of Directors of the Company established the procedure for appointing Directors using "voting lists" at its meeting of 3 November 2010 under the powers given it by Art. 24.1(d) of the Bylaws in accordance with Art. 2365(2) of the Italian Civil Code, by modifying the deadlines and methods for depositing and publishing the lists, as well as outlining the documentation required. This was done to ensure compliance with the provisions of Art. 147-*ter*(1) of the Consolidated Law on Financial Intermediation as amended by Legislative Decree 27 of 27 January 2010, which transposed Directive 2007/36/EC concerning the rights of shareholders of listed companies.

Legislative Decree 27/2010 also states that "privatised companies" are subject to the ordinary rules found in the Consolidated Law on Financial Intermediation as well as the implementing provisions, in place of the special rules set out in the so-called "privatisation law" (Law 474/1994). Therefore Art. 18.4 of the Bylaws currently requires that the list of candidates presented by shareholders, together with related supporting documentation, be deposited at the Company's registered office at least 25 days prior to the date set for the first call of the Shareholders' Meeting and be published by the Company at least 21 days prior to the Meeting, in accordance with applicable law (it must be made available to the public at the Company's registered office, at the market management company's office and on the Issuer's website). The new regulations no longer require shareholders to publish their lists of candidates in national newspapers.

In order to be able to provide up-to-date information on its website, the Company expressly requests that, when Shareholders' Meetings are called, shareholders deposit résumés with exhaustive personal and professional information on each candidate (specifying whether he satisfies the requirements to qualify as independent) when they deposit the lists.

The Shareholders' Meeting of 6 June 2008 set the number of the members of the new Board of Directors at 11. They will serve until the approval of the financial statements for the 2010 financial year.

In addition to the 11 members of the Board of Directors appointed by the shareholders, in accordance with Article 5.1-*ter*(d) of the Bylaws, Amb. Giovanni Castellaneta was appointed as Director without voting rights selected by the Ministry of Economy and Finance, together with the Ministry for Economic Development. He may exercise the "special powers" specified by Law 474/1994 as amended. Amb. Castellaneta is to remain in office until the end of the term of the Board of Directors as appointed by the shareholders.

The shareholders have also appointed Pier Francesco Guarguaglini as Chairman of the Board of Directors, and the Board, in its first meeting, appointed Chairman Guarguaglini to be the Company's Chief Executive Officer, granting him powers that are in line with those granted during the previous term.

The **Board of Directors** serving at 31 December 2010 is, therefore, composed as follows:

Pier Francesco Guarguaglini Chairman and Chief Executive Officer	**(1)**
Piergiorgio Alberti	**(2)**
Andrea Boltho von Hohenbach	**(2)**
Franco Bonferroni	**(1)**
Giovanni Castellaneta	
Maurizio De Tilla	**(2)**
Dario Galli	**(1)**
Richard Greco	**(2)**

Francesco Parlato	**(1)**
Nicola Squillace	**(1)**
Riccardo Varaldo	**(1)**
Guido Venturoni	**(1)**

(1) Directors appointed from the **majority list** submitted by the Ministry of Economy and Finance, which holds 33.71% of the share capital.
(2) Directors appointed from the **minority list** submitted by Mediobanca SpA, which holds 1.002% of the share capital.

The summary table annexed to this Report shows the structure of the Board of Directors and its committees, specifying the members serving at 31 December 2010.

No changes in the composition of the Board of Directors have taken place since the end of the 2010 financial year.

A brief professional résumé of each member of the present Board of Directors follows:

PIER FRANCESCO GUARGUAGLINI – Chairman and Chief Executive Officer
Chairman Guarguaglini was born in Castagneto Carducci (Livorno) on 25 February 1937.
He has been the Chairman and Chief Executive Officer of Finmeccanica since 24 April 2002, having been re-appointed by the Shareholders' Meetings three times, on 16 May 2003, 12 July 2005 and 6 June 2008. He received a degree in electronic engineering from the University of Pisa and a Ph.D. in electrical engineering from the University of Pennsylvania. Mr. Guarguaglini is a member of the General Council and Executive Committee of Confindustria; a member of the General Council and Executive Committee of Assonime; Honorary Chairman of AIAD (Italian Industries Federation for Aerospace, Defence and Security); a member of the Board of Directors of the Council for the United States and Italy; a member of the Committee for the Italian Fulbright Commission; and a member of the Advisory Board of LUISS Business School. He has held a number of positions, including General Manager and later Chief Executive Officer of Officine Galileo (1984-1994), Chief Executive Officer of Oto Melara (since 1995), Head of Finmeccanica's Defence Business Sector (1996-1999), Chairman of the Board of Directors of Alenia Marconi Systems (1998-2000) and Chief Executive Officer of Fincantieri Cantieri Navali Italiani (1999-2002).

PIERGIORGIO ALBERTI – Director
Mr. Alberti was born in Sanremo on 28 March 1943. He has been a Director of Finmeccanica since 12 July 2005 and his term of office was renewed by the Shareholders' Meeting of 6 June 2008. He is a Professor of Administrative Law at the University of Genoa and has authored a number of monographs and articles in Italian and foreign technical journals. He has been admitted to the bar of Italy's Supreme Court through the Senior Council of Magistrates. He is an auditor of accounts and is currently a director of Banca Carige SpA, Parmalat SpA, Gallieria Hospital in Genoa and the Ansaldo Foundation. Mr. Alberti has served as a director of Locat SpA, Mediocredito Ligure, Sina SpA, AISCAT (Association of Italian Highway and Tunnel Concession-holders), as well as Vice-Chairman of Autostrada dei Fiori SpA, Autostrada Ligure Toscana SpA and Finligure SpA. He has also been a member of the Technical and Scientific Committee set up by the government for the application of Section V of the Constitution. He is a member of various associations (including IISA - the Italian Institute of Administrative Sciences, AIDU - the Italian Association of Town Planning Law, and AIPDA - the Italian Association of Lecturers in Administrative Law). He is joint editor of *Economia e Diritto del Terziario*.

ANDREA BOLTHO VON HOHENBACH – Director
Professor von Hohenbach was born in Berlin on 13 October 1939. He was a Fellow and Tutor in Economics at Magdalen College of Oxford University (1977-2007), subsequently becoming an Emeritus Fellow. He has received degrees from the London School of Economics, the University

of Paris and Oxford University. In 1966 he began a professional collaboration with the Economics and Statistics Department of the OECD. He has been a visiting professor at the Collège d'Europe at Bruges, the Universities of Paris, Venice, Turin, Siena as well as at the University of Rome "Tor Vergata". He also taught at the Bologna Center of Johns Hopkins University and the International University of Japan. Prof. von Hohenbach has served as a consultant to the World Bank and has collaborated with some prominent international groups such as the ABB, Arthur Andersen, Ericsson, FIAT, Generali, IBM, KPMG, Pirelli and Siemens. He has authored numerous publications on economics.

FRANCO BONFERRONI – Director
Mr. Bonferroni was born in Reggio Emilia on 10 October 1938. He has been a director of Finmeccanica since 12 July 2005 and was re-elected on 6 June 2008. He is a chartered accountant and statutory auditor of accounts. He was a Member of Parliament in the Chamber of Deputies (1979-1992) and the Senate (1992-1994). A freelance practitioner since 1976, he was a member of the Council of the Chamber of Commerce of Reggio Emilia (1966-1974), of which he was later Chairman (1974-1979). He has served as director of a number of companies, including Autostrada del Brennero SpA (1966-1974), Fidenza Vetraria SpA and Montedil SpA (Montedison group) (1977-1979), Centro Banca SpA (2007-2008), Aedes SpA (2009). Mr. Bonferroni currently sits of the boards of Alerion CleanPower SpA and Cassa di Risparmio di Bra and Cassa di Risparmio di Savigliano. From 1975 to 1989 he was the Chairman of IFOA (training and consulting centre of the chambers of commerce) and from 1989 to 1992 he held the position of Deputy Secretary of the Ministry for Industry and Commerce and of the Ministry for Foreign Trade.

GIOVANNI CASTELLANETA – Director[1]
Ambassador Castellaneta was born in Gravina Di Puglia (Bari) on 11 September 1942. He received a law degree from the University of Rome "La Sapienza" and embarked upon a diplomatic career in 1967. He has held numerous posts both in Italy and abroad. He has been, *inter alia*, Secretary-General with the Ministry for Foreign Affairs, the Press and Cultural Attaché in Paris, the Deputy Permanent Representative for Geneva-based international organisations, Head of the Press and Information Service at the Ministry for Foreign Affairs and Ambassador to the United States, Iran and Australia. He has held the post of Diplomatic Advisor to the Italian Prime Minister and has acted as the Prime Minister's Personal Representative for G7/G8 summits. He currently serves as Chairman of SACE.

MAURIZIO DE TILLA – Director
Mr. De Tilla was born in Naples on 6 April 1941. He has been a Director of Finmeccanica since 25 October 2000 and has been re-appointed three times (16 May 2003, 12 July 2005 and 6 June 2008). He is a civil law attorney admitted to practice before Italy's Supreme Court and has served as Chairman of the Cassa Nazionale di Previdenza e Assistenza Forense (national pension and welfare fund for the legal profession). He is chairman of the Organismo Unitario dell'Avvocatura (advocacy organisation for the legal profession), the Associazione degli Enti Previdenziali Privati (advocacy group for private pension funds), the Istituto Italiano di Cultura Forense (Italian legal culture institute) and EurelPro (European Association of Retirement Schemes for Liberal Professions). He has also chaired the Council of the Association of Solicitors of Naples (1993-1994) and is a former Chairman of the European Court of Arbitration for Southern Italy and current Chairman of the Naples Interdisciplinary Consultancy Board and Board of Arbiters of the Italy-USA Association of Solicitors. He has served as Chairman of Lextel and is a director of Alleanza Assicurazioni. He is a member of the General Council of Assicurazioni Generali. Mr. De Tilla contributes to a number of legal publications and newspapers and is the author of numerous publications (including *Trattato di Diritto Immobiliare*). He is the co-editor of *Immobili e Diritto* (published by *Il Sole24Ore*). As a journalist, he is a member of the National Council of Journalists.

DARIO GALLI – Director
Mr. Galli was born in Tradate (Varese) on 25 June 1957. He has a degree in Mechanical Plant

1. Director without voting rights pursuant to Art. 5.1-ter (d), of Bylaws.

Engineering at Politecnico of Milan, and since April 2008 he is Provincial President of Varese. He has been Member of Parliament in the Chamber of Deputies (1997-2006) and Senator (2006-2008); between 1993 and 2002 he was Mayor of Tradate. Since 2009, he has held the position of Vice President of the Union of Italian Provinces and, since September of 2009, has been a director of Financière Fideuram SA. He was assistant to General Administrative Office of the company FAST in Tradate, Responsible Manager manufacturing system at the Aermacchi in Varese and Head of production and logistics at the Replastic in Milan. He is currently a mechanical contractor. Furthermore, he has been professor at postgraduate course of the Chamber of Commerce of Varese.

RICHARD GRECO – Director
Mr. Greco was born in New York on 5 March 1969. He has a Degree in chemistry from Fordham University and earned an MBA in finance from the University of Chicago and a Masters degree in American Foreign Policy from Johns Hopkins University. He is the founder and Chairman of the Filangieri Advisory Corp, as well as a director of Mediware Information Systems, Boliven LLC and Performance Metals Inc. He was an associate of the Scowcroft Group (Washington, DC, 1996-1997) and practiced corporate finance at Stern Stewart & Co (1997-2002). In 2002, he was appointed by the President of the United States as a White House Fellow and was assigned to the Office of the Secretary of Defence as a special assistant. He served as Assistant Secretary of the Navy as chief financial officer. Mr. Greco has authored numerous articles on finance, education and foreign policy and was elected a lifetime member of the Council on Foreign Relations. He is founder and Chairman Emeritus of The Montfort Academy, a secondary school in New York.

FRANCESCO PARLATO – Director
Mr. Parlato was born in Rome on 17 April 1961. He has been a Director of Finmeccanica since 12 September 2007 and was re-appointed on 6 June 2008. He holds an Economics and Business degree from LUISS University in Rome, and since 2007 has been the Director of the General Finance and Privatisation Section of the Treasury Department, where he has led the office responsible for the privatisation of groups and companies owned by the Ministry of Economy and Finance since January 2003. For many years prior to that, he held management positions in the IRI Finance Department. He is currently a member of the Policy Committee of Cassa Depositi e Prestiti.
He has also been a director of Gestore dei Servizi Elettrici - GSE SpA, Fincantieri SpA, Tirrenia di Navigazione SpA and Mediocredito del Friuli Venezia Giulia SpA.

NICOLA SQUILLACE – Director
Mr. Squillace was born in Crotone on 6 August 1964. He holds a law degree from the University of Rome “La Sapienza” and is admitted to practice before the bar of Milan. He currently practices at the Libonati-Jaeger law firm in Milan in the areas of corporate finance and acquisitions. He previously worked for the law firms of Schlesinger-Lombardi and Brosio, Casati and Associates. He has been a director of Unicredit Banca per la Casa SpA, as well as a director and member of the executive committee of Milano Assicurazioni SpA and a director and chairman of the supervisory board of Mediocredito Italiano (formerly Banca Intesa Mediocredito). Mr. Squillace has authored numerous articles on corporate and financial law and has also worked with the Corporate Law Department of the University of Milan.

RICCARDO VARALDO – Director
Professor Varaldo was born in Savona on 17 June 1935. He has been a Director of Finmeccanica since 12 July 2005 and was re-appointed on 6 June 2008. He holds an economics degree from the University of Pisa and has been a professor of Business and Corporate Management since 1972. In 1987 he became a member of the staff of Scuola Superiore Sant’Anna for university and postgraduate studies. He is currently Chairman of that organisation, after previously acting as Rector from 1993 to 2004. In 2005, he was made a “Knight of the Great Cross” by President Ciampi, an honour bestowed by the nation. He is an honorary professor of Chongqing University, China. He has been a member of the board of the

Italy Japan Business Group since 2004, as well as the Scientific Committee of the Lars Magnum Ericsson Foundation. Prof. Varaldo is currently a director of Piaggio SpA (since 2006) and a member of the Supervisory Board of Intesa Sanpaolo SpA (since 30 April 2008). He has previously served as a director to industrial, banking and insurance companies. He is a member of the Society of Italian Economists and the Italian Academy of Corporate Economics. He has served in numerous capacities in government ministries and public bodies and currently sits on the committee of the Ministry for Education and Research that selects research programmes. He has authored a number of monographs and articles in Italian and foreign publications. He recently published several occasional papers with A. Di Minin for Finmeccanica's series entitled "The new entrepreneurial capitalism of research in Italy".

GUIDO VENTURONI – Director
Admiral Venturoni was born in Teramo on 10 April 1934. He has been a Director of Finmeccanica since 12 July 2005 and was re-appointed on 6 June 2008. He attended the Livorno Naval Academy, where he became an officer in 1956. In 1959, he obtained a pilot's licence from the Naval Aviation Branch, which authorised him to operate from aircraft carriers. He was made a Rear Admiral in 1982 and has held positions of increasing responsibility ever since, including Head of Operations at the Navy and later at the Ministry for the Defence, Commander of the 1st Naval Division, Deputy Chief of Staff for the Navy and Commander in Chief of the Naval Squadron and of the Central Mediterranean. In 1992, he was appointed Navy Chief of Staff and 1994 became Defence Chief of Staff. He was made Chairman of the Military Committee of NATO in 1999. Admiral Venturoni completed his term in Brussels in 2002 and retired from active service after 50 years in the armed forces. He has held numerous important positions and led a number of military operations nationally and internationally, for which he was awarded many Italian and foreign medals. More specifically, he was in charge of the multinational strategic and operational campaign led by Italy in Albania in 1997. From 2002 until November 2005, he served as chairman of Selenia Communications SpA (formerly Marconi Selenia Communications SpA).

The Directors of Finmeccanica accept their appointments and remain in office because they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into consideration both the number and type of the positions that they hold in the governing and control bodies of other companies listed on regulated markets (including foreign markets), of finance, banking or insurance companies or of other major companies.
In this respect, the Finmeccanica Board of Directors has expressed an opinion regarding the maximum number of positions as director or auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company, deeming that this number should be no higher than five (5) positions in companies listed on regulated markets, including foreign markets (Art. 2 of the Rules of Procedure of the Board of Directors). The Board deems that any positions held by Finmeccanica Directors in companies either directly or indirectly controlled by Finmeccanica SpA, or in which it holds an equity interest, should not count for the purposes of the calculation of the number of directorships. The members of the present Board of Directors comply with the aforesaid restrictions.

The Board of Directors, however, feels that given the current laws, the Shareholders' Meeting should, in appointing Directors, consider whether to impose limitations, in the manner it deems fit, on the number of positions that a Director can hold.

Each year, the Board reviews and provides in observations in the Corporate Governance Report on the positions the Company's Directors hold as directors or auditors of other companies listed on regulated markets (including foreign markets), or in finance, banking or insurance companies or major companies.

The positions as director or auditor held by members of the Board of Directors in companies not belonging to the Finmeccanica Group are shown below:

- **Piergiorgio Alberti:**
  - › Director of Parmalat SpA
  - › Director of Banca Carige SpA
- **Franco Bonferroni:**
  - › Director of Alerion CleanPower SpA
  - › Director of Cassa di Risparmio di Bra SpA
  - › Director of Cassa di Risparmio di Savigliano SpA
- **Giovanni Castellaneta:**
  - › Chairman of SACE SpA
  - › Director of Torre SGR SpA
- **Dario Galli:**
  - › Director of Financière Fideuram SA
- **Richard Greco**
  - › Director of Mediware Information Systems, Boliven LLC
- **Riccardo Varaldo:**
  - › Director of Piaggio & C. SpA
  - › Member of the Supervisory Body of Intesa Sanpaolo SpA

5.2. Role of the Board of Directors

The Board of Directors is vested with the fullest powers for the management of the Company, with the authority to perform any act it considers appropriate for achieving the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or the Bylaws.

The Board of Directors is solely responsible (obviously in addition to those matters provided by Art. 2381 of the Italian Civil Code) for the following matters, including with regard to the provisions of Art. 22.3 of the Bylaws:

1. proposals for the voluntary winding-up of the Company;
2. approving mergers or demergers involving the Company;
3. proposals to amend any clause in the Bylaws or the adoption of new Bylaws;
4. the Issuer's notice concerning takeover or share-exchange bids pursuant to Art. 39 of Resolution 11971 of 14 May 1999;
5. setting corporate strategy and organisation guidelines (including plans, programmes and budgets);
6. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
7. capital increases, incorporation, transformation, listing, mergers, demergers, winding up or the execution of shareholders' agreements with regard to direct subsidiaries;
8. designation of new Directors with powers, or of directors, statutory auditors or independent auditors in direct subsidiaries;
9. the purchase, exchange or sale of real estate and leases with a duration of more than nine years;
10. medium- and long-term credit and debt financial transactions for amounts in excess of €mil. 25 per transaction;
11. issuance of guarantees for amounts in excess of €mil. 50 per transaction;
12. the engagement, appointment and dismissal of executives responsible for head office functions as defined in the organisational chart; appointing consultants on a continuous basis for a duration of more than a year involving expenditure in excess of €th. 250;
13. the acquisition of equity investments, also by exercising option rights;
14. transfers, contributions, leases and usufruct and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with corporate restrictions or business segments thereof;

15. transfers, contributions, licences and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with technology, production process, know-how, patent, industrial project and all other intellectual property restrictions connected with work related to defence;

16. moving research and development work related to defence outside Italy;

17. transfer of equity investments in companies, also by means of the exercise or the waiver of option rights, contributions, usufruct, pledges and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;

18. vote in the shareholders' meetings of subsidiaries, associates or companies in which an equity investment is held (the notions of control and association are meant as understood by Art. 2359 of the Italian Civil Code) that conduct business related to defence with regard to the subject matter referred to in the preceding points 14, 15, 16 and 17.

Also falling within the sphere of responsibilities of the Board is the execution of acts and agreements for amounts in excess of €mil. 150 per transaction (the power vested in the Chairman and Chief Executive Officer for this purpose, in fact, is limited to amounts not exceeding €mil. 150 per transaction).
Resolutions on matters for which the Board of Directors is solely responsible under the Bylaws (Article 22.3), which are, in any event, included in the above list, are valid if they are adopted by the favourable vote of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this ratio results in fraction).

Under Art. 20.1 of the Bylaws, the Board of Directors meets whenever the Chairman deems it necessary, or at the written request of the majority of its members or of the Board of Statutory Auditors.
The Rules of Procedure state that executives of the Company or other persons who are believed to be able to provide a deeper understanding of the items on the agenda may attend Board meetings at the invitation of the Chairman.

The operational practice that has been followed by the Company for some time ensures that Board meetings are held regularly, at least once a month. The calendar for the following year's Board meetings is usually set in December. The schedule for 2011 calls for 11 meetings, of which 3 have already been held.

In 2010 the Board met 13 times for an average of 2 hours per meeting.

The following are the Directors' attendance records for the meetings that took place during the 2010:

Pier Francesco Guarguaglini	13 out of 13 meetings
Piergiorgio Alberti	12 out of 13 meetings
Andrea Boltho von Hohenbach	11 out of 13 meetings
Franco Bonferroni	13 out of 13 meetings
Giovanni Castellaneta	13 out of 13 meetings
Maurizio De Tilla	12 out of 13 meetings
Dario Galli	13 out of 13 meetings
Richard Greco	12 out of 13 meetings
Francesco Parlato	12 out of 13 meetings
Nicola Squillace	13 out of 13 meetings
Riccardo Varaldo	13 out of 13 meetings
Guido Venturoni	13 out of 13 meetings

All absences were excused.

As envisaged in the aforementioned Rules of Procedure, the Board of Directors:

a) examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, its corporate governance system and the Group structure;
b) evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of its key subsidiaries as established by the Chairman and Chief Executive Officer, paying particular attention each year to the adequacy, efficacy and effective functioning of the internal audit system and of the system for managing conflicts of interests;
c) grants and revokes powers delegated to the Chairman and Chief Executive Officer, except for those reserved solely to the Board under Art. 2381 of the Italian Civil Code, as well as Art. 22.3 of the Bylaws, establishing the limitations on and manner of exercising these powers and determining the frequency with which the Chairman and Chief Executive Officer must report to the Board on the actions that have been taken pursuant to the delegation;
d) decides the remuneration and conditions of service of the Chairman and Chief Executive Officer through the Remuneration Committee, which has been specifically delegated to do so, and those of the other Directors holding special positions, including membership in the Committees formed by the Board of Directors, in consultation with the Board of Statutory Auditors and in accordance with Art. 2389(2) of the Italian Civil Code;
e) assesses general performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;
f) examines and approves the transactions of the Company and of its subsidiaries in advance when they are of significant strategic or financial importance or if they are materially important in terms of the Company's assets and financial position, paying particular attention to situations in which one or more Directors have interests of their own or on behalf of third parties, and, more generally, to transactions with related parties;
g) at least once a year, appraises the size, composition and functioning of the Board itself and of its Committees.

With the help of the Internal Audit Committee, the Board of Directors lays down guidelines for the internal audit system so that the main risks involving the Company and its subsidiaries are correctly identified and satisfactorily measured, managed and monitored, also defining criteria for the compatibility of these risks with the sound and correct management of the enterprise.

Every year the Board, on the basis of reports from the Chairman of the Internal Audit Committee, appraises the adequacy, efficacy and effective functioning of the organisational, administrative and accounting structure of the Company and of its key subsidiaries.

The Board has defined as key subsidiaries those that it directly controls and that are responsible for managing the Group's areas of business – Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation – having regard to all the activities these companies perform either directly or through other subsidiaries.

The Board has delegated the question of its administrative dealings with the Chairman and Chief Executive Officer to the Remuneration Committee, which takes the appropriate decisions in consultation with the Board of Statutory Auditors, keeping the Board fully informed.

In assessing general management performance, the Board periodically compared the results attained with those envisaged in the Budget approved by the Board and any subsequent changes.

As called for in the Corporate Governance Code and its own Rules of Procedure, the Board of Directors of Finmeccanica conducts annual assessments of the size, composition and functioning of the Board itself and of its Committees, and may express opinions concerning the professional qualifications sought in Board members.

In the early part of 2011, this (self-)evaluation was repeated for the sixth consecutive time (the third time for the Board currently sitting) and was done, for 2010, again with the help of an independent expert who worked throughout the entire period of the term of office.

In addition to assessing the degree to which the Board follows the practices outlined in the Rules of Procedure and in the Corporate Governance Code, the latest (self-)evaluation used benchmarking to compare the Group's practices with the best practices seen in the Italian and foreign marketplace, and identified additional possibilities for improvement to be suggested to the next Board.

The process followed for the 2010 (self-)evaluation as well as for the two previous (self-) evaluations, conducted within the scope of this term, was to interview each of the Directors, the Chairman of the Board of Statutory Auditors, the Board Secretary and the Internal Audit Manager with the help of both structured interviews and open discussions to gather their various individual opinions. The interviews focused on giving those interviewed ample room to reflect and on stimulating discussion on the structure and operation of the Board and Committees, on actions that were taken, over their entire term of office and during the year – with the help of the Board Secretary and the coordination of the Lead Independent Director – in order to follow up on the previous (self-)evaluation regarding, in particular, the need for the members of the Board to develop a better awareness and understanding of the diverse complexities of the various Finmeccanica businesses.

First of all, as with the two previous (self-)evaluations, the 2010 (self-)evaluation confirmed the high degree of compliance with Borsa Italiana's Corporate Governance Code and the Board's own Rules of Procedure. Operationally, the most significant characteristics relating to the Board's compliance were reviewed, leading to emphasis on adherence to procedures, particularly with regard to recently-introduced rules and regulations. Specifically, it focused on:

- its size, independence, composition, delegated powers and compliance with the CONSOB regulations on the management of transactions with related parties;
- the leadership and role of the Chairman and Chief Executive Officer, the Lead Independent Director and the Board Secretary;
- the functioning and role of the Board as a team;
- the role and functioning of the Board's internal committees.

As in the past, the majority of the Directors were positive about the Board's structure, both as to the size – most of whom believed it is proper and should not be increased – and composition, which the Directors believe is very fitting due to:

- the quality, integrity and independence (in terms of substance, even more than form) of the Directors and their abilities to handle potential conflicts of interests (situations that did not arise to a significant extent during the last year), through the more than adequate implementation of the new CONSOB rules on transactions with related parties;
- the extension and substantive depth of the Board's expertise and knowledge, judged by almost all the Directors as adequate and expanding, thanks to their increasing tenure and their growing understanding of the Group's operations and corporate functions, in part due to the continuous induction plan;
- the attention paid by the Directors to business and financial scenarios and the positive assessment of their ability to understand the opportunities, including strategic opportunities, presented by management.

Some of the Directors emphasised the contribution made by the international directors whose number they believe should be increased, considering how well they complement the Board as a whole and because they have been able to offer original viewpoints during this term.

The Board also confirmed its full confidence in and positive assessment of the dual role as both Chairman and Chief Executive Officer played by Pier Francesco Guarguaglini, in consideration of his credibility, leadership qualities, business judgement, entrepreneurial spirit and his and the Company's performance as perceived in the domestic and international marketplace.

More specifically, given this dual role, the Board confirmed the opinion expressed in the (self-) evaluation to support the concentration of the two positions and powers in Mr. Guarguaglini, with emphasis on his leadership, focused on the expansion of all the Finmeccanica's businesses for which he is directly responsible at the highest decision-making levels. Given this, the Board has always supported the solution of introducing the Lead Independent Director. Some members of the Board offered that, should the situation at the uppermost reaches of management change in the future, it might be wise to take steps to ensure continuity in at least one of the two top positions, on the one hand, and to avoid subsequently conferring both of these roles on just one person in the future, on the other.

The functioning of the Board, which also features the much appreciated involvement of the General Manager and Co-General Manager, was assessed very positively by the Directors, as well, with the underlying processes and conduct of the Board being seen, to the extent it was noted, as among the most significant in Italian corporate governance, while expressing widespread satisfaction with the performance of the Board, of management, and of the Group as a whole.

The Board also expressed appreciation for the Board Secretary's helpfulness, skill and high degree of professionalism, as well as regard for the quality of the Board of Statutory Auditors and the care with which they approach their role, perceived as having performed at a better-than-average level.

The functioning of the Internal Audit and Remuneration Committees was similarly appreciated. Specifically, on the issues of the Internal Audit Committee and the System of Controls, the members of the Committee were asked in-depth questions about their role and work they perform as part of the (self-)evaluation process conducted. The members of the Internal Audit Committee were consciously (in response to specific questions posed by the consultant) fully satisfied with the quality and extent of the work carried out during the term, demonstrating enormous appreciation for and full confidence in the leadership and efforts of the Chairman of the Committee, both in this position and in other contexts.

As concerns the functioning of all the committees, the process of improvement and the growing information exchange with the Board during the year was also viewed positively.

The Board placed greatest emphasis in this sixth (self-)evaluation on discussing and evaluating the results of actions taken during its term of office, particularly over the last year.

Over the three-year period, 18 specific induction programmes were carried out – five in the last year alone. The total time actually spent on expanding the Directors' understanding was at least equal to that dedicated to Board meetings (not counting travel time to the offices of the Group's Italian and foreign subsidiaries). Over the last year of its term, the Directors gained a further understanding of the Group's activities in its primary foreign markets (UK and USA) through visits and targeted actions.

The actions taken involved presentations on the most important business areas, including: presentation of the financial risk management process, presentation and thorough discussion of the budget and five-year business plan, and visits to three subsidiaries that oversee three major segments and meetings with their management.

The Board also confirmed that a number of changes made in order to improve the quality, efficacy and speed of information provided to the Board proved to be extremely useful, not only in terms of the issues presented, but also so as to enhance the Directors' knowledge of the Group.

This set of actions taken under its mandate has been evaluated very positively by the Board, both in terms of the benefits provided, despite the high cost of the time everyone spent, and for the ability to pursue new opportunities to increase knowledge and understanding of the Group's complexities.

In particular, the Board feels that these efforts have increased both its ability to understand, discuss and better assess strategic complexities and its ability to approve and monitor plans, budgets and main transactions of the Group as proposed by management, as well as its involvement as a member of the team of Finmeccanica's top management.

In terms of possible further improvements that could be pursued even into the next Board term, the Directors suggest that the Action Plan be followed and extended into the next term of office and that induction programmes be planned that span the entire length of the term of office and actions be concentrated within the first year of the mandate. The specific purpose of this is to integrate the new Board members within the team as soon as possible and to more rapidly bring the new Directors up to speed in terms of specific knowledge and understanding of the Company, while continuing the process of helping the more senior Directors expand their expertise without interruption.

Therefore the Directors believe that the experience and suggestions that have come out of the (self-)evaluation process, which have been sufficiently discussed and shared, could be useful in conveying the Board's experience once its term is up to the new Board, a task that mainly falls upon the Directors who may be reappointed and to the Board Secretary.

Finally, the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision in Art. 2390 of the Italian Civil Code.

In accepting his position, therefore, each Director has stated that he does not perform any activity in competition with Finmeccanica, undertaking to inform the Board promptly of any changes to the contents of the statement that he made at the time of his appointment.

5.3 Delegated Bodies

The Chairman and Chief Executive Officer, who is the Company's authorised representative and signatory in accordance with the law and the Bylaws, has been delegated the following responsibilities:

- directing and running the Company, its offices and representations, resolving and performing all the acts falling within the sphere of the Company's day-to-day management;
- identifying the Company and the Group's strategy and the alliances, acquisitions and disposals policy to submit to the Board of Directors, entering into the necessary contacts with subsidiaries, associates and companies in which it holds an investment;
- executing Board of Directors' resolutions, performing the acts, including the acts of extraordinary management, authorised by the Board.

The Chairman and Chief Executive Officer has been granted the powers required to perform these duties, with some limits on their exercise, including: €mil. 150 as the maximum value of contracts that can be signed on behalf of the Company, €mil. 50 limit on the issue of guarantees, €mil. 25 limit on medium and long-term credit and debt financial transactions, and €mil. 25 limit on settlement of agreements relating to each individual transaction.

The concentration of the positions of Chairman and Chief Executive Officer in the person of Pier Francesco Guarguaglini answers the need to provide strong leadership, so that the complex relationships with international partners are managed in the best possible way. This approach also has the agreement of the Majority Shareholder and is supported by a wide range of other Shareholders.

The Chairman and Chief Executive Officer is in any case assisted by a management structure that focuses on specific business areas with a high degree of professionalism, coordinated at the corporate level by the General Manager, Co-General Manager and the Director of Public Relations, who, with the Chairman and Chief Executive Officer, make up the **Management Committee**.

The Chairman of the Board of Directors calls Board meetings, coordinates their work and directs the proceedings at meetings, ensuring that the Directors are given satisfactory information in good time so that the Board can express itself in a properly informed manner regarding the matters submitted for its attention.

In this respect, the specific rules governing the procedures involved in the functioning of these meetings, set out in the Rules of Procedure of the Board of Directors, specify the methods whereby the members of this body are assured that the utmost fairness is observed both in the phase in which prior information is supplied regarding the items on the agenda and in the procedures for conducting the meetings.

Specifically, each Director and Statutory Auditor will be sent supporting documentation containing the primary information needed to understand and assess the issues on the agenda on the same day as the meeting is called, where possible, or in any case at least 3 days prior to the date set for the Board meeting (except in urgent cases).

Moreover, the Chairman, on his own initiative or at the request of the Board members, may set up special meetings in preparation for the Board meeting to explain in greater depth the documentation prepared by the Company's management when particularly complex issues are to be put forth to the Board.

The Chairman and Chief Executive Officer is also expected to provide the Board of Directors with full information regarding the main activities he has performed in the exercise of his delegated powers and regarding any atypical or unusual transactions or transactions with related parties for which the Board of Directors does not have sole responsibility. In this respect, Section 13 below should be referred to for the specific principles of conduct involved, especially as regards transactions with related parties.

This information is provided at the same time as the periodic accounts (annual, half-year and interim financial statements and management reports) are submitted for the approval of the Board of Directors.

5.4. Other executive Directors

The Board of Directors is exclusively composed of **non-executive Directors** (namely Directors without delegated operational and/or functional powers in the Company), except for the Chairman and Chief Executive Officer.

The different Company departments have arranged for sessions at which specific themes are discussed in detail in order to provide the Directors and Statutory Auditors with better knowledge of the Company, of the Group and of corporate affairs. This measure was adopted at the initiative of the Chairman and Chief Executive Officer and in consultation with the Lead Independent Director.

In addition to this, during each financial year some Board meetings are held in Group companies, also selected in consultation with the Lead Independent Director, to give the Directors the opportunity to become acquainted with these other companies' programmes, management and activities.

5.5. Independent Directors

In accordance with the Company's corporate governance model, which, as mentioned earlier, has been aligned with the recommendations of the new Corporate Governance Code, Finmeccanica's Board of Directors assesses the degree of independence of its non-executive members at the first possible meeting after their appointment. Their independence is reassessed annually in the course of preparing the Corporate Governance Report. In assessing independence, the Board considers the information given by the individuals concerned regarding circumstances relevant to the assessment, as envisaged in the Board's Rules of Procedure.

The Board then submits its assessment of the independence of its members to the Board of Statutory Auditors, which verifies that the assessment criteria and procedures have been correctly applied.

After the assessment involving the 10 active non-executive Directors appointed by the shareholders (and therefore excluding Amb. Castellaneta, the Director without voting rights designated by Ministry Decree in accordance with Article 5.1-*ter*(d) of the Bylaws), the Board confirmed that the independence requirements were satisfied in the cases of all of the Directors, with the sole exception of Francesco Parlato, by virtue of his working relationship with the Ministry of Economy and Finance, which has a shareholding of about 30.20% in the Company's share capital.

With regard to the position of Maurizio De Tilla, a Director of the Company since 25 October 2000 and, therefore, for a period of more than nine years (a situation theoretically given by the Corporate Governance Code – although not in mandatory manner – as a potential cause of "non-independence"), given the profession performed and the roles held by Mr. De Tilla, the Board of Directors has decided that this period of service has in no way altered his independence or the objectivity of his views and that, conversely, it has given him a wealth of knowledge and the ability to understand and assess the challenges and any critical issues faced by the Company and by the Group.

Therefore, and given the ability – granted by the Corporate Governance Code – to make such determinations based more on substance than on form, the Board has determined that Mr. De Tilla continues to meet the requirements of an independent director.

Also on this occasion, the Board of Statutory Auditors verified that the criteria and procedures had been correctly applied by the Board of Directors.

Upon depositing the lists of candidates for positions as Directors, the candidates themselves also declared that they satisfied the independence requirements prescribed by law (Art. 148(3) of the Consolidated Law on Financial Intermediation).

It should be noted that none of the serving non-executive Directors has any substantial direct or indirect commercial, financial or professional relationship with the Company and/or its subsidiaries.

The Board of Directors has specified additional factors, set out below, in the assessment of independence, in the framework of the appraisal criteria specified in the Code and adopted in the Board's Rules of Procedure.

Persons in a position to "significantly influence" Finmeccanica are shareholders holding 10%, even indirectly, of its equity and, in any event, the Ministry of Economy and Finance and the Ministry for Economic Development, inasmuch as they have the "special powers" envisaged in the Bylaws.

As regards professional collaboration or consultancy, the Board has stated that it will set quantitative reference parameters for assessment in these cases, while it will use its discretion in evaluating specific situations in the light of the Company's best interests, the significance of the relationship and the likelihood of its affecting the Directors' independence. The Board, however, set a limit to Directors' emoluments (€ 60,000), the maximum amount allowed for any professional assignments, which, in any event, must first be authorised by the Board.

Additionally, with regard to persons who are or were in the service of the Italian central government, which is a shareholder of Finmeccanica through the Ministry of Economy and Finance, the Board of Directors appraises Directors' past or present employment by the Office of the Prime Minister, the Ministry of Economy and Finance, the Ministry for Economic Development and the Ministry of Defence and any past or present positions held by such persons involving influence over authorities' policies or their manner of execution.

Without prejudice to all the above rules, the principle remains that each Director acts fully in conformity to his obligation to the Company to attend to his duties with the diligence called for by the nature of the position and by his specific expertise.

Independent Directors meet at least once a year, in the absence of the other Directors. Meetings are convened at the request of the independent Directors or by the Lead Independent Director.

In 2010, the independent Directors met 3 times, in all cases as requested by the Lead Independent Director and without the presence of the Chairman and Chief Executive Officer or the non-independent Director.

During these meetings, the independent Directors selected the topics of greatest interest in enhancing their knowledge of the Group and the context in which it operates. These topics were then discussed in the meetings of the Board or on other occasions, such as during visits to the various Group companies.

As mentioned above, the independent Directors also contributed to defining the programme for improving the functioning of the Board, which, as specified, was prepared based on the final observations of the (self-)evaluation process.

Also in 2010, the independent Directors continued to receive information on specific topics from the various departments of the Company. These topics included the structure and procedures of the system of governance of subsidiaries, financial risk management, developments in Group bodies and labour costs, the reference framework and the solicitation of input for the budget and business plan.

In addition, the Company's various internal committees, where appropriate and including for matters assigned to them and in the event of particularly important issues, consult with the other independent Directors in order to obtain their opinions.

5.6. Lead Independent Director

On 26 June 2008, the Board of Directors, with the Chairman and Chief Executive Officer abstaining in accordance with the Rules of Procedure of the Board, appointed Director Guido Venturoni as Lead Independent Director. His task is to lead and coordinate the requests and contributions of the non-executive Board members, specifically:

- assisting the Chairman and Chief Executive Officer in ensuring that Directors receive full and prompt information;
- convening, independently or at the request of other Board members, special meetings of independent Directors to discuss issues relevant to the functioning of the Board or the Company's operations;
- facilitating the process of the assessment of the members of the Board;
- working with the Chairman and Chief Executive Officer in drawing up the annual calendar of Board meetings;
- informing the Chairman and Chief Executive Officer of any matters to be submitted to the Board for scrutiny and appraisal.

The Lead Independent Director serves throughout the term of office of the Board of Directors, that is, until the Shareholders' Meeting held to approve the 2010 financial statements.

The Lead Independent Director meets with the Chairman and Chief Executive Officer several times throughout the year to explain the requirements of the non-executive Directors, particularly the need to enhance their knowledge of the strategic context of the specific sector in which the Group operates, in order for them to be in a better position to evaluate the transactions that are submitted for the Board's attention.

Apart from deciding the contents of the independent Directors' meetings referred to above, and chairing them, the Lead Independent Director worked with the Chairman and Chief Executive Officer in defining the measures to take in order to give Directors and Statutory Auditors a better understanding of the Company, the Group and their performance.

6. Handling of corporate information

Particular care has been taken within the Company concerning the management and handling of confidential information and the methods whereby it was transmitted externally, with special regard to inside information.

For some time now, specific internal procedures have been adopted to coordinate the management and transmission of this information within the Group, in order to ensure compliance with the special restrictions and disclosure obligations imposed on listed issuers at every structural level, including subsidiaries.

These procedures were updated in more organic terms during 2007, by means of a specific directive addressed to Company executives and employees, Directors, Auditors and external advisors regarding relations with the media and, in particular, the generation, management and **handling of inside information, and more generally all confidential information and news about Finmeccanica and the Group companies**.
This directive was also distributed to the subsidiaries of Finmeccanica, which must also abide by and implement its provisions, and was carefully updated in 2010 to revise and align its content and operating procedures with regulatory developments that have occurred since its issue, as well as with changes that have been made to the organisational structure of the Company and the Group.

The Company's Public Relations Department is responsible for the management of the process of announcing corporate information to the outside world.

Within the framework of the procedures for the management and announcement of corporate information and in accordance with the Internal Dealing Regulations, at its meeting on 28 March 2006 the Board of Directors resolved to adopt a **Code of Conduct for Internal Dealing**, to replace the previous Code of Ethics. The new Code, which complies with the implementation regulations issued by CONSOB in adopting the provisions of the European Directive on Market Abuse, may be consulted on the Company's website (Internal Dealing area, accessible through the Investor Relations/Corporate Governance section).

The Code of Conduct for Internal Dealing, which became effective on 1 April 2006, regulates the flows of information on any transactions relating to shares issued by Finmeccanica and other "related financial instruments" as described by CONSOB, that may have been executed, even through a third party, by "Key Persons" of the Company and parties "closely related" to them. For the purposes of the Code, the notion of "Key Persons" includes the Directors, Auditors and General Manager and all persons acting as Co-General Managers. The disclosure requirements laid down in the Code also extend to transactions carried out by "Parties closely related to Key Persons", as defined by CONSOB.

The Code sets a value threshold for transactions entered into on or after 1 April 2006 that have to be disclosed: under the new rules, only transactions with a total value of less than € 5,000 are exempt from the obligation.

As regards the deadline for disclosure to CONSOB and to the public, "Key Persons" are required to ensure that their notification reaches the Company within four trading days after the transaction, and the Company must inform CONSOB, Borsa Italiana SpA and the press agencies before the end of the trading day after receiving the information.

The Company also promptly publishes the information transmitted on its website, in the Internal Dealing area, which is accessible through the Investor Relations/Corporate Governance section.

In order to ensure that the new rules are correctly applied, the Company has laid down specific operating procedures to ensure that "Key Persons" are made aware of their obligations and are provided with the help necessary to fulfil them.

Finally, pursuant to Art. 115-*bis* of the Consolidated Law on Financial Intermediation, the Company has created a special Register of persons who have regular or occasional access to inside information owing to their work or profession or by virtue of the functions that they perform. The Register is kept up to date in compliance with current regulations.

7. Board of Directors' internal committees

The Board of Directors has formed Committees from among its members, composed of Directors in accordance with the Corporate Governance Code and as laid down in its own Rules of Procedure. Among these Committees are the Internal Audit Committee and the Remuneration Committee, whose functions, work and composition are described in detail below.
The Board also formed the Strategy Committee, which met 3 times in 2010 and 1 time so far in 2011, with all committee members present at each meeting.

The Committee is made up of the following members:

Strategy Committee	Attendance
Pier Francesco Guarguaglini – Chairman	3 out of 3 meetings
Andrea Boltho von Hohenbach	3 out of 3 meetings
Giovanni Castellaneta	3 out of 3 meetings
Dario Galli	3 out of 3 meetings
Richard Greco	3 out of 3 meetings
Francesco Parlato	3 out of 3 meetings
Nicola Squillace	3 out of 3 meetings
Guido Venturoni	3 out of 3 meetings

This Committee is responsible for assessing the strategy options for the Group's advancement and the relative business plans drawn up by the Chairman and Chief Executive Officer for submission to the Board of Directors.

During its 3 meetings, the Committee examined:

- the development of Finmeccanica's businesses and their strategic projections through 2014 in light of changes in global demand and supply, establishing guidelines for the Group's strategic development and the targets for each sector in which it operates;

- the progress made on optimising certain business areas on the Group's Defence and Security Electronics division with respect to growth strategies and continual evolution in the reference environment and possible restructuring alternatives;
- the change in the reference environment and of individual businesses – with regard to both markets and competitors – during the year, verifying progress made towards achieving planned objectives and meeting strategic projections over the five-year period.

In January 2007, in order to gain the full support of experts and others in the international aerospace and defence industry so as to aid the Board of Directors and top management in defining and assessing strategy for the industry, the Board authorised the creation of the **Senior Defence Advisory Committee (SDAC).**

The SDAC is chaired by Adm. Guido Venturoni and is comprised of: Gen. Peter Pace, former Chairman of the US Joint Chiefs of Staff and a current member of the Board of Finmeccanica North America; Adm. Gregory G. Johnson, former Commander-in-Chief, Allied Forces Southern Europe and current Chairman of the Board of Alenia North America; Sir Kevin Tebbit, former Permanent Under Secretary of the MOD and current Chairman of Finmeccanica UK; Sir Brian Burridge, former Commander-in-Chief Strike Command of the RAF and current Senior Strategic Marketing Adviser of Finmeccanica UK; Prof. Christian de Boissieu, professor of Economics at the University of Paris-I Panthéon-Sorbonne, Chairman of the French Prime Minister's Economic Analysis Committee (*Conseil d'Analysis Economique)* and an advisor to President Sarkozy. Gen. Maurizio Cicolin acts as the Committee's Secretary-General.

Since its inception, the SDAC has met 17 times during which it has consistently analysed the international geopolitical and economic situation in order to be able to offer Finmeccanica's management useful suggestions and opinions for consolidating its international position and developing business in various markets.

The SDAC is also charged with the important task of fostering contact and relations between Finmeccanica and governmental and institutional representatives, especially in the UK and the US. To this end, the Global Security Forum held special importance. It was held on 12 May 2010 in Washington, DC by the Center For Strategic and International Studies (CSIS) with the support and participation of the SDAC.

In March 2011, at the conclusion of its fourth year of operation, the SDAC will publish a Quadrennial Report that will be provided to Finmeccanica's management.

8. Appointments Committee

The Board of Directors has taken the decision not to form a Board committee to propose candidates for positions as Directors or to exercise its right to present its own list of candidates as to date it has not found that the Shareholders have any difficulty in submitting lists of candidates on the basis of the list voting mechanism.
With regard to the methods and procedures for the **appointment of Directors**, please refer to the Section 5.1 above, as well as the information on the Shareholder Structure covered in Section 2 of this Report.

9. Remuneration Committee

The Remuneration Committee met 5 times in 2010 and 1 time in 2011; it is composed of the following persons:

Remuneration Committee	Attendance
Riccardo Varaldo – Chairman	5 out of 5 meetings
Piergiorgio Alberti	5 out of 5 meetings
Franco Bonferroni	5 out of 5 meetings
Dario Galli	5 out of 5 meetings
Francesco Parlato	5 out of 5 meetings

The duties of this Committee, composed of 5 non-executive Directors, 4 of whom are independent, are:

- determining the compensation and conditions of service of the Chairman and Chief Executive Officer, in consultation with the Board of Statutory Auditors where required by Art. 2389 of the Italian Civil Code, based on the terms of his employment contract with the Company;
- assessing the proposals of the Chairman and Chief Executive Officer of the Company in relation to the general criteria for remuneration and incentives and considering the plans and mechanisms in place for developing the management skills of the Group's key employees and the executive Directors of Group companies;
- assisting the Company's top management in deciding on the best policies for the handling of the Group's management employees;
- assessing top management proposals for the introduction of and changes to share-based incentive or stock-option plans for Directors and executives of the Company and Group companies for submission to the Board of Directors;
- performing the functions for which it is responsible in relation to the management of the long-term incentive plan as prescribed in the appropriate Rules of Procedure.

The Committee's work is subject to specific **Rules of Procedure**, the text of which may be consulted on the Company's website (Investor Relations/Corporate Governance section in the Corporate Documents area).

Since it was formed in December 2000, the Remuneration Committee has played a role in support of the Company's top management with regard to some of the primary issues related to the strategic management of the Group's human resources and its salary and retention policies.

In this respect, incentive plans have been implemented based on performance and growth targets set for the Group's share price and value.

Furthermore, in line with the strategic objective of refocusing on management development and planning as one of the key priorities of Finmeccanica, the Committee has supported the creation of a qualified, structured and periodic management appraisal process, designed to select the beneficiaries of the long-term incentive programmes objectively and impartially.

In 2010, the Committee continued to perform its institutional function of supporting top management in priority areas related to the strategic management of the Group's human resources, as well as to its compensation and retention policies. It also pursued actions authorised in previous years.

It therefore examined and provided its recommendations on the 2010 Human Resources Plan prepared by the Company's Human Resources Unit, focusing on: a) the integration and harmonisation of international operations, b) the management of key resources and talent scouting, and c) labour productiveness and efficiency.

The Committee examined the report by the Human Resources Unit assessing key resources in light of the need for a suitable succession plan for various positions, which is essential for ensuring management continuity and growth.

With regard to the management of short-term (MBO) and medium/long-term (Long-Term Incentive Plan "LTIP" and Performance Share Plan "PSP") incentive plans for Group management, the Committee examined the guidelines for assigning performance targets for 2010.

Having reviewed the results for 2009, the Committee saw to the settlement of amounts payable to the Chairman and Chief Executive Officer. Regarding the PSP 2008-2010, based on the corporate and Group targets achieved in 2009, the Committee authorised the delivery of 749,960 shares to Plan participants, including 36,051 shares to the Chairman and Chief Executive Officer.

The Committee also began a review of the current compensation system for key resources, specifically, short and long-term incentive systems, and initiated the more thorough analysis required for the creation of a new performance-based incentive plan to replace the Performance Share Plan, scheduled to end with the share grants for 2010.

In carrying out its activities, the Committee has the support of the appropriate units within the Company, particularly the Human Resources Unit, as well as of external consultants. As a result, beyond this option to make use of external consultants, it has not been necessary to prepare a specific budget for the Committee's activities.

Committee meetings are duly minuted.

The Co-General Manager, the Director of Human Resources and the Chairman of the Board of Statutory Auditors are always asked to attend Remuneration Committee meetings.

10. Directors' remuneration

The Board of Directors formed a special **Remuneration Committee**, as described in Section 9 above. This Committee is responsible, *inter alia*, for determining the salary and conditions of service of the Chairman and Chief Executive Officer of the Company, in consultation with the Board of Statutory Auditors, where required by Art. 2389 of the Italian Civil Code, based on the terms of his employment contract with the Company. The Committee makes timely reports of its determinations to the Board.

Like all the Group's key employees, the Chairman and Chief Executive Officer receive two kinds of variable payments in addition to his base salary, including the pay resolved by the Shareholders' Meeting:

1. an annual MBO and additional payments (Long-Term Incentive Plan) in respect of the three-year rolling incentive plans, all of which are linked to quantitative targets related to the Group's achieving certain performance and financial results as laid down with the approval of the Remuneration Committee;
2. the free allocation of shares, as provided for in the stock-based Long-Term Incentive Plan and approved by the Shareholders' Meeting, also linked to the attainment of Group performance and financial results as laid down with the approval of the Remuneration Committee.

These forms of variable remuneration are also paid to key executives in the Company and the Group.

As has already been pointed out, no other Director has executive duties in the Company or the Group. Non-executive Directors' remuneration is set by the Shareholders' Meeting, and is therefore not linked to the Company's results.
Furthermore, non-executive Directors are not beneficiaries of share-based incentive plans.

In consultation with the Board of Statutory Auditors, the Board of Directors has set a special fixed annual payment of € 2,500 for attendance at Internal Committee meetings, together with an attendance fee of € 2,000 per meeting. The Chairman of the Internal Audit Committee and the Chairman of the Remuneration Committee also receive an additional sum of € 5,000 per year. The independent Director that acts as Chairman of the Supervisory Body is paid a special additional sum of € 7,500 per year in addition to an attendance fee of € 2,000 per meeting. Director Guido Venturoni, who also acts as the Chairman of the Senior Defence Advisory Committee (SDAC), is paid a special fixed sum of € 5,000 per year in addition to an attendance fee of € 2,000 per meeting.

In compliance with disclosure obligations for listed issuers, it should be noted that Finmeccanica prepares a detailed report each year on the remuneration paid for any reason and in any form, including sums paid by subsidiaries, to individual Directors and Auditors, to the General Manager and to key executives.
A table showing this information may be consulted in the notes to the financial statements.

11. Internal Audit Committee

An Internal Audit Committee has been established within the Board of Directors. During 2010, this Committee met 13 times, and from January 2011 to today the Committee has met 4 times. The Committee was composed as follows during 2010:

Internal Audit Committee	Attendance
Piergiorgio Alberti – Chairman	13 out of 13 meetings
Franco Bonferroni	13 out of 13 meetings
Maurizio De Tilla	12 out of 13 meetings
Nicola Squillace	11 out of 13 meetings

The Committee is comprised of 4 non-executive Directors, all of whom are "independent". The composition of the Committee is also in line with the recommendation, found in the Corporate Governance Code, that there be at least one member with adequate experience in accounting and finance.
The work of the Internal Audit Committee is governed by specific Rules of Procedure approved by the Board of Directors, the text of which has been revised in light of regulatory changes introduced by Legislative Decree 39 of 27 January 2010, concerning the auditing of the annual and consolidated accounts, and on the assignment of the powers of the Committee for Transactions with Related Parties to the Committee as provided by the Procedures for Transactions with Related Parties approved by Finmeccanica SpA's Board of Directors on 26 November 2010.
The Rules of Procedure may be found on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area).

The Board of Statutory Auditors and the Internal Audit Manager are constantly involved in the Committee's work, and the Chairman and Chief Executive Officer may also take part. If appropriate, depending on the items on the agenda, Company and Group executives and employees may also be asked to attend meetings of this Committee as well as third parties who are not members.
The Committee advises and puts forward proposals to the Board of Directors within the course of its work.

The Committee is, in particular, responsible for verifying the functioning and adequacy of the internal audit system and observance of internal procedures, so as to ensure both the sound, effective management of various risks and their prevention as far as is possible.

The following are mentioned from among the Committee's specific duties:

a) assist the Board of Directors in setting the policies for the internal audit system, including the financial reporting process, and in assessing the adequacy, efficacy and actual functioning of the system at least once per year;

b) together with the Officer in charge of preparing the Company's accounting documents and the independent auditing firm, assess the adequacy and uniformity of the accounting principles adopted in preparing the consolidated financial statements;

c) express opinions, at the request of the executive Director in charge of the internal audit system, on specific issues pertaining to the identification of the main business risks and the design, creation and management of the internal audit system;

d) examine the working plan drawn up by the Internal Audit Manager and his periodic reports;

e) report on the work done and on the adequacy of the internal audit system to the Board of Directors at least every six months during the meetings held to approve the annual and half-year financial statements;

f) perform any additional duties assigned to it by the Board of Directors.

The Internal Audit Committee also carries out the duties of the Committee on Transactions with Related Parties, under the Procedures for Transactions with Related Parties adopted by Finmeccanica SpA pursuant to Art. 4 of CONSOB Regulation 17221 of 12 March 2010, by a resolution adopted by the Company's Board of Directors on 26 November 2010.

Committee meetings, constantly attended by the members of the Board of Statutory Auditors, are duly minuted.

In performing its duties, the Committee may seek assistance from the Internal Audit Manager and both internal employees and outside professionals, provided they are contractually bound to protect confidentiality and to abide by the Company's ethical principles.

In carrying out its work the Committee also makes use of the appropriate Company structures, from which it receives the necessary information. Consequently, while it retains the right, mentioned above, to avail itself of the services of outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.
In 2010 and from January 2011 to the date of publication of this Report, the Internal Audit Committee has discussed the following issues and consequently conducted periodic audits of the adequacy and functioning of the internal audit system and the Company's underlying organisation.

Specifically, during this period, the Committee:

- continued the process of verifying the level of implementation of Finmeccanica SpA directives by the subsidiaries and was kept informed about organisational changes under way as part of the process of verifying the internal audit systems of Finmeccanica SpA's major subsidiaries;
- examined the management risk assessment process carried out to analyse the internal audit system for Finmeccanica SpA processes that are "key" to it achieving its governance objectives;
- examined the results of the assessment of Finmeccanica SpA's financial risk management;
- examined the report of the Audit Unit on the activities carried out in 2010, as well as all of the audit reports, including those for cross-sectional audits performed on the Finmeccanica Group, issued during the year;
- examined and approved the 2010 Audit Plan, considering Finmeccanica SpA's processes from a management standpoint and under Legislative Decree 231/01;

- assessed the suitability of Finmeccanica's SpA's organisational, administrative and accounting structure;
- assessed PricewaterhouseCoopers SpA's request for an adjustment to its fee for auditing the accounts in connection with the requirements of Legislative Decree 32/07, which request was subsequently approved by the Shareholders' Meeting of 30 April 2010;
- discussed the obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (Art. 36 of CONSOB's Market Regulation) and noted that the administration and accounting system responsible for the financial reporting process functions effectively and that it essentially meets the requirements of Art. 36 of CONSOB's Market Regulations, and therefore no special plan to bring it into compliance is needed;
- performed other duties described in Section 12 "Internal audit system".

With the help of the Audit Unit, the Committee carried out activities that enabled the Board of Directors to assess the adequacy of the organisation, administration and accounting functions of the Company and of its subsidiaries of strategic importance.

The Committee also reviewed the preparation of the half-year report and the annual financial statements, meeting with the auditing firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

Finally, on the basis of reports from the Internal Audit Manager and the auditing firm, the Committee assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing annual and half-year financial statements.

12. Internal audit system

The Board of Directors, with the support of the Internal Audit Committee, and also by means of the work of the executive Director responsible, defines the guidelines for the internal audit system so that the main risks relating to the Company and its subsidiaries can be correctly identified and properly measured, managed and monitored. It also determines the criteria for assessing whether these risks are compatible with the sound management of the Company.

The Internal Audit Committee's Rules of Procedure adopt the internal audit principles laid down in the Corporate Governance Code, taken as the combination of rules, procedures and organisational structures whose purpose is, by means of an appropriate process of identification, measurement, management and monitoring of the main risks, to allow the enterprise to be managed on a sound and proper basis, consistent with the targets that it sets itself.

The following persons play a role in the operation and in the assessment of the effectiveness of Finmeccanica's internal audit system:

- Board of Directors;
- Executive Director in charge of the internal audit system;
- Internal Audit Committee;
- Internal Audit Manager;
- Administrative body to which powers have been delegated pursuant to Law 262/05;
- Officer in charge of preparing the Company's accounting documents pursuant to Law 262/05;
- Supervisory Body formed pursuant to Legislative Decree 231 of 8 June 2001;
- Board of Statutory Auditors.

For the purposes of this assessment, the Internal Audit Committee informed the Board of Directors of the special meetings that had taken place with the subsidiaries with the aim of examining the functioning of their respective internal audit systems. Meetings were held under the aegis of the Committee at which the procedures adopted by the subsidiaries were examined in detail together with the management of the subsidiaries concerned in order to verify that they are complete and respond to the need for the correct management of corporate activities and processes and that they conform to the Group's guidelines, after preparatory work had been done in the form of appropriate research and investigation on the part of the Internal Audit Manager.

With regard to the work performed as reported by the Chairman of the Internal Audit Committee, the Board of Directors assessed the adequacy, efficacy and actual operation of the organisational, administrative and accounting structure of the Company and its main subsidiaries, determining that the control structure adopted by Finmeccanica SpA is capable of effectively protecting against and preventing the risks associated with its primary businesses as well as monitoring them to protect the Company's and the Group's financial position and performance.

In 2010, a more thorough assessment of the efficacy and adequacy of the internal audit system was also performed with regard to widespread news about the investigation of Group companies being conducted by judicial authorities.

Finmeccanica became aware of the investigation of the activities of certain of its subsidiaries involving several important Group executives, during the course of which it provided complete cooperation with the investigators so that they could finish their work as quickly as possible. To that end, the Internal Audit Committee and the Supervisory Body, together with the Board of Statutory Auditors and with the help of the appropriate Finmeccanica SpA departments, performed their own investigation into these matters through meetings with the top management of Finmeccanica SpA and the Group companies involved and with representatives of the independent auditors, PricewaterhouseCoopers SpA, among other methods. The Board of Statutory Auditors also carried out an independent audit through meetings with the Boards of Statutory Auditors of the Group companies involved.

Following is a summary of the investigations conducted of which the Company is aware, specifying the actions undertaken by the internal audit bodies.

SELEX Sistemi Integrati SpA (SELEX) is under investigation by judicial authorities on allegations of corruption and tax-related crimes relating to contracts awarded to the company by ENAV SpA between 2008 and 2010. SELEX and several important Group executives received notices of investigation pursuant to Art. 25 of Legislative Decree 231/2001 and Arts. 2 and 8 of Legislative Decree 74/2000 and Art. 319 of the Criminal Code, respectively. In response, the Internal Audit Committee, together with the Board of Statutory Auditors, met with the top management and the Board of Statutory Auditors of SELEX, representatives of PricewaterhouseCoopers SpA, and those who received notices of investigation. No particular problems were uncovered during these meetings.

The Internal Audit Committee, the Board of Statutory Auditors and the Supervisory Body examined the audit report prepared by SELEX's Internal Audit Committee concerning the company's process for procuring goods and services. They also examined the audit report prepared by Finmeccanica's Audit Unit (as an additional precaution) on transactions between the Finmeccanica Group companies and non-Group companies mentioned in the notices issued by judicial authorities. No particular problems were uncovered during these examinations.

Elsag Datamat SpA was subject to search and seizure as part of the investigation into the tender awarded to a temporary joint venture in which Elsag Datamat SpA took part, held by the Ministry of the Interior in 2009 for the "Order for a centralised management and consolidation system for the video-surveillance systems for CEN (national computer centre for the police) in Naples". During the investigation, a search was conducted on the premises of Finmeccanica SpA, SELEX Communications SpA and a subsidiary of Elsag Datamat SpA. To obtain more information on these events, the Internal Audit Committee, along with the Board of Statutory

Auditors, met with the top management of Elsag Datamat SpA. The Board of Statutory Auditors also met with the Board of Statutory Auditors of Elsag Datamat SpA. No particular problems were uncovered during these meetings.
At present, none of the aforementioned companies has received any further notices, nor are their directors, managers or employees under investigation.

As part of the investigation by judicial authorities into the tender held by the Municipality of Barletta in 2005 for the development of a system for controlling access to restricted traffic areas, two employees of Elsag Datamat SpA received notices of investigation for crimes relating to orders that did not conform to the contractor's requirements (Arts. 48, 81, 110, 353, 356, 479 and 483 of the Criminal Code).
To obtain more information on this matter, the Internal Audit Committee and the Board of Statutory Auditors met with the top management of Elsag Datamat SpA. No particular problems were uncovered during these meetings.

As to the news reported by media outlets in May 2010 relating to the alleged involvement of the Group in illegal transactions involving Digint Srl (of which Finmeccanica Group Service SpA, a wholly-owned subsidiary of Finmeccanica SpA, has held 49% since 2007), at present none of the Group companies nor their directors, managers or employees are under investigation.

Overall, no particular problems were uncovered during the performance of the audits, confirming the adequacy and efficacy of the internal audit system, although systematic improvements will continue to be made in all the Group companies and in the most sensitive areas.

Finmeccanica SpA's Board of Directors was kept duly informed about the foregoing events.

12.1. Risk management system and internal controls as related to the process of financial reporting

The Internal Control over Financial Reporting (ICFR) system is defined as the set of activities aimed at identifying and evaluating the actions or events that, when occurring or failing to occur, could compromise, in whole or in part, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting.

Within Finmeccanica, there is such an internal audit system governing the financial reporting process. This system is designed to ensure that the administrative and accounting procedures adopted are applied appropriately and that they guarantee, with a reasonable degree of certainty, the reliability, accuracy and timeliness of the financial information reported, in accordance with related accounting standards.

The ICFR system has been defined in accordance with the generally accepted frameworks issued by the Committee of Sponsoring Organisations (CoSO) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT).

The responsibilities for establishing and maintaining the ICFR system are governed and distributed throughout the organisation.

In particular, Finmeccanica's model currently calls for the involvement of:

- **Administrative body to which authority has been delegated**
  This refers to the Chairman and Chief Executive Officer.
- **Officer in charge of preparing the Company's accounting documents**
  In accordance with Art. 154-*bis* of the Consolidated Law on Financial Intermediation, the Company's Board of Directors appointed on 26 June 2008 Alessandro Pansa, Co-General Manager of the Company, as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

In fact, under Art. 25 of the Bylaws, the Board of Directors, having previously obtained the mandatory opinion of the Board of Statutory Auditors, appoints a person to this position, whose mandate expires at the same time as the term of office of the Board of Directors that has designated him.

The choice of an executive for this position is made from among persons who, for a period of at least three years:

a) have performed duties of governance and control or management in companies listed on regulated markets in Italy, in other EU Member States or in OECD countries with a share capital of not less than €mil. 2; or
b) have had legal powers of control over the accounts of companies such as those specified in section (a) above; or
c) have been professionals or full university professors in financial or accounting matters; or
d) have performed functions as executives in public or private bodies with expertise in finance, accounting or control sectors.

Also in accordance with the Bylaws, the executive in question must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with his appointment by the Board of Directors, Alessandro Pansa has been formally vested, in addition to the powers already conferred on him as Co-General Manager, with all the powers necessary for the correct performance of the duties for which he is responsible by law.

For this purpose, Mr. Pansa has the express right to have access to and request all information that he considers relevant both within the Company itself and within its subsidiaries and associates; the right to avail himself, in the performance of the work assigned to him, of the services of other Company and Group departments/units and their respective staff; the right to urge the adoption of corporate procedures or directives, also by Group companies, that are helpful or necessary for the correct reporting of the Company and the Group's income statement, balance sheet and cash flow statement.

Finally, the Company has taken further steps to implement activities with the purpose of ensuring compliance with the relative legislation by defining in greater detail the administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the interim reports.

- **Financial reporting managers**
  Within the main companies of the Group[2], the boards of directors have appointed financial reporting managers (FRMs) responsible for the financial information provided to the Group Parent and for supporting the Officer in charge of preparing the Company's accounting documents.

  As such, the FRMs have the following responsibilities:
  › developing for each Group company administrative and accounting procedures underlying the financial reporting process that ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim financial statements and is in line with the actual operations of the company concerned based on the instructions received from the Officer in charge of preparing the Company's accounting documents;
  › defining and implementing any plans for improvement.

2. The parameters have been established based on the specifications provided in Auditing Standard no. 2 of the Public Company Accounting Oversight Board (PCAOB). This includes both quantitative (effects on the consolidated financial statements) and qualitative aspects.

- **Audit Unit of Finmeccanica SpA**
  The Officer in charge of preparing the Company's accounting document has entrusted the Audit Unit with responsibility for "independently" assessing the functioning of the internal controls over financial reporting.

  The Audit Unit, assisted by the internal auditing departments of the various Group companies and based on indications provided by the Officer in charge, conducts tests of the actual application of the administrative and accounting procedures defined by the Group Parent and other Group companies and identifies the methods for verifying the implementation of controls.

  The results of the tests conducted for each company are submitted to its management, which determines what improvements should be made so that a suitable, up-to-date action plan can be prepared.

  The overall results of these tests are submitted to the Audit Unit, which then prepares an executive summary that enables the Officer in charge of preparing the Company's accounting documents and the delegated administrative body to assess the adequacy and actual application of the administrative and accounting procedures followed in preparing the individual financial statements, the abbreviated half-year financial statements, and the consolidated financial statements.

12.1.1 Current risk management and internal controls as related to the financial reporting process

The administrative and accounting procedures entail an analysis of the risk of errors, intentional or otherwise, in financial reporting processes.
As such, when defining the ICFR system, a risk assessment was conducted in order to identify and evaluate the areas of risk in which events could arise to compromise the reliability of the financial information reported.
Based on this risk assessment, the components of the ICFR system were analysed by way of:

- a summary analysis of each individual company, with a specific focus on controls related to the reliability of financial information;
- an analysis of each operating process related to significant financial statement items by way of a matrix correlating the identified risks in the processes and their related controls.

The ICFR system features the following general stages for the main companies of the Group:

- risk identification and assessment;
- assessment of the adequacy of related controls;
- testing the functioning of the system of controls;
- monitoring and improving the system of controls.

Risk identification and assessment
Risks are identified by considering the likelihood that an event will occur and its potential impact on the financial statement items, without taking account of the existence or functioning of controls aimed at eliminating the risk or reducing it to acceptable levels.

Assessment of the adequacy of related controls
Based on the risk assessment, performed with a top-down risk based approach[3], specific controls are identified, which fall under two main categories:

- entity-level controls which, as controls that apply to the entire organisation (Group/company) since they are common and cut across it, are structural elements of the ICFR system;
- process-level controls.

3. This approach has been introduced by the interpretative guidance of the Securities and Exchange Commission (SEC) regarding the annual assessment of internal control over financial reporting (ICFR) required by Section 404 of the Sarbanes-Oxley Act and implemented by the Auditing Standards provided by the Public Company Accounting Oversight Board (PCAOB).

Entity-level controls include pervasive controls, i.e. those that characterise the entire Company, such as: assigning responsibilities, powers and tasks; general controls of information systems; segregating incompatible tasks, etc.
At the process level, more specific controls have been defined, such as: verifications of recognition and measurement based on supporting documentation; issuing proper authorisations; preparing reconciliations; verifying consistency.
A top-down risk based approach is used to assess the overall risk. This has made it possible to rationalise controls of the process and introduce measures to make the control system more efficient in terms of the financial reporting process by relying more on automatic, rather than manual, controls. Process-level controls have been classified as either manual controls (about 65%) or automatic (around 35%) based on their specific characteristics. The amount of automatic controls has increased by about 10% over the previous year.

Testing the functioning of the system of controls
In order to verify and ensure the functioning of the ICFR system, specific monitoring activities have been defined for both the process owners and for parties outside the process itself (internal auditing department).

Monitoring and improving the system of controls
In order to properly monitor the ICFR system, the design of the system itself is systematically assessed, in addition to being evaluated when significant events occur.
The functioning of the controls defined by administrative and accounting procedures is tested twice each year.

The Officer in charge of preparing the Company's accounting documents, together with the Chairman and Chief Executive Officer, provides the certifications required by Art. 154-*bis*(5) of the Consolidated Law on Financial Intermediation.

12.2. Executive Director in charge of the internal audit system
The Chairman and Chief Executive Officer, Pier Francesco Guarguaglini, was chosen to oversee the internal audit system. His role is to follow the policies set by the Board in designing, implementing and managing the internal audit system.

Chairman Guarguaglini, with the support of the Internal Audit Committee and the Internal Audit Manager:
- ensured that the main corporate risks (strategic, operational, financial and compliance) were identified in light of the features of the activities carried out by the Company and its subsidiaries, periodically submitting them to the scrutiny of the Board;
- supervised the planning, creation and management of the internal audit system, constantly verifying its overall adequacy, efficacy and efficiency;
- saw that the system was adjusted in response to changes in operational conditions and the legislative and regulatory framework.

The Board of Directors appointed Giuseppe Bargiacchi, the director of the Audit Unit, as the Internal Audit Manager. His compensation is consistent with the corporate policies applicable to such positions.

12.3. Internal Audit Manager
By resolution dated 15 May 2002, the Board appointed Giuseppe Bargiacchi as Internal Audit Manager, responsible for verifying that the internal audit system remains suitable for the task and is operating to the full extent. Mr. Bargiacchi also holds the position of director of the Audit Unit.

The Internal Audit Manager, who reports to the Chairman and Chief Executive Officer, is not accountable to the managers of the operational areas, including the administration and finance area, has direct access to all the information he needs in order to perform his duties and periodically reports on his work to the Internal Audit Committee, the Board of Statutory Auditors and to the executive Director in charge of the internal audit system.

In 2010, the Internal Audit Manager performed the following main activities:
- performed audits;
- managed and updated the Register of natural and legal persons that have access to inside information;
- coordinated the Internal Audit Managers of the companies involved in implementing Law 262/05 with regard to verifying that the proper procedures have been followed;
- provided technical support for the Supervisory Body pursuant to Legislative Decree 231/2001, including updating the Company's Organisational, Management and Control Model.

As to the Group companies, the Internal Audit Manager reported to the Internal Audit Committee that their three-year plans for risk-based audits and monitoring of activities have been coordinated.

The Internal Audit Manager reported to the Internal Audit Committee on the work done by the main Group companies with regard to Legislative Decree 231/2001. The Manager stated that the requirements of this law were being successfully and generally fulfilled, with the adoption by said companies of the Organisational, Management and Control Model and of the Code of Ethics and the appointment of a Supervisory Body by their respective Boards of Directors. For information on updates made to the Model by Finmeccanica SpA and its subsidiaries, please refer to Section 12.4.

The Internal Audit Manager has financial resources included in the Audit Unit budget in order to carry out his duties. This Unit's activities have not been outsourced.

12.4. Organisational, Management and Control Model as per Legislative Decree 231/2001

With the entry into force of Legislative Decree 231/2001 as amended, which introduces specific corporate liability for certain types of criminal offences, the Company has adopted appropriate measures to prevent it from incurring in any criminal liability in accordance with the provisions of this law. Special supervisory systems have been put in place aimed at preventing the offences contemplated by this Decree, which could potentially be committed by Directors, Auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica SpA.

The Finmeccanica Board of Directors, in its meeting of 16 December 2010, approved the new Organisational, Management and Control Model as per Legislative Degree 231/2001 (the "Model"), which includes the legislative changes regarding organised crime (Art. 24-*ter*); counterfeiting money, legal tender, revenue stamps and recognition instruments or marks (Art. 25-*bis*); business crimes (Art. 25-*bis*.1); intellectual property crimes (Art. 25-*novies*); solicitation of perjury or failure to give statements to judicial authorities (Art. 25-*novies*), which the Company adopted, by resolution of the Board, on 12 November 2003 and subsequently updated on 26 July 2007 and 25 June 2009. At the same time, the Board of Directors approved the new Bylaws for the Supervisory Body to align them with the new version of the Model, and took note of the changes to the content of the rules of this body.

The Model is based on the guidelines issued by Confindustria (updated in 2008).

The prevailing Model, which is also a point of reference for other Group companies in the preparation of their own protocols, is composed of:
- a "general section", essentially dealing with:

1) the Supervisory Body, the information that has to be sent to it, and its reports on the work it has done with respect to corporate bodies;
2) staff training and the circulation of the Model within and outside the Company;
3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;

- a "special section A", which covers offences against public authorities, listing areas of the Company potentially at risk from these types of crime, establishing the rules of conduct for individuals working in these areas and defining monitoring procedures;
- a "special section B", which covers corporate crimes, structured as per section A above;
- a "special section C", which covers violations of occupational health and safety laws;
- a "special section D", which covers crimes of receiving, laundering or using illegal monies or goods;
- a "special section E", which covers computer crimes and illicit data processing;
- a "special section F", which covers criminal enterprise.

The following annexes are integral parts of Finmeccanica SpA's Model:
- the Code of Ethics;
- the Finmeccanica SpA's organisational structure;
- the system of power delegation;
- the report file for meetings with members and/or representatives of government bodies containing any information on other restrictions contained in the Model as per Legislative Decree 231/01;
- the list of "Key Persons" in accordance with the Code of Conduct for Internal Dealing;
- the legislative framework;
- the clause that the Company includes in commercial, financial and consulting contracts;
- the list of nations with favourable tax regimes in accordance with Italian Ministerial Decrees of 21 November 2001 and 23 January 2002.

This Model can be found on the Company's website, in the Investor Relations/Corporate Governance section. In addition, it should be noted that all the Italian subsidiaries have adopted similar Organisational, Management and Control Models pursuant to Legislative Decree 231/2001, which can also be consulted on their respective websites, and that the companies have appointed related Supervisory Bodies.
In 2010, the process of revising the Model of the Italian subsidiaries, regarding the organisational and legislative changes introduced as of 2009, continued with the updating expected to be completed in the first half of 2011.

Finmeccanica SpA's Supervisory Body is composed of an independent, non-executive Director acting as Chairman, Mr. Maurizio De Tilla, and the current heads of the Audit and Legal & Corporate Affairs Units. The Board of Directors has decided that the Supervisory Bodies of the first-level subsidiaries should be composed in the same way; in cases where there is no independent Director, a member of the Board of Statutory Auditors has been appointed as chairman of the Supervisory Body. In some companies, in view of the complexity of the Company's business and its organisation, consideration has been given to the consequent implications with regard to Legislative Decree 231/2001, and the Board of Directors has provided for the inclusion of an outside professional as the fourth member of the Supervisory Body.

The duties and functioning of this Body are governed by specific Bylaws approved by the Finmeccanica Board of Directors on 15 December 2005 and updated on 25 June 2009 and 16 December 2010. The main changes from the previous version concern the broader duties assigned to the Body in monitoring the validity and efficacy of the Model. At the same time, the Board of Directors took note of the new rules for the Supervisory Body. A similar procedure was followed by the subsidiaries' boards of directors.

12.5 Independent Auditors

On 23 May 2006 the Shareholders' Meeting appointed PricewaterhouseCoopers SpA to audit the accounts during the period 2006 to 2011.
The firm's appointment, therefore, will terminate at the time of the approval of the financial statements for 2011.

The appointment envisages the auditing firm carrying out the following activities:

1. an audit of the individual financial statements of Finmeccanica pursuant to Arts. 155 *et seq*. of the Consolidated Law on Financial Intermediation, prepared in accordance with IAS/IFRS;
2. an audit of the consolidated financial statements of the Finmeccanica Group pursuant to Arts. 155 *et seq*. of the Consolidated Law on Financial Intermediation, prepared in accordance with IAS/IFR;
3. verifying, during the financial period, that the accounts are properly kept in accordance with Arts. 155 *et seq*. of the Consolidated Law on Financial Intermediation;
4. a limited review of the half-year consolidated financial statements pursuant to CONSOB Resolution 10867 of 31 July 1997, prepared in accordance with IAS/IFR;
5. an audit of the Company's reporting package, prepared on the basis of the IAS/IFRS adopted by the Finmeccanica Group, on 31 December each year;
6. a limited review of the Company's half-year reporting package, prepared on the basis of the IAS/IFRS adopted by the Finmeccanica Group, on 30 June each year.

13. Directors' interests and transactions with related parties

Through its Resolution 17221 of 12 March 2010 (as amended by Resolution 17389 of 23 June 2010), CONSOB issued the "Regulation concerning transactions with related parties" (the "Regulation").

The new guidelines, issued in implementation of the enabling act pursuant to Art. 2391-*bis* of the Italian Civil Code that requires CONSOB to establish the general principles on the transparency and the procedural and substantive fairness of transactions with related parties, also contains specific provisions on the transparency of urgent and periodic disclosures in accordance with Arts. 114 and 154-*ter*(6) of the Consolidated Law on Financial Intermediation.

In implementing the new regulations and taking into account the guidelines issued by CONSOB, the Board of Directors, at its meeting of 26 November 2010, unanimously approved the "Procedures for Transactions with Related Parties" ("Procedures") after having reviewed the favourable opinion supported by the entire Procedures Committee, composed of the independent Directors Guido Venturoni (Chairman), Piergiorgio Alberti and Riccardo Varaldo.

Also at that meeting, the Board repealed the previous "Guidelines and criteria for identifying significant transactions with related parties", which the Company adopted pursuant to Art. 2391-*bis* of the Italian Civil Code, as well as on the basis of the recommendations made in the Corporate Governance Code.

The Board also assigned the Internal Audit Committee (formed pursuant to the Code described in Section 11 of this Report) the task of also serving as the Committee for Transactions with Related Parties.

The new Procedures aim to define, based on the principles outlined in the Regulation, rules for ensuring transparency and substantive and procedural fairness in transactions with related parties entered into by the Company, directly or through its subsidiaries. To that end, the Procedures establish the criteria and methods for identifying parties related to the Company (identified in accordance with Annex 1 of the Regulation), as well as the quantitative criteria for identifying transactions of greater or lesser importance entered into by the Company;

establishes the procedures for examining and approving transactions with related parties, identifying specific rules for cases in which the Company examines or approves transactions entered into by its subsidiaries; establishes the procedures for meeting the disclosure requirements related to the new regime.

The Procedures also set out the types of transactions exempt from the procedural rules as provided for under the Regulation, subject to the regulatory plan concerning disclosure requirements.

It also established the quantitative criteria for identifying so-called “minor” transactions not subject to the Procedures, i.e. transactions for amounts of not more than €mil. 3, or €th. 250 (per year) for on-going consulting work and other professional services, as well as awarding remuneration and financial benefits to members of the administration and control bodies or executives with strategic responsibilities.
The Supervisory Body monitors whether the procedures adopted comply with the principles set out in the Regulation, as well as whether they have been followed, and reports its findings to the Shareholders’ Meeting.

The Procedures Committee assesses the adequacy of the Procedures and the need to amend them at least once every three years in light of any legislative or regulatory changes and future application practices.

The full text of the Procedures is available on the Company’s website in the Investor Relations/Corporate Governance section, Corporate Documents area.

14. Appointment of Statutory Auditors

As with the appointment of the members of the Board of Directors, the list voting system has also been adopted for choosing Statutory Auditors. The Board of Directors amended the provisions of the Bylaws governing the election of the Board of Statutory Auditors (Art. 28.3) on 3 November 2010 in order to align the deadlines and methods for filing and publishing lists and the related documentation with the requirements of Arts. 147-*ter(*1-*bis)* and 148(2) of the Consolidated Law on Financial Intermediation. This was done in response to the changes made by Legislative Decree 27 of 27 January 2010 during the transposition of Directive EC 2007/36 on the rights of shareholders of listed companies.

As explained earlier in Section 5.1 regarding the appointment of Directors, Legislative Decree 27/2010 provided that “privatised companies” are also subject to the ordinary rules found in the Consolidated Law on Financial Intermediation, as well as the implementing provisions, in place of the special rules contained in Law 474/1994 (so-called ”privatisation law”).

Therefore Art. 28.3 of the Bylaws currently requires that the list of candidates presented by shareholders, together with related supporting documentation, be deposited at the Company’s registered office at least 25 days prior to the date set for the first convocation of the Shareholders’ Meeting and be published by the Company at least 21 days prior to the Meeting, in accordance with applicable law (it must be made available to the public at the Company’s registered office, at the market management company’s office and on the Issuer’s website). Moreover, as mentioned concerning the appointment of Directors, the new regulations no longer require shareholders to publish their lists of candidates in national newspapers.

In order to be able to provide up-to-date information on its website, the Company expressly requests that, when Shareholders’ Meetings are called, shareholders deposit résumés with exhaustive personal and professional information on each candidate when they files the lists.

Lists may only be submitted by Shareholders holding, either alone or jointly with other Shareholders, at least 1% of the share capital with voting rights at Ordinary Shareholders’ Meetings, or holding lower percentages if envisaged by applicable laws or regulations.

It should be noted, that, as already reported in Section 5.1 with regard to the election of the Board of Directors, the minimum shareholding required to present a list of candidates for the election of Finmeccanica's administration and control bodies was set by CONSOB (with Resolution 17633 of 26 January 2011) at 1%.

The Bylaws also require two Regular and one Alternate Auditor to be taken from the minority list and that the Chairman of the Board of Statutory Auditors be chosen from among the Auditors elected from the minority list.

In the event of the replacement of a Regular Auditor elected from the majority list during the three-year period, the Alternate Auditor elected from the same majority list takes his place, while in the event of the replacement of the Regular Auditor elected from the minority list, the Alternate Auditor elected from the same minority list takes his place.

Art. 28.1 of the Bylaws also requires at least two of the Regular Auditors and at least one of the Alternate Auditors to be chosen from registered auditors of accounts with at least three years of auditing experience. Auditors that do not satisfy this requirement must have at least three years experience:

a) in performing duties of governance and control or management in stock companies with a share capital of not less than €mil. 2; or
b) as professionals or full university professors in legal, economic, financial or technical and scientific matters closely connected with the Company's activities; or
c) in performing functions as executives in public or private bodies in the banking, finance and insurance sectors, or in sectors closely connected with the Company's activities, intended as those that are useful for achieving the Company's business purpose.

Apart from the situations of incompatibility and ineligibility provided by law, Art. 28.3 of the Bylaws also states that persons who serve as auditors for five or more issuers, or who perform governance and control functions for a number of other companies in excess of the limit provided by current law, may not be chosen as Regular Auditors.

Finally, as also mentioned in Section 6 above, the confidentiality obligations binding Auditors – as well as Directors – of the Company are expressly governed by the specific procedures for the handling of inside and confidential information.

15. Statutory Auditors

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 29 April 2009 for the 2009-2011 term. The Board will, therefore, stand down at the next Shareholders' Meeting, held to approve the financial statements for the period ended 31 December 2011.
The Chairman of the Board of Auditors was appointed by the same meeting from the two Auditors elected by the minority.

The **Board of Statutory Auditors** serving at 31 December 2010 was composed as follows:

Luigi Gaspari Chairman	**(2)**
Giorgio Cumin	**(1)**
Maurilio Fratino	**(3)**
Silvano Montaldo	**(1)**
Antonio Tamborrino	**(1)**

(1) Auditors appointed from the **majority list** submitted by the Ministry of Economy and Finance, which had a shareholding of 30.2% of the share capital.

(2) Auditor appointed from the **minority list** submitted by Arca SGR SpA, Fideuram Investimenti SGR SpA, Fideuram Gestions SA, Interfund Sicav, Monte Paschi Asset Management SGR SpA, Stichting Pensioenfonds ABP, Pioneer Asset Management SA, Pioneer Investment Management Sgrpa, Ubi Pramerica SGR SpA, BNP Paribas Asset Management SGR SpA, which had a shareholding of 1.152% of the share capital.

(3) Auditor appointed from the **minority list** submitted by Mediobanca SpA, which had a shareholding of 1.003% of the share capital.

Two Alternate Statutory Auditors appointed by the Shareholders' Meeting on 29 April 2009:

Maurizio Dattilo	**(2)**
Piero Santoni	**(1)**

(1) Auditor appointed from the **majority list** submitted by the Ministry of Economy and Finance, which had a shareholding of 30.2% of the share capital.

(2) Auditor appointed from the **minority list** submitted by Mediobanca SpA, which had a shareholding of 1.003% of the share capital

The table annexed to this Report summarises the structure of the Board of Statutory Auditors, showing the Auditors serving at 31 December 2010, as well as any other positions they hold in the control bodies of other issuers, in observance of the restrictions on the number of positions that can be held pursuant to Art. 144-*terdecies* of the Issuers' Regulation.

No changes in the composition of the Board of Statutory Auditors have taken place since the end of the 2010 financial year.

In 2010, the Board of Statutory Auditors met 27 times, while 7 meetings have been held in 2011 to date.

The following table shows the attendance records of the individual Statutory Auditors at the meetings of the Board of Statutory Auditors, as well as at the 13 meetings of the Board of Directors held in 2010:

	BoSA	BoD
Luigi Gaspari	27 out of 27	12 out of 13 meetings
Giorgio Cumin	26 out of 27	13 out of 13 meetings
Maurilio Fratino	24 out of 27	12 out of 13 meetings
Silvano Montaldo	24 out of 27	12 out of 13 meetings
Antonio Tamborrino	26 out of 27	13 out of 13 meetings

All absences were excused.

Brief résumés of the careers of the members of the Board of Statutory Auditors are given below.

LUIGI GASPARI – Chairman
Chairman Gaspari was born in Rome on 14 September 1956. He has been a Statutory Auditor of Finmeccanica since 16 May 2003, having been reappointed on 23 May 2006 and 29 April 2009. He has been Chairman of the Board of Statutory Auditors since 23 May 2006 and has been a practising Chartered Accountant since 1985. He is entered in the Italian Register of Auditors and has held numerous positions including as head of operations for RIA Società Nazionale di Certificazione (1980-1985) and as a consultant to Assogestioni (1985-2000). In 2001, he was a member of the steering committee for the establishment of the *Organismo Italiano di Contabilità* (Italian accounting body) and is currently a member of its management board. He has held and continues to hold a number of posts on boards of directors, liquidation commissions, boards of auditors and supervisory committees, and acts as a corporate consultant, company appraiser and technical consultant to legal authorities and independent parties.

GIORGIO CUMIN – Regular Statutory Auditor
Mr. Cumin was born in Milan on 7 October 1937. He has been a Statutory Auditor of Finmeccanica since 10 May 2000, having been reappointed on 16 May 2003, 23 May 2006 and 29 April 2009. He holds a degree in Economics and Business from Bocconi University of Milan. He is a member of the Order of Chartered Accountants of the Courts of Milan and Lodi, and is entered in the Italian Register of Auditors. As a freelance practitioner, he has occupied a number of directorship and auditing positions in other companies, some as chairman, and has acted as liquidator and sole commissioner of companies in liquidation and extraordinary administration. He currently serves as auditor to a number of industrial companies and liquidating commissioner to companies in extraordinary administration.

MAURILIO FRATINO – Regular Statutory Auditor
Mr. Fratino was born in Alba (Cuneo) on 15 September 1952. He has been a Regular Statutory Auditor of Finmeccanica since 29 April 2009. He holds a law degree and practices in the areas of civil, commercial and corporate law. He has been entered in the Italian Register of Auditors since 1995. An instructor of food and wine law at the University of Turin, he has held numerous positions, including: member of the Committee of Experts for the Creation of the Single Market for the Prime Minister (1989-1992); statutory auditor (1986-1989) and director (1989-1992) of Autostrade SpA; Deputy Executive Chairman of Autostrada Torino Savona SpA (1989-1993); and managing director of Riccadonna International BV (1996-2004). Current positions include member of the board of directors of Campari Italia SpA and of Banca Regionale Europea SpA (UBI group), chairman of the board of auditors of Federvini, auditor of accounts for Federalimentare, and member of the tax and trademark protection committees of Confindustria.

SILVANO MONTALDO – Regular Statutory Auditor
Mr. Montaldo was born in Laigueglia (Savona) on 25 May 1957. He has been a Regular Statutory Auditor of Finmeccanica SpA since 23 May 2006, having been reappointed on 29 April 2009.
He has worked as a Chartered Accountant since 1981 and has been entered in the Italian Register of Auditors since 1995.
He has served or currently does serve as statutory auditor to numerous corporations, as well as an auditor of public entities, is a member of the supervisory bodies and is a commissioner of major firms in the process of bankruptcy.

ANTONIO TAMBORRINO – Regular Statutory Auditor
He was born in Torre del Greco (Naples) on 23 September 1939. He has been a Statutory Auditor of Finmeccanica since 16 May 2003, having been reappointed on 23 May 2006 and 29 April 2009. He is a Chartered Accountant and has been entered in the Italian Register of Auditors since 1995. He is a freelance practitioner, a professor of insurance company economics at the University of Lecce and has taught Masters and specialisation courses at the

University of Lecce, the University of Bari and at CECCAR in Bucharest. He is a former chairman of the Order of Chartered Accountants for the Province of Lecce (1993-1996), and chairman of the National Council of Chartered Accountants from 2002 until 31 December 2007. He has held and continues to hold a number of positions as director and auditor to organisations and companies, as well as court-appointed positions (bankruptcy receiver, legal commissioner and official court consultant).

MAURIZIO DATTILO – Alternate Statutory Auditor
Mr. Dattilo was born in Milan on 19 March 1963. He holds a degree in Economics and Business from Bocconi University in Milan. He has been a member of the Order of Chartered Accountants since 1990 and entered in the Italian Register of Auditors since 1995. He works as a Chartered Accountant at the firm of Dattilo Commercialisti Associati, which provides tax consultancy services for Mediobanca and other group companies such as Compass, Selma BPM Leasing, Teleleasing and Spafid, as well as Banca Esperia, Banca Profilo, Banca IMI, IW-Bank, Pernod Ricard Italia, Zurigo Assicurazioni Group Funds, the Generali Group, Cassa Lombarda and the European Oncology Institute.

PIERO SANTONI – Alternate Statutory Auditor
Mr. Santoni was born in Rome on 3 November 1936. A graduate in Economics and Commerce, he is entered in the Italian Register of Auditors. He worked at IRI until 1987 as vice-director of the Planning and Management Control Department, then moved on to Urban Systems, where he has worked as joint general manager up to 1993. He has served as director and auditor for a number of IRI Group companies.

In compliance with the Corporate Governance Code, the Board of Statutory Auditors regularly confirmed the requirements of independence for Regular Auditors during the financial year 2010.
In that regard, the Board of Statutory Auditors followed the indications of the Code regarding the concept of independence for Statutory Auditors and applied the principle of substance over form, as required by said Code.
In particular, in regard to application criterion 3.C.1(e) of the Code – based on which those serving as a Statutory Auditor for more than nine of the last twelve years are no longer considered independent – the Board of Statutory Auditors nonetheless confirmed the independence of Mr. Cumin, who began his eleventh year of service in 2010. This decision was made in consideration of his ethics and professionalism, as well as of the actual manner in which he carries out his functions, as these factors enable him to perform his duties autonomously and in an unbiased manner.

Any Auditor who has an interest, either on his own account or on behalf of a third party, in a certain transaction to be carried out by the Issuer must promptly give the other Auditors and the Chairman of the Board of Directors full information concerning the nature, terms, origin and scope of the interest.

The Board of Statutory Auditors supervises the independence of the auditing firm, verifying compliance with provisions of law governing the matter and the nature and the extent of the services, other than auditing services, provided to the Issuer and its subsidiaries by the firm in question and by the other entities belonging to its network.

In performing its work, the Board of Statutory Auditors liases constantly with the Company's Audit Unit and the Internal Audit Committee. Specifically, the Board of Statutory Auditors receives the necessary operational assistance for the performance of its own auditing work from the Audit Manager, obtains all the audit reports and examines the Annual Audit Plan. As already stated, the Board of Statutory Auditors also attends all the Internal Audit Committee meetings.

16. Shareholders Relations

In view of the importance, emphasised by the Code, of establishing an ongoing professional relationship with the general body of Shareholders and institutional investors, a special Investor Relations Unit has been set up to conduct this activity.

The Investor Relations Unit also provides all the key information required for the financial markets to be able to gain a picture of the Company that reflects the intrinsic value of the Group’s activities.
The goal, pursued in keeping not just with regulatory provisions but also with Italian and international best practices, is to develop a transparent, ongoing dialogue with the Italian and international financial community, rooted in a clear strategic view of Finmeccanica’s business and prospects.

The Investor Relations Unit is in constant contact with institutional and retail investors and financial analysts, relaying information about the Group’s income, financial position, assets and liabilities and its commercial performance and also providing guidance documents and carefully monitoring market consensus.

In addition to this, information regarding the composition of the Company’s management bodies, résumés of their members’ careers, internal dealing information and the Corporate Bylaws, as well as the Company’s Annual Corporate Governance Report, may easily be found on the Company’s website in the Investors Relations/Corporate Governance section. This information is always kept up to date.
The Board of Directors’ reports, minutes of Shareholders’ Meetings and other important corporate documents are also published in the Corporate Documents area, and a review of the press releases issued by the Company may be found in the Legal Notices area.

The Investor Relations section also publishes the Company’s financial statements and presentations with the relevant web-casting, video and audio broadcasts. The same section also provides a range of other data related to the retail market (the Company calendar, dividends, share capital, share price performance and shareholding structure).

In July 2010, the restyling of Finmeccanica’s website was completed. The website was revamped in order to make it easier to use and navigate. The organisation of the Corporate Governance portion of the Investor Relations section was improved and a special section was created for retail shareholders (For the Shareholder). A link to this section is also found on the home page to make access quicker.

The Investor Relations Unit arranges for the presentation of the financial statements data at Shareholders’ Meeting, ensuring that the information provided corresponds to the disclosures conveyed through the other channels that the Unit utilises for its financial announcements.

During the year events are organised with the purpose of better acquainting the financial market with the Group and of presenting the Company’s income performance and financial position and outlook (economic and financial guidance).
This is done firstly by arranging two institutional roadshows with the Group’s top management, preferably when the results for the year and the half year are published, in line with the best practices adopted by listed companies.
The roadshows are held mainly in Europe and North America. Traditionally, they open in London, with stops in the leading European markets such as Paris, Milan and Frankfurt. Then, the roadshows cross the Atlantic to North America, usually to New York, Boston and other US markets (California, Chicago, etc.) and to Canada.

Among the other events organised by the Investor Relations Unit is **Investor Day** (held in Europe and/or the United States), which takes place once a year and is deemed the ideal platform for presenting the top management of Finmeccanica and of the other Group companies to the financial community. This is an opportunity for financial analysts and institutional investors to find out more about the Group's operations and to gain an understanding of its performance and its commercial, industrial, income and financial prospects, as well as to make direct contact with its top managers.

There are also conference calls with the financial markets when quarterly results are published and/or following significant extraordinary transactions; visits to Group plants (so far visits have been made to Aeronautics, Helicopters, and Defence and Security Electronics sites), normally preceded by a presentation on the Company given by its top management; and the chance to take part in a number of sector financial conferences, especially abroad, also attended by the Investor Relations Units and the heads of some of Group companies.

Finally, during the annual International Airshow (which alternates between Farnborough in England and Le Bourget in France), meetings are arranged between the financial community and the top management of Finmeccanica and of the Group's main companies, with special presentations and one-on-one or small group meetings.

On 9 September 2010, as the crowning achievement of an initiative coordinated by the Investor Relations Unit, Finmeccanica shares were admitted to the most prestigious Dow Jones world (DJ Sustainability World) and European (STOXX) sustainability indices following an assessment performed by rating agency SAM GmbH. This is recognition of the Finmeccanica Group's long-held commitment to sustainability in the Economic, Social and Environmental spheres in which it operates.

The Director of the Investor Relations Unit is John Douglas Stewart, who reports directly to the Co-General Manager (currently Alessandro Pansa). A Financial Communications Services department has been created within the Investor Relations Unit, headed by Raffaella Luglini.

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You can also contact the Unit via the following email address:
investor_relations@finmeccanica.com

17. Shareholders' Meetings

In 2010, significant changes were introduced by Legislative Decree 27 of 27 January 2010 (transposing Directive 2007/36/EC) affecting some of the rights of shareholders of listed companies and how Shareholders' Meeting are to be conducted.
The new national law required that a series of adjustments be made to the Company's Bylaws, both mandatory changes and others left to the discretion of the Shareholders' Meeting, and that CONSOB issue implementing regulations.

Shareholders' Meetings are called by means of a notice published on the Company's website and by any other method determined by CONSOB (an announcement in at least one national daily newspaper and a message published on the Company's website and through Borsa Italiana's Newspaper service), containing the information required by the new Art. 125-*bis* of the Consolidated Law on Financial Intermediation.

In the calling, planning and management of these events, the focus has always been on encouraging as many Shareholders as possible to attend Shareholders' Meetings and on ensuring that Shareholders are provided with the highest quality information, subject to the restrictions on the methods of disclosure of price sensitive information.

Therefore, documents regarding the items on the agenda of the Shareholders' Meetings are promptly made available to Shareholders through the Company's website and are simultaneously

filed at the Company's registered office and with Borsa Italiana. In consideration of this and in light of the new provisions of Art. 125-*quater* of the Consolidated Law on Financial Intermediation, the Company publishes on its website explanations of the Meeting's agenda and any other documents to be submitted to the Shareholders' Meeting, proxy forms and information on the amount and composition of its share capital, as required by law or regulations.
Specifically, the Company's website has a special section dedicated to Shareholders' Meetings, containing the documents and information pertaining to each specific meeting, with a direct link from the home page. As stated in Section 16 above, as part of a broader revamping of the Company's website, the organisation and content of this section was upgraded in 2010 to improve the quality of and access to information for Shareholders prior to Shareholders' Meetings.

Based on the new record date mechanism, the right to attend Shareholders' Meeting and vote is held by those who communicate via an authorised financial broker that they hold shares of the Company seven trading days prior to the date set for the Shareholders' Meeting in first convocation. Therefore, the Company amended Art. 13.1 of its Bylaws by resolution of the Board of Directors on 3 November 2010, in part to remove the requirement that shares must first be deposited and "blocked" in order to attend the Shareholders' Meeting.

The same Board of Director's resolution of 3 November 2010 also made adjustments to the wording of Art. 14.1 of the Bylaws in order to incorporate the new regulation that prohibits listed companies from applying the restrictions on representation at Shareholders' Meeting provided by Art. 2372 of the Italian Civil Code, as well as giving Shareholders the option of notifying the Company of a proxy by electronic means (via certified electronic mail or uploading in a special section of the Company's website) as indicated in the notice calling the Shareholders' Meeting.

The Extraordinary Shareholders' Meeting of 30 April 2010 also amended Art. 14 of the Bylaws to give the Company the power to designate a common representative for each Shareholders' Meeting, i.e. a person to which the Shareholders may grant a proxy with instructions on how to vote on all or certain of the items on the agenda (Art. 14.3). Such proxy must be given by the end of the second trading day prior to the date set for the Shareholders' Meeting in first convocation.

Shareholders may pass resolutions on all issues reserved to them by applicable laws.
The Bylaws (Art. 24.1) also give the administrative body, by way of the right granted under Art. 2365(2) of the Italian Civil Code, the power to make decisions on the following matters:

- mergers and spin-offs, in the cases specified by law;
- the creation or elimination of branch offices;
- reductions in share capital in the event of withdrawals;
- adaptation of the Bylaws to regulatory changes;
- transfer of the Company's registered office within Italy.

During Ordinary Shareholders' Meetings, resolutions are passed by an absolute majority of those in attendance, with the exception of the matters specified under Art. 22.3 of the Bylaws, for which the favourable vote equal to at least three-fourths of the capital represented at the Meeting is required (Art. 16.5 of the Bylaws).
Extraordinary Shareholders' Meetings also require the favourable vote of at least three-fourths of the capital represented in order for resolutions to pass (Art. 16.4 of the Bylaws).

Finally, the option of calling the annual Shareholders' Meeting to approve the financial statements within 180 days of the close of the fiscal year, previously permitted by the Bylaws and once again allowed by law, was reintroduced, resulting in the amendment of Art. 12.2 of the Bylaws approved by the Extraordinary Shareholders' Meeting of 30 April 2010.

For information on further changes made to the Bylaws following enactment of the new regime under Legislative Decree 27/2010 addressing the timetable and formalities for filing and publishing lists of candidates for the corporate bodies, refer to Sections 5.1 and 14 above.

Finmeccanica adopted **Shareholders**' **Meeting Rules** some time ago, with the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, laying down rules for main aspects (such as the right to take part in meetings or to be present at them, rules for debate, voting methods, arrangements for voting operations, etc.) so that the proceedings are properly conducted and Shareholders are assured of the right to speak on the items on the agenda.
In order to ensure that all Shareholders are able to exercise this right correctly, the Rules contain special provisions concerning the manner in which requests to speak on the individual items on the agenda should be presented, the maximum time Shareholders are allowed to speak and the possibility of asking to be allowed to speak again and to state how they will vote if they wish to do so.

The Rules also contain provisions for special powers held by the Chairman that enable him to settle conflicts among the persons attending the meeting or to prevent them from arising and to repress abuse of any kind.
These Rules are always distributed to all Shareholders whenever a meeting is held, and may be viewed on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area). In 2010, they were amended to incorporate certain provisions of Legislative Decree 27/2010, approved by the Shareholders' Meeting on 30 April 2010.
Specifically, in addition to certain stylistic changes and aligning the Rules with the content of the new law, more precise procedures for admittance to Shareholders' Meeting locations by those entitled to attend (Art. 4) were introduced, as were procedures for addressing Shareholders' concerns prior to the Meeting (Art. 10) in keeping with the new law.

The Company's Board of Directors and top management report on the business conducted during the year and on the Issuer's future plans at Shareholders' Meeting called to approve the annual financial statements.

The Board of Directors also sees that Shareholders are given accurate and timely information regarding the items on the agenda so that all Shareholders are in a position to be well informed and have full knowledge of the facts involved in making the decisions for which the Shareholders' Meeting is responsible.

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors appointed by the Shareholders' Meeting on 6 June 2008 (°) for the 2008-2010 term						
POSITION	**MEMBERS ***	**Executive**	**Non-executive**	**Independent (Corp. Gov. Code)**	**Independent (Consolidat. Law)**	**Attendance BoD meetings**
Chairman and Chief Executive Officer	Pier Francesco Guarguaglini	✓		==	==	13/13
Director	Piergiorgio Alberti *		✓	✓	✓	12/13
Director	Andrea Boltho von Hohenbach *		✓	✓	✓	11/13
Director	Franco Bonferroni		✓	✓	✓	13/13
Director	*Giovanni Castellaneta*		(°)	(°)	(°)	13/13
Director	Maurizio De Tilla *		✓	✓	✓	12/13
Director	Dario Galli		✓	✓	✓	13/13
Director	Richard Greco *		✓	✓	✓	12/13
Director	Francesco Parlato		✓	==	==	12/13
Director	Nicola Squillace		✓	✓	✓	13/13
Director	Riccardo Varaldo		✓	✓	✓	13/13
Director	Guido Venturoni		✓	✓	✓	13/13

Number of meetings held during 2010:	BoD: 13	Internal Audit Committee: 13

Quorum for presentation of minority lists: 1% of share capital with voting rights at Ordinary Shareholders' Meetings
(unless provision is made for a lower percentage by laws or regulation, pursuant to Art. 18.4 of the Bylaws, where applicable).

* Asterisk indicates a Director appointed from a minority list.

** All absences from BoD or Committees meetings are excused.

*** This column contains the number of positions as Director or Auditor held by the persons serving at present in other companies listed on regulated markets, in Italy and abroad, and in finance houses, banks, insurance companies or major companies. The positions are described in full in the Report.

(°) Giovanni Castellaneta was appointed a Director without voting rights by Ministerial Decree pursuant to Law 474/94 and Art. 5.1-*ter*(d) of the Bylaws.

	Internal Audit Committee		Remuneration Committee		Strategy Committee	
Other positions ***	Comp.	Attendance**	Comp.	Attendance**	Comp.	Attendance**
=					✓	3/3
2	✓	13/13	✓	5/5		
=					✓	3/3
3	✓	13/13	✓	5/5		
2					✓	3/3
=	✓	12/13				
1			✓	5/5	✓	3/3
1					✓	3/3
=			✓	5/5	✓	3/3
=	✓	11/13			✓	3/3
2			✓	5/5		
=					✓	3/3

Remuneration Committee: 5 Strategy Committee: 3 Appointments Committee: not envisaged

TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors appointed by the Shareholders' Meeting of 29 April 2009 for the 2009-2011 term				
Position	**Members ***	**Independent (Corp. Gov. Code)**	**Attendance at BoSA Meetings (°)**	**Number of other positions held****
Chairman	Luigi Gaspari *	✓	27/27	=
Regular Auditor	Giorgio Cumin	✓	26/27	=
Regular Auditor	Maurilio Fratino *	✓	24/27	1
Regular Auditor	Silvano Montaldo	✓	24/27	=
Regular Auditor	Antonio Tamborrino	✓	26/27	1
Alternate Auditor	Maurizio Dattilo *	==	=	1
Alternate Auditor	Piero Santoni	==	=	=

Number of meetings held during 2010: 27

Quorum for presentation of minority lists for the election of two Regular and one Alternate Auditors:
1% of share capital with voting rights at Ordinary Shareholders' Meetings (unless provision is made for a lower percentage by laws or regulation, pursuant to Art. 28.3 of the Bylaws, where applicable).

* Asterisk indicates an Auditor appointed from a minority list.
** This column indicates the number of auditor positions held with other issuers.

(°) All absences from Board of Statutory Auditors' meetings are excused.

TABLE 3: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	YES	NO	Brief account of the justification for any departures from the recommendations in the Code
System of delegated powers and transactions with related parties			
Has the BoD conferred powers specifying their: a) restrictions b) method of exercising them c) and reporting intervals?	 ✓ ✓ ✓		
Has the BoD reserved its responsibility for the scrutiny and approval of transactions significantly impacting on profitability, assets and liabilities and financial position (including transactions with related parties)?	✓		
Has the BoD laid down guidelines and criteria for the definition of "significant" transactions?	✓		
Are the above guidelines and criteria set out in the report?	✓		
Has the BoD laid down special procedures for the scrutiny and approval of transactions with related parties?	✓		
Are the procedures for the approval of transactions with related parties set out in the report?	✓		
Procedures adopted in the latest appointments of Directors and Auditors			
Were the names of the candidates for positions as Directors deposited at least ten days in advance?	✓		
Were the names of the candidates for positions as Directors supported by full information?	✓		
Were the names of the candidates for positions as Directors accompanied by a specification of whether they qualified as independent?	✓		
Were the names of the candidates for positions as Auditors deposited at least ten days in advance?	✓		
Were the names of the candidates for positions as Auditors supported by full information?	✓		
Shareholders' Meetings			
Has the Company approved Rules of Procedure for Shareholders' Meeting?	✓		
Are the Rules of Procedure annexed to the Report (or does the Report state where they can be obtained/downloaded)?	✓		
Internal control			
Has the Company appointed internal audit managers?	✓		
Are the internal audit managers not accountable to managers of operating areas?	✓		
Organisational unit responsible for internal audit	Audit Unit		
Investor Relations			
Has the Company appointed an Investor Relations Manager?	✓		
Name of the organisational unit and contacts (address/phone number/fax/e-mail) of the Investor Relations Manager: Investor Relations Unit – Head of IR Unit: John Douglas Stewart - Head of Financial Communications Service: Raffaella Luglini P. zza Monte Grappa, 4 - 00195 Rome Tel +39 06 32473.290/066 – Fax: +39 06 32473.514 e-mail: investor_relations@finmeccanica.com			

OUTLOOK

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

However, recovery has been occurring at two different speeds. With few exceptions, emerging countries are seeing strong growth in internal demand (consumption and investments) and in trade. The industrialised nations benefit from rising external demand, although internal demand remains weak. In 2010, the eurozone countries experienced a good amount of expansion, but restrictive budgetary policies enacted by governments to tackle deficits and public debt, which have long been out of control, are limiting future growth prospects.

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

- more rigorous selection by financial institutions towards enterprises;
- need to select investments with the aim of rationalising the product portfolio;
- new barriers to entry in markets in emerging countries and especially in traditional countries, which could have an impact on “aggressive” pricing;
- new competitors from emerging countries entering the market in the medium term.

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

Therefore, the following actions were taken:

- rationalisation of production sites, thanks to the recent concentration of real estate holdings in Finmeccanica Group Real Estate;
- reorganisation of the workforce through special agreements with the unions;
- containment of general and administrative expenses, particularly consulting fees and the costs of external services;
- revision of the product portfolio by prioritising the employment of resources.

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

In addition to making it possible for us to reach, and in some cases exceed, our targets for Revenues, Adjusted EBITDA and Free Operating Cash Flow, the good financial and performance results achieved by the Group in 2010 have further reinforced our financial soundness.

From a commercial standpoint, performance was excellent, with new orders of more than €bil. 22 (and orders-to-revenues ratio of 1.2), leading to an order backlog that stands at over €bil. 48, ensuring a high degree (over 87%) of expected production for 2011.

In consideration of these positive factors, the projections of the main indicators for 2011 were arrived at using a prudent approach since, over the next year, the Group will still have to contend with the uncertain timing of the economic recovery.

Group revenues are expected to be between €bil. 18.3 and €bil. 19 and adjusted EBITA between €mil. 1,530 and €mil. 1,600.

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

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

ACCOUNTING STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

CONSOLIDATED INCOME STATEMENT

€ millions	Notes	2010	of which with related parties	2009	of which with related parties
Revenue	31	18,695	1,835	18,176	1,675
Other operating income	32	627	3	771	1
Raw materials and consumables used	33	(6,316)	(17)	(6,855)	(18)
Purchase of services	33	(5,878)	(113)	(5,661)	(105)
Personnel costs	34	(4,772)		(4,607)	
Amortisation, depreciation and impairment	35	(785)		(727)	
Other operating expenses	32	(801)	(2)	(684)	(2)
Changes in inventories of work in progress, semi-finished and finished goods		(176)		217	
(-) Work performed by the Group and capitalised	36	638		762	
		1,232		**1,392**	
Finance income	37	850	1	1,007	6
Finance costs	37	(1,202)	(7)	(1,321)	(7)
Share of profit (loss) of equity accounted investments	38	(14)		17	
Profit before taxes and the effects of discontinued operations		866		**1,095**	
Income taxes	39	(309)		(377)	
(Loss) Profit from discontinued operations		-		-	
Net profit		**557**		**718**	
. equity holders of the Company		*493*		*654*	
. minority interests		*64*		*64*	
Earnings per share	41				
Basic		*0.854*		*1.134*	
Diluted		*0.853*		*1.133*	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	2010		2009	
Profit for the year		**557**		**718**
Reserves of income (expense) recognised in equity				
- Actuarial gains (losses) on defined-benefits plans:		(16)		(177)
. plan discounting	(11)		(185)	
. exchange gains (losses)	(5)		8	
- Changes in cash-flow hedges:		(61)		51
. fair value adjustment	(79)		72	
. transferred to separate income statement	18		(20)	
. exchange gains (losses)	-		(1)	
- Translation differences		245		41
Tax on expense (income) recognised in equity		16		38
. fair value adjustment/measurement	11		40	
. transferred to separate income statement	3		-	
. exchange gains (losses)	2		(2)	
Income (expense) recognised in equity		184		**(47)**
Total comprehensive income (expense) for the year		**741**		**671**
Attributable to:				
- Equity holders of the Company		665		606
- Minority interests		76		65

CONSOLIDATED BALANCE SHEET

€ millions	Notes	31 Dec. 2010	of which with related parties	31 Dec. 2009	of which with related parties
Non-current assets					
Intangible assets	8	8,931		8,367	
Property, plant and equipment	9	3,270		3,124	
Investment properties	10	2		1	
Equity investments	11	316		343	
Financial assets at fair value				-	
Receivables	14	222	9	212	12
Deferred tax assets	39	656		673	
Other assets	14	244	1	236	
		13,641		**12,956**	
Current assets					
Inventories	15	4,426		4,662	
Contract work in progress	16	4,030		3,713	
Trade receivables	17	5,212	539	4,768	523
Financial assets at fair value	18	1		11	
Income tax receivables	19	221		142	
Financial receivables	17	813	34	797	34
Derivatives	28	219		193	
Other assets	20	664	9	606	9
Cash and cash equivalents	21	1,854		2,630	
		17,440		**17,522**	
Non-current assets held for sale	40	1		7	
Total assets		**31,082**		**30,485**	
Shareholders' equity					
Share capital		2,517		2,512	
Other reserves		4,297		3,839	
Capital and reserves attributable to equity holders of the Company		6,814		**6,351**	
Minority interests in equity		284		198	
Total shareholders' equity	22	7,098		**6,549**	
Non-current liabilities					
Borrowings	23	4,543		4,604	
Employee liabilities	25	1,041		1,136	
Provisions for risks and charges	24	393		364	
Deferred tax liabilities	39	496		488	
Other liabilities	26	653		651	
		7,126		**7,243**	
Current liabilities					
Advances from customers	16	8,266		7,789	
Trade payables	27	4,730	116	4,611	99
Borrowings	23	1,258	714	1,904	679
Income tax payables	19	56		126	
Provisions for risks and charges	24	762		595	
Derivatives	28	131		88	
Other liabilities	26	1,655	24	1,580	13
		16,858		**16,693**	
Liabilities directly correlated with assets held for sale				-	
Total liabilities		**23,984**		**23,936**	
Total liabilities and shareholders' equity		**31,082**		**30,485**	

CONSOLIDATED CASH FLOW STATEMENT

€ millions	Notes	2010	of which with related parties	2009	of which with related parties
Cash flow from operating activities:					
Gross cash flow from operating activities	42	2,361		2,222	
Changes in working capital	42	(117)	(8)	(488)	(4)
Collection of ENEA settlement	6	-		64	
Changes in other operating assets and liabilities and provisions for risks and charges	42	(355)		(198)	1
Net finance costs paid		(258)	(11)	(180)	20
Income taxes paid		(335)		(392)	
Net cash generated from (used in) operating activities		**1,296**		**1,028**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	12	(138)		(25)	
Acquisition of SCAC and other non-consolidated equity invest.	11	-		(157)	
Sale of STM shares	6	-		172	
Purchase of property, plant and equipment and intangible assets		(917)		(610)	
Proceeds from sale of property, plant and equip. and intangible assets		55		120	
Other investing activities		39		22	-
Net cash used in investing activities		**(961)**		**(478)**	
Cash flow from financing activities:					
Repayment of DRS's convertible bond and bank payables	23	-		(868)	
Issue (repayments) of bonds	23	(501)		2,186	
Repayment of Senior Term Loan Facility		(639)		(1,197)	
Net change in other borrowings		256	19	(55)	(7)
Dividends paid to Company's shareholders		(237)		(237)	
Dividends paid to minority interests		(20)		(19)	
Net cash used in financing activities		**(1,141)**		**(190)**	
Net increase (decrease) in cash and cash equivalents		(806)		360	
Exchange gains (losses)		30		(27)	
Cash and cash equivalents at 1 January	21	2,630		2,297	
Cash and cash equivalents at 31 December	21	**1,854**		**2,630**	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ millions	Share capital	Retained earnings and consolidation reserve	Cash-flow hedge reserve	Reserve for stock-option/ stock-grant plans	Reserve for actuarial profits (losses) posted to shareholders' equity	Translation reserve	Total capital and reserves	Minority interests in equity
1 January 2009	**2,519**	**4,183**	**23**	**19**	**41**	**(811)**	**5,974**	**156**
Dividends resolved		(237)					**(237)**	(19)
Capital increases							**-**	5
Repurchase of treasury shares less shares sold	(5)						**(5)**	
Profit for the year		654					**654**	64
Other comprehensive income (expense)		-	37		(122)	37	**(48)**	1
Stock-option/stock-grant plans:								
- services rendered				24			**24**	1
- stock grants assigned		7		(22)			**(15)**	(1)
Other changes	(2)	(2)		3		5	**4**	(9)
31 December 2009	**2,512**	**4,605**	**60**	**24**	**(81)**	**(769)**	**6,351**	**198**
Dividends resolved		(237)					**(237)**	(20)
Capital increases								18
Repurchase of treasury shares, less shares sold	5						**5**	
Profit for the year		493					**493**	64
Other comprehensive income (expense)			(46)		(15)	233	**172**	12
Stock-option/stock-grant plans:								
- services rendered				41			**41**	2
- stock grants assigned		12		(21)			**(9)**	(1)
Other changes		(3)	2	(1)			**(2)**	11
31 December 2010	**2,517**	**4,870**	**16**	**43**	**(96)**	**(536)**	**6,814**	**284**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

1. General information

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

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

2. Form, content and applicable accounting standards

In application of EC Regulation 1606/2002 of 19 July 2002 and of Legislative Decree 38 of 28 February 2005, the consolidated financial statements of the Finmeccanica Group at 31 December 2010 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standard Board (IASB).

The general principle used in preparing these consolidated financial statements is the cost method, except for financial assets available for sale and financial liabilities and assets (including derivatives) valued at fair value through profit and loss.

Among the options permitted by IAS 1, the Group has chosen to present its balance sheet by separating current and non-current items and its income statement by the nature of the items. Instead, the cash flow statement was prepared using the indirect method.

The international financial reporting standards (IFRS) used for preparing these consolidated financial statements are the same that were used in the preparation of the consolidated financial statements at 31 December 2009 except for what indicated below (Note 5).

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

Preparation of the consolidated financial statements required management to make certain estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4.

The consolidated financial statements at 31 December 2010 of the Finmeccanica Group were approved by the Board of Directors on 2 March 2011. Publication is scheduled for 18 March 2011.

The financial statements, prepared in accordance with IFRS, have been subject to a legal audit by PricewaterhouseCoopers SpA.

3. Accounting policies adopted

3.1 Standards and scope of consolidation

The consolidated financial statements include the statements at 31 December 2010 of the companies/entities included in the scope of consolidation (“consolidated entities”), which have been prepared in accordance with the IFRS adopted by the Finmeccanica Group. Below is a list of the consolidated entities and the respective shares held either directly or indirectly by the Group:

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
3083683NOVA SCOTIA LIMITED	Halifax, New Scotland (Canada)		100	100
ABS TECHNOLOGY SPA	Florence		60	60
ADVANCED ACOUSTIC CONCEPTS INC.	Albany, New York (USA)		100	100
AGUSTA AEROSPACE CORP. USA	Wilmington, Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.A.S SA	Grace Hollogne (Belgium)		100	100
AGUSTA HOLDING BV	Amsterdam (The Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AMERICA LLC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (Australia)		100	100
AGUSTAWESTLAND DO BRASIL LTDA	São Paulo (Brazil)		100	100
AGUSTAWESTLAND ESPAÑA SL	Madrid (Spain)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)		100	100
AGUSTAWESTLAND INC.	New Castle, Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND INTERNATIONAL 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 POLITECNICO ADVANCED ROTORCRAFT CENTER S.C.A.R.L.	Milan		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (UK)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		99.998	99.998
ALENIA AERONAUTICA SPA	Pomigliano D'Arco (Naples)	100		100
ALENIA IMPROVEMENT SPA	Pomigliano D'Arco (Naples)		98	98
ALENIA NORTH AMERICA INC.	New Castle,Wilmington, Delaware (USA)		100	100
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO ESG AG	Wurenlingen (Switzerland)		100	100
ANSALDO FUEL CELLS SPA	Genoa		99.515	99.515
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)		100	40.0656
ANSALDO STS AUSTRALIA PTY LTD	Brisbane (Australia)		100	40.0656
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0525
ANSALDO STS CANADA INC.	Kingstone, Ontario (Canada)		100	40.0656
ANSALDO STS DEUTSCHLAND GMBH	Munich (Germany)		100	40.0656
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.0656
ANSALDO STS FINLAND OY	Helsinki (Finland)		100	40.0656
ANSALDO STS FRANCE SAS	Les Ulis (France)		100	40.0656
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0656
ANSALDO STS IRELAND LTD	CO KERRY (Ireland)		100	40.0656
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0656
ANSALDO STS SOUTH AFRICA (PTY) LTD form. ANS. STS INFRADEV SOUTH AFRICA (PTY) LTD	Sandton (ZA - South Africa)		100	40.0656
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana - Africa)		100	40.0656

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
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 (UK)		100	40.0656
ANSALDO STS SPA	Genoa	40.0656		40.0656
ANSALDO STS USA INC.	Wilmington, Delaware (USA)		100	40.0656
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.0656
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.0656
ANSALDO THOMASSEN BV	Rheden (the Netherlands)		100	100
ANSALDO THOMASSEN GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	100
ANSALDOBREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDOBREDA FRANCE SAS	Marseille (France)		100	100
ANSALDOBREDA INC.	Pittsburg, California (USA)		100	100
ANSALDOBREDA SPA	Naples	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	Les Ulis (France)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
CISDEG SPA	Rome		87.5	87.5
DIGINT SRL	Milan		49	49
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS CONDOR HOLDCO LLC	Wilmington, Delaware (USA)		100	100
DRS CONSOLIDATED CONTROLS INC.	Wilmington, Delaware (USA)		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
DRS ENVIRONMENTAL SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS HOMELAND SECURITY SOLUTIONS INC.	Wilmington, Delaware (USA)		100	100
DRS ICAS LLC	Wilmington, Delaware (USA)		100	100
DRS INTERNATIONAL INC.	Wilmington, Delaware (USA)		100	100
DRS POWER & CONTROL TECHNOLOGIES INC.	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC.	Wilmington, Delaware (USA)		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
DRS RSTA INC.	Wilmington, Delaware (USA)		100	100
DRS SENSORS & TARGETING SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC.	Wilmington, Delaware (USA)		100	100
DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
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

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Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
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
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SPA (IN LIQ.)	Rome		100	100
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG NORTH AMERICA LLC	Madison, North Carolina (USA)		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED ELECTRIC COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED SUPPORT SYSTEMS INC.	Clayton, Missouri (USA)		100	100
E-SECURITY SRL	Montesilvano (Pesaro)		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 form. AEROMECCANICA SA	Luxembourg (Luxembourg)	100		100
FINMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FINMECCANICA GROUP SERVICES SPA	Rome	100		100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	51.000
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
LASERTEL INC.	Tucson, Arizona (USA)		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)		80	80
MECCANICA HOLDINGS USA INC.	Wilmington, Delaware (USA)	100		100
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)		100	100
MSSC COMPANY	Philadelphia, Pennsylvania (USA)		51	51
NET SERVICE SRL	Bologna		70	70
NIGHT VISION SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
ORANGEE SRL	Rome		70	70
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)		100	100
OTO MELARA NORTH AMERICA INC.	Dover, Delaware (USA)		100	100
OTO MELARA SPA	La Spezia	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)		100	100
PIVOTAL POWER INC.	Halifax, New Scotland (Canada)		100	100
PRZEDSIEBIORSTWO USLUG TRANSPORTOWYCH "SWIDTRANS" SP. ZO.O.	Lotnikow Polskich 1 - AL, Świdnik (Poland)		100	93.8748
PZL INWEST SP. ZO.O.	Lotnikow Polskich 1 - AL, Świdnik (Poland)		100	93.8748
REGIONALNY PARK PRZEMYSLOWY ŚWIDNIK SP. ZO.O.	Mechaniczna 13 - U1, Świdnik (Poland)		72.0588	67.64505

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
SEICOS SPA	Rome	100		100
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (UK)		100	100
SELEX COMMUNICATIONS INC.	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS LTD	Chelmsford, Essex (UK)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucharest (Romania)		99.976	99.976
SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX GALILEO INC.	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (UK)	100		100
SELEX GALILEO SPA	Campi Bisenzio (Florence)	100		100
SELEX KOMUNIKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SELEX SYSTEMS INTEGRATION GMBH	Neuss (Germany)		100	100
SELEX SYSTEMS INTEGRATION INC.	Delaware (USA)		100	100
SELEX SYSTEMS INTEGRATION LTD	Portsmouth, Hampshire (UK)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Genoa		92.794	92.794
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA (IN LIQ.)	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
T - S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM LLC	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC.	Wilmington, Delaware (USA)		100	40.0656
UNIVERSAL POWER SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH form. VEGA DEUTSCHLAND HOLDING GMBH	Cologne (Germany)		100	100
VEGA SPACE GMBH	Darmstadt (Germany)		100	100
VEGA SPACE LTD	Welwyn Garden City, Herts (UK)		100	100
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (Fance)		100	100
WESTLAND HELICOPTERS INC.	Wilmington, Delaware (USA)		100	100
WESTLAND HELICOPTERS LTD	Yeovil, Somerset (UK)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)		100	100
WHITEHEAD ALENIA SIST. SUBACQUEI SPA	Livorno	100		100
WING NED BV	Rotterdam (the Netherlands)		100	100
WORLD'S WING SA	Geneva (Switzerland)		94.944	94.944
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-ŚWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Świdnik (Poland)		93.8748	93.8748
ZAKLAD NARZEDZIOWY W SWIDNIKU SP.ZO.O.	Narzedziowa 16 - U1, Świdnik (Poland)		51.65785	48.4937
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Świdnik (Poland)		100	93.8748
ZAKLAD REMONTOWY SP.ZO.O.	Mechaniczna 13 - U1, Świdnik (Poland)		100	93.8748
ZAKLAD UTRZYMANIA RUCHU SP.ZO.O.	Lotnikow Polskich 1 - AL, Świdnik (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
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
SPACEOPAL GMBH	Munich (Germany)		50	33.5
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E-GEOS SPA	Matera		80	53.6
EURIMAGE SPA	Rome		100	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
FILEAS SA	Paris (France)		100	67
AURENSIS SL	Barcelona (Spain)		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (UK)		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 (UK)		99.99	25
MBDA UAE LTD form. MARCONI UAE LTD	London (UK)		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	Unterschleissheim (Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (UK)		50	50
ROTORSIM SRL	Sesto Calende (Varese)		50	50
CONSORZIO ATR-GIE e SPE	Toulouse (France)		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262
KAZAKHASTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)		49	19.632

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Company name	Registered office	% Group ownership direct	% Group ownership indirect	% Group shareholding
A4ESSOR SAS	Neuilly Sur Seine (France)		21	21
ABRUZZO ENGINEERING SCPA (IN LIQ,)	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
ALENIA HELLAS SA	Kolonaki, Athens (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, New Scotland (Canada)		100	100
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.993	99.993
ANSALDO ELECTRIC DRIVES SPA	Genoa		100	100
ANSALDO – E.M.I.T. SCRL	Genoa		50	50
ANSALDO ENERGY INC.	Wilmington, Delaware (USA)		100	100
ANSALDO STS SISTEMAS DE TRANSORTE E SINALIZACAO LTDA	Rio de Janeiro (Brazil)		100	40.0656
ANSERV SRL	Bucharest (Romania)		100	100
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)		40	40
BELL AGUSTA AEROSPACE COMPANY LLC	Wilmington, Delaware (USA)		40	40
BRITISH HELICOPTERS LTD	Yeovil, Somerset (UK)		100	100
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)		100	100
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		40	40
CONTACT SRL	Naples		30	30
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi		24	24
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
ECOSEN CA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukrain)		49	49
EURISS NV	Leiden (the Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERNATIONAL LTD	London (UK)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EURO PATROL AIRCRAFT GMBH (IN LIQ.)	Munich (Germany)		50	50
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH SPA	Amaro (Udine)	11.08		11.08
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	99.999		99.999
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	100		100

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
FINMECCANICA UK LTD	London (UK)	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
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL METRO SERVICE SRL	Milan		49	19.63
I.M. INTERMETRO SPA (IN LIQ.)	Rome		33.332	23.343
IVECO - OTO MELARA SCRL form. IVECO FIAT - 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	17.156
MUSI NET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NAHUELSAT SA (IN LIQ.)	Buenos Aires (Argentina)	33.332		33.33
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyon (France)		40	40
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	49
QUADRICS LTD (IN LIQ.)	Bristol (UK)		100	100
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (UK)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (UK)		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (UK)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Saudi Arabia)		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	Saint Petersburg (Russian Federation)		35	35
SISTEMI DINAMICI SPA	San Piero a Grado (Pisa)		40	40
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
TRADE FATA BV	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (UK)		100	100
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)		99.99	99.99
WITG L.P. INC	Kent, Dover, Delaware (USA)		24	24
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	20
XAIT SRL	Ariccia (Rome)		100	100
YENI AEN INSAAT ANONIM SIRKETI	Istanbul (Turkey)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

LIST OF COMPANIES VALUED AT FAIR VALUE

Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
BCV INVESTMENTS SCA	Luxembourg (Luxembourg)		14.321	14.321
BCV MANAGEMENT SA	Luxembourg (Luxembourg)		14.999	14.999

LIST OF SUBSIDIARIES AND ASSOCIATES VALUED AT COST

Company name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	100
COREAT S.C. A R.L.	Rieti		30	30
CCRT SISTEMI SPA (IN 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.)	Brussels (Belgium)	18.939	18.939	25.189
FOSCAN SRL (IN BANKRUPTCY)	Anagni (Frosinone)		20	20
IND. AER. E MECC. R. PIAGGIO SPA (EXT. ADM.)	Genoa	30.982		30.982
SAITECH SPA (IN BANKRUPTCY)	Passignano sul Trasimeno (Perugia)		40	40
SCUOLA ICT SRL (IN LIQ.)	L'Aquila	20		20
SELEX SISTEMI INTEGRATI DO BRASIL LTDA	Rio de Janeiro (Brazil)		99.9998	99.9998
SEL PROC SCRL	Rome		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN BANKRUPTCY)	San Giorgio Jonico (Taranto)		50.614	50.614

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

- starting from 1 January 2010 Quadrics Ltd (in liquidation), consolidated through the 2009 financial statements on a line-by-line basis, is consolidated at equity as a result of the start of the liquidation process;
- on 1 January 2010, Alenia Composite SpA and Alenia Aeronavali SpA were merged with Alenia Aeronautica SpA;
- on 1 January 2010, DRS Intelligence & Avionic Solutions Inc. and DRS Codem Systems Inc. were merged with DRS Icas LLC;
- on 1 January 2010, DRS C3&A Intermediary LLC and DRS Data & Imaging Systems Inc. were merged with DRS C3 & Aviation Company;
- on 1 January 2010, CISDEG was transformed from a consortium into a joint-stock company and is consolidated on a line-by-line basis;
- starting from 1 January 2010, AgustaWestland Politecnico Advanced Rotorcraft, consolidated until 31 December 2009 using the equity method, is consolidated on a line-by-line basis since it has started operations;
- on 1 January 2010, Sogeli SpA, consolidated until 31 December 2009 using the equity method, was merged into SO.GE.PA. SpA;
- starting from 1 January 2010, Spaceopal GmbH, consolidated until 31 December 2009 under the equity method, is consolidated on a proportionate basis since it has started operations;
- starting from 1 January 2010 Digint Srl, consolidated until 31 December 2009 using the equity method, is consolidated on a line-by-line basis since it is a subsidiary;
- on 1 January 2010, Telbios SpA was sold to third parties and was deconsolidated from that date;
- on 1 January 2010, International Land Systems Inc. was sold to third parties and was deconsolidated from that date;
- on 29 January 2010, the Wytwornia Sprzetu Komunikacyjnego ”PZL-ŚWIDNIK” Spolka Akcyjna group (PZL-ŚWIDNIK) was acquired and is consolidated on a line-by-line basis;
- on 5 March 2010, Lasertel Inc. was purchased and is consolidated on a line-by-line basis;
- on 11 March 2010, Ansaldo STS SpA took part in the formation of Kazakhastan TZ-AnsaldoSTS Italy LLP which enters the scope of consolidation and is valued with the proportionate method;
- on 15 March 2010, SELEX Galileo Saudi Arabia Company Ltd was formed and is consolidated using the equity method;
- on 1 April 2010, ISAF Srl was merged into Telespazio SpA;
- on 12 April 2010, Groupment Immobilier Aeronautique SA, consolidated until 31 December 2009 using the equity method, was deconsolidated upon sale to third parties;
- on 13 April 2010, the company Win Bluewater Services Private Limited entered the scope of consolidation and is consolidated at equity;
- on 1 June 2010, Finmeccanica Do Brasil Ltda entered the scope of consolidation and is consolidated at equity;
- on 8 June 2010, Mecfint (Jersey) SA was removed from the Company Register and deconsolidated accordingly;
- on 21 June 2010, Fata DTS SpA (in liquidation) was removed from the Company Register and deconsolidated accordingly;
- on 22 June 2010, Finmeccanica Finance SA was merged with Aeromeccanica SA;
- on 30 June 2010, the companies Vedecon GmbH, Vega Deutschland Management GmbH and Vega Deutschland GmbH & Co. KG were merged into Vega Deutschland Holding GmbH. At the same time Vega Deutschland Holding GmbH changed its corporate name becoming Vega Deutschland GmbH;

- on 13 July 2010, Selenia Marine Company Limited (in liquidation) was removed from the Company Register and deconsolidated accordingly;
- on 11 August 2010, Thomassen Service Australia PTY Ltd was removed from the Company Register and deconsolidated accordingly;
- on 27 September 2010, DRS Condor Holdco LLC was formed and is consolidated on a line-by-line basis;
- on 6 October 2010, the company Vega Space GmbH was acquired and is consolidated on a line-by-line basis;
- on 27 October 2010, Vega Space Ltd was acquired and is consolidated on a line-by-line basis;
- on 27 October 2010, Yeni Aen Insaat Anonim Sirketi was acquired and is consolidated using the equity method;
- on 23 November 2010, SELEX Communications Secure Systems Ltd (in liquidation), SELEX Communications International Ltd (in liquidation), Davies Industrial Communications Ltd (in liquidation) and Ote Mobile Technologies Ltd (in liquidation) were removed from the Company Register and deconsolidated accordingly;
- on 30 December 2010, Advanced Acoustic Concepts Inc. was acquired and is consolidated on a line-by-line basis;
- on 31 December 2010, DRS Mobile Environmental Systems Co was merged into DRS Environmental Systems Inc;
- on 31 December 2010, Selenia Mobile SpA was merged into SELEX Communications SpA.

During 2010 the following companies were put in liquidation:

- Scuola ICT Srl;
- Immobiliare Fonteverde Srl;
- SO.GE.PA. SpA;
- I.M.Intermetro SpA;
- Elsacom SpA;
- Abruzzo Engineering Scpa.

The following companies changed their names during 2010:

- SELEX Sistemi Integrati Inc. became SELEX Systems Integration Inc;
- Galileo Avionica SpA became SELEX Galileo SpA;
- SELEX Sensors and Airborne Systems Ltd became SELEX Galileo Ltd;
- SELEX Sensors and Airborne Systems Infrared Ltd became SELEX Galileo Infrared Ltd;
- SELEX Sensors and Airborne Systems Electro Optics (Overseas) Ltd became SELEX Galileo Electro Optics (Overseas) Ltd;
- SELEX Sensors and Airborne Systems (US) Inc. became SELEX Galileo Inc.;
- SELEX Sensors and Airborne Systems (Projects) Ltd became SELEX Galileo (Projects) Ltd;
- Aeromeccanica SA became Finmeccanica Finance SA;
- Vega Deutschland Holding GmbH became Vega Deutschland GmbH.

Subsidiaries and entities controlled jointly

In particular, the entities over which Finmeccanica exercises a controlling power, either by directly or indirectly holding a majority of shares with voting rights or by exercising a dominant influence through the power to govern the financial and operating policies of an entity and obtain the related benefits regardless of the nature of the shareholding, have been consolidated on a line-by-line basis.

Not consolidated on a line-by-line basis are those entities which, because of the dynamics of their operations (e.g. consortiums without shares and controlling interests in equity consortia which, by charging costs to their members, do not have their own financial results and the financial statements of which do not, net of intercompany assets and liabilities, have material balances) or their current status (e.g. companies that are no longer operational, have no assets or personnel, or for which the liquidation process appears to be essentially concluded), would be immaterial to the Group's situation in both quantitative and qualitative terms. These holdings have been consolidated using the equity method.

Participating interests in entities (including special-purpose entities) over which control is exercised jointly with other parties are consolidated proportionally (so as to incorporate only the value of the assets, liabilities, costs and income proportional to the percentage held without, therefore, including the holdings of the other parties).

All controlled entities are consolidated at the date on which control was acquired by the Group. The entities are removed from the consolidated financial statements at the date on which the Group relinquishes control.

Business combinations are recognised using the purchase method, whereby the acquirer purchases the equity and recognises all assets and liabilities, even if merely potential, of the acquired company. The cost of the transaction includes the fair value at the date of purchase of the assets sold, the liabilities assumed and the capital instruments issued. Incidental charges related to the acquisition are recorded in the income statement at the date on which services are rendered. Any positive difference between the cost of the transaction and the fair value at the date of purchase of the assets and liabilities is allocated to goodwill. In the event the process of allocating the purchase price should result in a negative difference, this difference is recorded as an expense immediately at the purchase date.
In the case of purchase of controlling stakes other than 100% stakes, goodwill is recognised only to the extent of the portion attributable to the Group Parent.
In the case of purchase of minority stakes, after control is obtained, the positive difference between the acquisition cost and the book value of the minority stakes acquired is recorded as a reduction of the net equity of the Group Parent. In the event of disposal of stakes while control is retained, the difference between the cashed consideration and the book value of the stakes sold is recorded directly as an increase of the net equity, without recording in the income statement.

Amounts resulting from transactions with consolidated entities have been eliminated, particularly where related to receivables and payables outstanding at the end of the period, as well as interest and other income and expenses recorded on the income statements of these enterprises. Also eliminated are the net profits or losses posted between the consolidated entities along with their related tax adjustments.

The consolidated entities all close their financial years on 31 December. The Group consolidated financial statements have been prepared based on the ending balances at 31 December.

Other equity investments

Investments in entities over which significant influence is exercised, which generally corresponds to a holding of between 20% (10% if listed) and 50% (equity investments in associates), are accounted for using the equity method. In the case of the equity method, the value of the investment is in line with shareholders' equity adjusted, when necessary, to reflect the application of IFRSs, and includes the recognition of goodwill (net of impairments) calculated at the time of purchase, and to account for the adjustments required by the standards governing the preparation of consolidated financial statements. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Any value losses in excess of book value are recorded in the provision for risks on equity investments.
The fair value of equity investments, in the event this method applies, is calculated based on the bid price of the last trading day of the month for which the IFRS report was prepared (in this case 31 December 2010), or based on financial valuation techniques for not listed instruments.
Investments available for sale, like those acquired with the sole purpose of being disposed within the subsequent twelve months, are classified separately within "assets held for sale".

3.2 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.

3.3 Currency translation

Identification of the functional currency

The balances of the financial statements of each Group entity are presented in the currency of the primary economy in which each enterprise operates (the functional currency). The consolidated financial statements for the Finmeccanica Group have been prepared in euros, which is the functional currency of the Group Parent.

Translation of transactions denominated in a foreign currency

Items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc.) or non-monetary (advances to suppliers of goods and services, goodwill, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the income statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction, except in situations where there is a persistent unfavourable trend in the exchange rate concerned. If this is the case, exchange differences are recognised in the income statement.

Translation of financial statements expressed in a currency other than the functional currency

The rules for translating financial statements expressed in a foreign currency into the functional currency (except where the currency is that of a hyper-inflationary economy, a situation not applicable to the Group) are as follows:

- the assets and liabilities presented, even if solely for comparative purposes, are translated at the end-of-period exchange rate;
- costs and revenues, charges and income presented, even if solely for comparative purposes, are translated at the average exchange rate for the period in question, or at the exchange rate on the date of the transaction in the event this is significantly different from the average rate;
- the "translation reserve" includes both the exchange rate differences generated by the translation of balances at a rate different from that at the close of the period and those that are generated by the translation of opening balances of shareholders' equity at a rate different from that at the close of the period.

Goodwill and adjustments to fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.

With reference to data comparability, the year 2010 has been marked by significant changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 31 December 2010 and the average exchange rates for the period showed, for the main currencies, these changes from 2009: final exchange rates for the period (euro/US dollar -7.247% and euro/pound sterling -3.0796%); average exchange rates for the period (euro/US dollar -4.9513% and euro/pound sterling -3.7152%).

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

	At 31 December 2010		At 31 December 2009	
	average exchange rate for the year	exact	average exchange rate for the year	exact
US dollar	1.32572	1.33620	1.39478	1.44060
Pound sterling	0.85784	0.86075	0.89094	0.88810

3.4 Intangible assets

Intangible assets are non-monetary items without physical form, but which can be clearly identified and generate future economic benefits for the company. They are carried at purchase and/or production cost, including directly related expenses allocated to them when preparing the asset for operations and net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any impairments of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life. In the period in which the intangible asset is recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset.

Development costs

This account includes costs related to the application of the results of research or other knowledge in a plan or a project for the production of materials, devices, processes, systems or services that are new or significantly advanced, prior to the start of commercial production or use, for which the generation of future economic benefits can be demonstrated. These costs are amortised over the period in which the future earnings are expected to be realised for the project itself, and in any case in a period no longer than 10 years. If such costs fall within the scope of costs defined by Group standards as "non-recurring costs", they are recognised in a specific item under intangible assets (Note 4.1).
Research costs, on the other hand, are expensed in the period in which they are incurred.

Industrial patent and intellectual property rights

Patents and intellectual property rights are carried at acquisition cost net of amortisation and accumulated impairment losses. Amortisation begins in the period in which the rights acquired are available for use and is calculated based on the shorter of the period of expected use and that of ownership of the rights.

Concessions, licences and trademarks

This category includes: concessions, i.e. government measures that grant private parties the right to exclusive use of public assets or to manage public services under regulated conditions; licences that grant the right to use patents or other intangible assets for a determinate or determinable period of time; trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalised after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights.

Goodwill

Goodwill recognised as an intangible asset is associated with business combinations and represents the difference between the cost incurred to acquire a company or division and the Group's share of the sum of the values assigned, based on current values at the time of the

acquisition, to the individual assets and liabilities of the given company or division. As it does not have a definite useful life, goodwill is not amortised but is subject to impairment tests conducted at least once a year, unless market and operational factors identified by the Group indicate that an impairment test is also necessary in the preparation of interim financial statements. In conducting an impairment test, goodwill is allocated to the individual cash-generating units (CGUs), i.e. the smallest financially independent business units through which the Group operates in its various market segments.
Goodwill related to the acquisition of consolidated companies is recognised under intangible assets. Goodwill related to unconsolidated associated companies or subsidiaries is included in the value of investments.

3.5 Property, plant and equipment

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the site to its original condition.
Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset.
Any public capital grants related to property, plant and equipment are recognised as a direct deduction from the asset to which they refer.
The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset itself. In the period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is ready for use.
The estimated useful lives adopted by the Group for the various asset classes are as follows:

	Years
Land	indefinite useful life
Buildings	20-33
Plant and machinery	5-10
Equipment	3-5
Other assets	5-8

The estimated useful life and the residual value are regularly revised.
Depreciation ends when the asset is sold or reclassified as asset held for sale.
In the event the asset to be depreciated is composed of significant distinct elements with useful lives that are different from those of the other constituent parts, each individual part that makes up the asset is depreciated separately, in application of the component approach to depreciation.
This item also includes equipment intended for specific programmes (tooling), although it is depreciated, as with other non-recurring costs (see Note 4.1), on the basis of units manufactured in relation to those expected to be produced.

The gains and losses from the sale of assets or groups of assets are calculated by comparing the sales price with the related net book value.

3.6 Investment properties

Properties held to earn rentals or for capital appreciation are carried under “Investment properties”; they are valued at purchase or construction cost plus any related charges, net accumulated depreciation and impairment, if any.

3.7 Impairment of intangible assets and property, plant and equipment

Assets with indefinite useful lives are not depreciated or amortised, but are rather subject to impairment tests at least once a year to ascertain the recoverability of their book value.
For assets that are depreciated or amortised, an assessment is made to determine whether there is any indication of a loss in value. If so, the recoverable value of the asset is estimated,

with any excess being recognised in the income statement.
The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use calculated on the basis of a model of discounted cash flows. The discount rate encompasses the risks peculiar to the asset which have not been considered in the expected cash flows. Assets which do not generate independent cash flows are tested as cash-generating units. If the reasons for such write-downs should cease to obtain, the asset's book value is restored within the limits of the book value that would have resulted if no loss was recognised due to previous years' loss of value. The write-back is also taken to the income statement. Under no circumstances, however, is the value of goodwill that has been written down restored to its previous level.

3.8 Inventories
Inventories are recorded at the lower of cost, calculated with reference to the weighted average cost, and net realisable value. They do not include finance costs and overheads. The net realisable value is the sales price in the course of normal operations net of estimated costs to finish the goods and those needed to make the sale.

3.9 Contract work in progress
Work in progress is recognised on the basis of progress (or percentage of completion), whereby costs, revenues and margins are recognised based on the progress of production. The state of completion is determined on the basis of the ratio between costs incurred at the measurement date and the total expected costs for the programme or based on the productions units delivered. The valuation reflects the best estimate of the schedules prepared at the balance sheet date. The assumptions upon which the estimates are made are periodically updated. Any impact on profit or loss is recognised in the period in which the updates are made.
In the event the completion of a contract is expected to result in a loss at the gross margin level, the loss is recognised in its entirety in the period in which it becomes reasonably foreseeable. Contract work in progress is recorded net of any write-downs, as well as pre-payments and advances related to the contract being performed.
This analysis is carried out contract by contract: in the event of positive differences (where the value of work in progress is greater than total pre-payments), the difference is recorded as an asset; negative differences, on the other hand, are recorded as a liability under "advances from customer". If it has not been collected at the date of preparation of the annual or interim accounts, the amount recorded among advance payments will have a directly contra-item in trade receivables. Contracts with payments in a currency other than the functional currency (the euro for the Group) are measured by converting the portion of payments due, calculated using the percentage-of-completion method, at the exchange rate prevailing at the close of the period in question. However, the Group's policy for exchange-rate risk calls for all contracts in which cash inflows and outflows are significantly exposed to exchange rate fluctuations to be hedged specifically. In such cases, the recognition methods described in Note 4.3 below are applied.

3.10 Receivables and financial assets
The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- financial assets held to maturity;
- financial assets available for sale.

Management classifies assets at the time they are first recognised.

Financial assets at fair value through profit or loss
This category includes financial assets acquired for the purpose of short-term trading transactions, as well as derivatives, which are discussed in the next section. The fair value of these instruments is determined with reference to their end-of-period bid price. For unlisted instruments, the fair value is calculated using commonly adopted valuation techniques. Changes in the fair value of instruments in this category are recognised immediately in the income statement.

The classification of assets as current or non-current reflects management expectations regarding their trading. Current assets include those that are planned to be sold within 12 months or those designated as held for trading purposes.

Loans and receivables
This category includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at their amortised cost using the effective interest method. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset: the cumulative loss, calculated through impairment test, is removed from equity and recognized in the income statement. If the reasons for the write-down should cease to obtain, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised. Loans and receivables are posted under current assets except for the portion falling due beyond 12 months, which is carried under non-current assets.

Financial assets held to maturity
These are non-derivative assets with fixed maturities that the Group has the intention and ability to hold to maturity. Those maturing within 12 months are carried under current assets. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset: the cumulative loss, calculated through impairment test, is removed from equity and recognised in the income statement. If the reasons for the write-down should cease to obtain in future periods, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised.

Financial assets available for sale
This category encompasses non-derivative financial assets specifically designated as available for sale or not classified in any of the previous items. They are recognised at fair value, which is calculated with reference to their market price at the reporting date or using financial valuation techniques and models. Changes in value are recognised in a specific equity item ("Reserve for assets available for sale"). The reserve is taken to the income statement only when the financial asset is effectively sold or, in cases of a loss of value, when it becomes evident that the impairment in value already recognised in equity is unrecoverable.
Classification as current or non-current depends on the intentions of management and the effective marketability of the security itself. Assets that are expected to be sold within 12 months are carried under current assets.
Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset; reductions in value previously recognised in equity are reversed to profit or loss. If the reasons for the write-down should cease to obtain, the value of the asset is restored, applicable only to debt financial instruments.

3.11 Derivatives
Derivatives are still regarded as assets held for trading and stated at fair value through profit or loss unless they are deemed eligible for hedge accounting and effective in offsetting the risk in respect of underlying assets, liabilities or commitments undertaken by the Group.
In particular, the Group uses derivatives as part of its hedging strategies to offset the risk of changes in the fair value of assets or liabilities on its balance sheet or the risk associated with contractual commitments (fair value hedges) and the risk of changes in expected cash flows in contractually defined or highly probable operations (cash-flow hedges).
For details regarding the methodology for recognising hedges of the exchange rate risk on long-term contracts, see Note 4.3.

The effectiveness of hedges is documented and tested both at the start of the operation and periodically thereafter (at least every time an annual or interim report is published) and measured by comparing changes in the fair value of the hedging instrument against changes in the hedged item ("dollar offset ratio"). For more complex instruments, the measurement involves statistical analysis based on the variation of the risk.

Fair value hedges
Changes in the value of derivatives that have been designated and qualify as fair value hedges are recognised in profit or loss, similarly to the treatment of changes in the fair value of the hedged assets or liabilities that are attributable to the risk that has been offset with the hedge.

Cash flow hedges
Changes in the fair value of derivatives that have been designated and qualify as cash-flow hedges are recognised – with reference to the “effective” component of the hedge only – in the statement of comprehensive income through a specific equity reserve (“cash-flow hedge reserve”), which is subsequently recognised in the income statement when the underlying transaction affects profit or loss. Changes in fair value attributable to the non-effective component are immediately recognised in the income statement for the period. If the occurrence of the underlying operation ceases to be highly probable, the relevant portion of the cash-flow hedge reserve is immediately recognised in the income statement. If the derivative is sold or ceases to function as an effective hedge against the risk for which it was originated, the relevant portion of the “cash-flow hedge reserve” is kept recognised until the underlying contract shows its effect.

Determining fair value
The fair value of instruments quoted on public markets is determined with reference to the bid price for the instrument in question at the reference date. The fair value of unquoted instruments is determined with financial valuation techniques. Specifically, the fair value of interest rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is determined on the basis of the market exchange rate at the reference date and the rate differentials among the currencies involved.

3.12 Cash and cash equivalents
The item includes cash, deposits with banks or other institutions providing current account services, post office accounts and other cash equivalents, as well as investments maturing in less than three months from the date of acquisition. Cash and cash equivalents are recognised at their fair value.

3.13 Shareholders’ equity
Share capital
Share capital consists of the capital subscribed and paid up by the Group Parent. Costs directly associated with the issue of shares are recognised as a decrease in share capital when they are directly attributable to capital operations, net of the deferred tax effect.

Treasury shares
Treasury stock is recognised as a decrease in Group shareholders’ equity. Gains or losses realised in the acquisition, sale, issue or cancellation of treasury stock are recognised directly in shareholders’ equity.

3.14 Payables and other liabilities
Payables and other liabilities are initially recognised at fair value net of transaction costs. They are subsequently valued at their amortised cost using the effective interest rate method (see Note 3.21). Payables and other liabilities are defined as current liabilities unless the Group has the contractual right to settle its debts at least 12 months after the date of the annual or interim financial statements.

3.15 Taxation
The Group tax burden is made up of current and deferred taxes. If these taxes are related to income and expense recognised in equity in the statement of comprehensive income, a balancing entry is recorded under the same item.
Current taxes are calculated in accordance with the existing fiscal legislation applicable to

those countries in which the Group operates and in force at the balance sheet date. Any risks connected with a different interpretation of the positive and negative components of income, together with ongoing disputes with the tax authorities are regularly assessed, at least on a quarterly basis, in order to adjust the provisions made.
Deferred tax assets and liabilities are calculated based on temporary differences arising between the carrying amounts in the consolidated financial statements of assets and liabilities and their value for tax purposes. Deferred tax assets and liabilities are calculated by applying the tax rate that is expected to be in force at the time the temporary differences will be reversed. The estimation is made based on tax laws in effect or substantially in effect at the reporting date. Deferred tax assets are recognised to the extent that it is probable the company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.

3.16 Employee benefits

Post-employment benefit plans

Group companies use several types of pension and supplementary benefit plans, which can be classified as follows:

- *defined-contribution plans* in which the company pays fixed amounts to a distinct entity (e.g. a fund) but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay the benefits accrued by employees during their period of employment with the company. The company recognises the contributions to the plan only when employees rendered their services to the company specifically in exchange for these contributions;
- *defined-benefit plans* in which the company undertakes to provide agreed benefits for current and former employees and incur the actuarial and investment risks associated with the plan. The cost of the plan is therefore not determined by the amount of the contributions payable in the financial period but, rather, is redetermined with reference to demographic and statistical assumptions and wage trends. The methodology used is the projected unit credit method. For the recognition of defined-benefit plans, the Group adopts the so-called "equity option" approach. According to this option the Group recognises a liability for the same amount arising from the actuarial estimation, and recognises actuarial gains and losses in the period in which they occur in the statement of comprehensive income through a special equity reserve (in the "reserve for actuarial gains (losses) to equity").

Other long-term benefits and post-employment benefits

Group companies grant employees with other benefits (such as seniority bonuses after a given period of service with the company) that, in some cases, continue to be provided after retirement (for example, medical care). These receive the same accounting treatment as defined-benefit plans, using the projected unit credit method. However for "other long-term benefits" net actuarial gains and losses are both recognised to profit or loss immediately and in full as they occur.

Benefits payable for the termination of employment and incentive plans

Termination benefits are recognised as liabilities and expenses when the enterprise is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits payable to employees for the termination of employment do not bring any future economic benefit to the enterprise and are therefore recognised immediately as expenses.

Equity compensation benefits

The Group uses stock-option and stock-grant plans as part of its compensation of senior management. In these cases, the theoretical benefit attributable to the recipients is charged to the income statement in the financial periods for which the plan is operative with a contra-item in an equity reserve. The benefit is quantified by measuring at the assignment date the fair value of the assigned instrument using financial valuation techniques that take account of market conditions and, at the date of each annual report, an updated estimate of the number of instruments expected to be distributed.

3.17 Provisions for risks and charges

Provisions for risks and charges cover certain or probable losses and charges whose timing or amount was uncertain at the reporting date.
The provision is recognised only when a current obligation (legal or constructive) exists as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation. The amount reflects the best current estimate of the cost of fulfilling the obligation. The interest rate used to determine the present value of the liability reflects current market rates and includes the additional effects relating to the specific risk associated with each liability.
Risks for which the emergence of a liability is merely a possibility are reported in the section in the notes on commitments and risks and no provision is recognised.

3.18 Leasing

Group entities as lessees in a finance lease

At the date on which a lease is first recognised, the lessee records a non-current asset and a financial liability at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of the inception of the lease, using the implicit interest rate in the lease or the incremental borrowing rate. Subsequently, an amount equal to the depreciation expense for the asset and the finance charge separated from principal component of the lease payment made in the period is recognised in the income statement. Depreciation periods are indicated in Note 3.5.

Group entities as lessors in a finance lease

At the date on which a lease is first recognised, the value of the leased asset is eliminated from the balance sheet and a receivable equal to the net investment in the lease is recognised. The net investment is the sum of the minimum payments plus the residual unguaranteed value discounted at the interest rate implicit in the lease contract. Subsequently, finance income is recognised in the income statement for the duration of the contract in an amount providing a constant periodic rate of return on the lessor’s net investment.
The unsecured residual value is reviewed periodically for possible impairment.

Operating leases

Receipts and payments in respect of contracts qualifying as operating leases are recognised in the income statement over the duration of the contract on a straight-line basis.

3.19 Revenue

Revenues generated by an operation are recognised at the fair value of the amount received, inclusive of volume discounts and reductions.
Revenues also include changes in work in process, the accounting policies for which were described in Note 3.9 above.
Revenues generated from the sale of goods are recognised when the enterprise has transferred to the buyer substantially all of the significant risks and rewards of ownership of the goods, which, in many cases, will coincide with the transfer of title or possession to the buyer; and when the value of the revenues can be reliably determined.
Revenues from services are recognised on a percentage-of-completion method when they can be reliably estimated.

3.20 Government grants

Once formal authorisation for their assignment has been issued, grants are recognised on an accruals basis in direct correlation with the costs incurred. Specifically, set-up grants are taken to the income statement in direct relation to the depreciation of the relevant goods or projects, and are recognised as a direct reduction in the value of the depreciation expense. In balance sheet grants are recognised as a direct reduction of the related assets, for the amount not yet recognised to profit or loss.

3.21 Finance income and costs

Interest is recognised on an accruals basis using the effective interest rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions, etc.) that make up a given operation.
Finance costs attributable to the acquisition, construction or production of certain assets taking a substantial period of time to get ready for their intended use or sale (qualifying assets) are capitalised together with the related asset.

3.22 Dividends

Dividends are recognised as soon as shareholders obtain the right to receive payment, which is normally when the shareholders' meeting approves the distribution of dividends.
Dividends distributed to Finmeccanica shareholders are recognised as liabilities for the period in which their distribution is approved by the shareholders' meeting.

3.23 Emission rights

The Group recognises only income and expense items and assets and liabilities arising from the sale and/or purchase of emission rights to cover differences, if any, among the shares assigned and the effective emissions produced.

3.24 Transactions with related parties

Transactions with related parties are carried out at arm's length.

3.25 Costs

Costs are recorded in compliance with the accrual principle.

3.26 New IFRSs and IFRIC interpretations

At the date of preparation of this Report, the European Commission has endorsed certain standards and interpretations that are not compulsory which will be applied by the Group in the following financial periods. The amendments and potential effects for the Group are summarised below:

IFRS - IFRIC INTERPRETATION		EFFECTS FOR THE GROUP
IAS 32 Amendment	Financial instruments: classification and presentation	The standard defines the treatment of rights (options or warrants) denominated in a currency other than the functional one. The Group will apply such standard starting from 1 January 2011. No effects are expected for the Group.
IAS 24 Revised	Related party disclosures	The standard clarifies the definition of a related party and simplifies the disclosure requirement for government-related entities. The Group will apply such standard starting from 1 January 2011. The Group shall revise the disclosure.
IFRIC 14 Amendment	Prepayments of a minimum funding requirement	The Group will apply such amendment starting from 1 January 2011. No significant effects are expected for the Group.
IFRIC 19	Extinguishing financial liabilities with equity instruments	The Group will apply such amendment starting from 1 January 2011. No significant effects are expected for the Group.

There are a number of standards or amendments to existing principles issued by the IASB or new interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way. Among these, we note:

- IFRS 9 - by this standard the IASB intends to amend significantly the treatment of financial instruments. This standard, in its final version, will replace IAS 39. At present, the IASB has modified the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39 and has published a document on the principles for the measurement of the amortised cost of financial instruments and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable. The current version of IFRS 9 will be applicable, subject to the endorsement by the European Union, as from 1 January 2013;
- the 2010 improvement project that provides for the revision of several principles, whose application is expected starting from 1 January 2011, including IFRS 1 (First-time adoption of international financial reporting standards) IFRS 3 (Business combinations), IFRS 7 (Financial instruments: disclosures), IAS 1 (Presentation of financial statements), IAS 27 (Consolidated and separate financial statements) and IAS 34 (Interim financial reporting).

4. Significant issues

4.1 Non-recurring costs

The Group separately discloses as intangible assets (€mil. 710 at 31 December 2010) the costs incurred in designing, prototyping and upgrading to the technical and functional specifications of clearly identified potential clients, if they are financed under Law 808/1985 governing State aids to support the competitiveness of entities operating in the Aeronautics and Defence segments. These costs are shown excluding the benefits collected or to be collected under Law 808/1985 for programmes qualified as functional to national security and similar. The aid under Law 808/1985 is deducted from capitalised costs, and the royalties to be given to the grantor are recognised as the requirements are met (sale of products embedding the technology for which the Law permits aids). For other programmes, non-recurring costs are recognised as “non-recurring costs”, and the funds received are recognised as “other liabilities” at their nominal value, making a distinction between the current portion and the non-current portion, based on the date of repayment. In both cases, non-recurring costs are suspended between intangible assets and are amortised on the units-of-production method. These costs are tested for impairment at least once a year until development is complete; after that, as soon as contract prospects change, when expected orders are no longer made or delayed. The impairment test is conducted on assumed sales plans, which in general are made for a period greater than 5 years, in light of the particularly long life of products under development. In the case of programmes that benefit from the provisions of Law 808/1985 and that are classified as functional to national security, the portion of non-recurring costs capitalised which have not been assessed yet by the issuer is shown separately, pending the fulfilment of the legal requirements for the recognition of the amount receivable from the Ministry. The amount shown in “other non-current assets” (€mil. 224 at 31 December 2010) 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.

4.2 Financing for GIE-ATR aircraft

In order to enhance its competitive position, in certain cases GIE-ATR facilitates access to financing for its customers by providing specific guarantees to third parties (an approach taken by its direct competitors), an activity that in the past it also conducted through special purpose entities. Where, due to the effect of the guarantees provided or the content of other contractual provisions, it is felt that substantially all risks and benefits attaching to aircraft sale contracts have not transferred to customers, the sale is not recognised as such in the accounts. Rather, the entire operation is recognised as a lease, postponing the recognition of profits until such time as the risks no longer obtain by way of recognition under deferred income and carrying the aircraft among the Group’s assets, undergoing normal depreciation. If, however, the operation is structured in a manner in which substantially all risks and benefits are transferred to the customer, it is booked as a loan or a finance lease, with the sale being recognised upon delivery and the financial component being recognised under finance income on an accruals basis. If contracts envisage a buy-back clause or a residual value guarantee, the operation is recognised as a sale only if the present value of the guarantees can be considered immaterial with respect to the overall value of the transaction; otherwise, the aircraft is carried under the Group's assets and depreciated. All likely risks associated with operations carried out by GIE-ATR are measured on the basis of a prudent valuation conducted by management and are either deducted directly from the carrying value of the asset or are recognised under provisions for risks and charges.

4.3 Hedging long-term contracts against foreign exchange risk

In order to hedge exposure to changes in flows of receipts and payments associated with long-term construction contracts denominated in currencies other than the functional currency, the Group enters into specific hedges for the expected individual cash flows in respect of the contracts. The hedges are entered into at the moment the commercial contracts are finalised, except where the award of the contracts is felt to be highly likely as a result of existing framework contracts. Exchange-rate risk is normally hedged with plain vanilla instruments (forward contracts); in some cases, however, in order to protect the Group against the persistent adverse trend in the US dollar, we have entered into more highly structured operations that, while substantively hedging the positions, do not qualify for hedge accounting under IAS 39. In these cases, as in all cases where hedges prove to be ineffective, changes in the fair value of such instruments are taken immediately to the income statement as financial items, while the underlying is valued as if it were exposed to exchange rate variations. The effects of this recognition policy are reported in Note 37. Hedges in the former case are reported as cash-flow hedges, considering as ineffective the part relating to the premium or discount in the case of forwards or the time value in the case of options, which is recognised under financial items.

4.4 Provisions for risks and estimates of final costs of long-term contracts

The Group operates in sectors and with contractual arrangements that are especially complex. They are recognised on a percentage-of-completion basis. Margins recognised in the income statement are a function of both the state of progress on contracts and the margins that are expected to be recognised for the completed contract. Accordingly, correct recognition of work in progress and margins on contracts that have not yet been completed requires management to make a careful estimate of the final costs and expected increases as well as delays, extra costs and penalties that could reduce the expected margin. In order to enhance support for this activity, the Group has adopted contract management and risk analysis tools designed to identify, monitor and quantify the risks associated with such contracts. The amounts posted in the financial statements represent management's best estimate at the reporting date.
In addition, the Group's operations regard sectors and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity, making it necessary for management to estimate the outcome of such disputes. The main potential loss situations classified as "probable" or "possible" (no provision is recognised for the latter) are discussed below.

4.5 Liabilities from defined-benefit pension plans

The Group is sponsor to two UK defined-benefit pension plans and to various US and other minor European plans. It has the obligation to ensure a given level of benefits to the plan participants and carries the risk that the plan assets are not adequate to cover the benefits promised. In case these plans are in a deficit position, the trustee responsible for the management requests the Group to fund the plan.
The deficit resulting from the most updated actuarial valuations made by independent experts is recognised as a liability (€mil. 309 at 31 December 2010): however, these valuations stem from actuarial, demographic, statistical and financial assumptions that are highly volatile and hardly foreseeable.
Through the JV MBDA, which is consolidated proportionally at 25%, the Group also participates in defined-benefit pension plans in the UK where the main employer is BAE Systems Plc. As envisaged by IAS 19, the Group recognises the deficit amount that is estimated to be related to MBDA (€mil. 64 at 31 December 2010), based on information provided by BAE.

4.6 Impairment of assets

Group assets are tested for impairment at least annually if their lives are indefinite, or more often if there are indications of impairment. Similarly, impairment tests are conducted on all the assets showing signs of impairment, even if the amortisation already commenced.
Impairment tests are generally conducted using the discounted cash flow method: however, this method is highly sensitive to the assumptions contained in the estimate of future cash flows and interest rates applied.
For these valuations, the Group uses plans that have been approved by corporate bodies and financial parameters that are in line with those resulting from the current performance of reference markets.

5. Effects of changes in accounting policies adopted

Since 1 January 2010, the Group has adopted a number of new accounting standards and interpretations. Among these, we note:

- IAS 27 Revised - Consolidated and separate financial statements – providing that the transactions with minority interests will not imply in the future the recognition of gains in the income statement nor any additional goodwill;
- IFRS 3 Revised - Business combinations – that envisages to expense transaction costs as incurred and provides for the elimination of the obligation to value each asset and liability of the subsidiary at fair value in subsequent step acquisitions, and the recognition at the acquisition date of liabilities for conditional payments;
- IFRS 2 Revised - Group share-based payments – that clarifies the treatment of share-based payments in case of Group incentive plans;
- the interpretations IFRIC 12 (Service concession arrangements), IFRIC 15 (Agreements for the construction of real estate), IFRIC 16 (Hedges on a net investment in a foreign operation), IFRIC 17 (Distributions of non-cash assets to owners) and IFRIC 18 (Transfers of assets from customers).

These amendments along with the further changes to the accounting standards and interpretations applicable since 1 January 2010 had no significant effect on these consolidated financial statements.

6. Significant non-recurring events or transactions

No significant transactions occurred in 2010.

The following events took place in the year ended 31 December 2009:

- collection in June 2009 of the remaining €mil. 64 relating to the receivable arising from the settlement of the dispute with ENEA initiated in 1995 following the termination of the contract for the construction of the PEC nuclear power plant, signed in previous years between ENEA and Finmeccanica;
- in January 2009 the amounts due as of 31 December 2008 were repaid in line with the allocations made in the Group's financial statements. These repayments resulted from the decision made by the European Commission on 11 March 2008 in relation to the aid granted by the Italian government as financing under Law 808/1985;
- on 22 December 2009, Finmeccanica completed the sale of its 33,707,436 remaining shares in STMicroelectronics NV (STM) to Cassa Depositi e Prestiti for €mil. 172, yielding a gain of €mil. 18.

7. 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 its financial resources on the basis of revenue and adjusted EBITA (see also section "Non-GAAP performance indicators" of the Report on Operations). The results for each segment at 31 December 2010, 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	Transp-ortation	Other Activities	Elimin-ations	Total
31 Dec. 2010										
Revenues	3,644	7,137	2,809	925	1,210	1,413	1,962	243	(648)	**18,695**
of which from other segments	200	873	1,018	21	180	1	78	112	(648)	**1,835**
Adjusted EBITA	413	735	205	39	107	145	97	(152)	-	**1,589**
Investments	175	258	327	45	40	37	53	24	-	**959**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transp-ortation	Other Activities	Elimin-ations	Total
31 Dec. 2009										
Revenues	3,480	6,718	2,641	909	1,195	1,652	1,811	410	(640)	**18,176**
of which from other segments	69	798	994	30	222	1	129	72	(640)	**1,675**
Adjusted EBITA	371	698	241	47	130	162	65	(127)	-	**1,587**
Investments	125	209	335	66	43	60	87	14	-	**939**

With regard to items explained more fully herein, in 2010, following a process begun in late 2009, action was undertaken to pursue the objective of leveraging and rationalising the Group's real estate holdings by gradually concentrating them within a single company in the Other Activities division. The purpose of this concentration is to ensure that the Group's real estate holdings are managed in a coordinated, unified manner so as to make the activities and related costs more efficient and rational in order to achieve significant savings once fully implemented. The concentration involved several companies in the Defence and Security Electronics, Aeronautics, Defence Systems and Transportation divisions.
The portion of fixed assets referring to intangible assets, property, plant and equipment and investment properties attributable to the segments at 31 December 2010 and at 31 December 2009 is as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transp-ortation	Other Activities	Elimin-ations	Total
31 Dec. 2010										
Fixed assets	2,361	5,746	1,743	508	574	177	254	840	-	**12,203**
31 Dec. 2009										
Fixed assets	2,182	5,455	2,004	496	595	189	296	275	-	**11,492**

The reconciliation of adjusted EBITA and earnings before interest and taxes, finance income and costs and share of results of equity accounted investments ("EBIT") for the periods concerned is shown below:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transp-ortation	Other Activities	Total
31 Dec. 2010									
Adjusted EBITA	413	735	205	39	107	145	97	(152)	**1,589**
Impairment	-	-	-	-	-	-	-	-	**-**
Amortisation of intangible assets acquired through a business combination	7	75	-	1	2	-	-	-	**85**
Restructuring costs	-	30	62	1	2	-	8	-	**103**
Exceptional costs (income)	27	64	-	-	-	30	48	-	**169**
EBIT	379	566	143	37	103	115	41	(152)	**1,232**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transp-ortation	Other Activities	Total
31 Dec. 2009									
Adjusted EBITA	371	698	241	47	130	162	65	(127)	**1,587**
Impairment	-	-	-	-	-	-	-	-	**-**
Amortisation of intangible assets acquired through a business combination	7	70	-	1	2	-	-	-	**80**
Restructuring costs	-	13	1	3	4	-	2	-	**23**
Exceptional costs (income)	-	-	-	-	-	20	72	-	**92**
EBIT	364	615	240	43	124	142	(9)	(127)	**1,392**

Group revenue can also be broken down geographically as follows (based on the customer's home country):

	31 December 2010	31 December 2009
Italy	3,790	3,975
UK	2,201	2,072
Rest of Europe	4,723	4,372
North America	4,677	4,333
Rest of the world	3,304	3,424
	18,695	**18,176**

Fixed assets, as defined above, are allocated on the basis of their location:

	31 December 2010	31 December 2009
Italy	4,165	3,847
UK	1,933	1,880
Rest of Europe	2,328	2,303
North America	3,755	3,444
Rest of the world	22	18
	12,203	**11,492**

8. Intangible assets

	Goodwill	Development costs	Non-recurring costs	Concessions, licences and trademarks	Acquired through business comb.	Other	Total
1 January 2009							
Cost	5,996	742	964	222	1,085	538	**9,547**
Amortisation and impairment	(206)	(268)	(331)	(101)	(61)	(343)	**(1,310)**
Carrying amount	**5,790**	**474**	**633**	**121**	**1,024**	**195**	**8,237**
Investments (*)		273	6	20		127	**426**
Sales		(44)	(9)				**(53)**
Amortisation		(84)	(52)	(19)	(80)	(62)	**(297)**
Impairment		(18)	(1)			(20)	**(39)**
Increases for business combinations	20						**20**
Other changes	11	23	(32)	(3)	31	43	**73**
31 December 2009	**5,821**	**624**	**545**	**119**	**975**	**283**	**8,367**
broken down as follows:							
Cost	5,978	983	929	225	1,126	697	**9,938**
Amortisation and impairment	(157)	(359)	(384)	(106)	(151)	(414)	**(1,571)**
Carrying amount	**5,821**	**624**	**545**	**119**	**975**	**283**	**8,367**
Investments (**)		165	155	12		118	**450**
Sales		(12)				(4)	**(16)**
Amortisation		(68)	(34)	(19)	(85)	(72)	**(278)**
Impairment		(53)				(11)	**(64)**
Increases for business combinations	111	-	-	-	-	15	**126**
Other changes	245	17	44	1	52	(13)	**346**
31 December 2010	**6,177**	**673**	**710**	**113**	**942**	**316**	**8,931**
broken down as follows:							
Cost	6,322	1,149	1,128	221	1,185	798	**10,803**
Amortisation and impairment	(145)	(476)	(418)	(108)	(243)	(482)	**(1,872)**
Carrying amount	**6,177**	**673**	**710**	**113**	**942**	**316**	**8,931**
(*) of which for capit. of internal constr. costs		235	(56)	7	-	26	**212**
(**) of which for capit. of internal constr. costs		134	49	-	-	33	**216**

Goodwill grew as a result of the business combinations, as commented on in Note 12, and the positive translation differences on goodwill arising on assets denominated in pounds sterling and US dollars.
Goodwill is allocated to the individual cash-generating units (CGUs) concerned, which are determined with reference to the Group's organisational, management and control structure and coincide with the Group's seven business segments. A summary of goodwill by segment at 31 December 2010 and 2009 is as follows:

	31 December 2010	31 December 2009
Helicopters	1,266	1,176
Defence and Security Electronics	4,101	3,835
Aeronautics	60	60
Space	339	339
Defence Systems	365	365
Energy	7	7
Transportation	39	39
	6,177	**5,821**

Within each sector, the CGUs are the smallest operationally and financially independent business units. They are identified based on how homogeneous the business is and on the functional dependence of management and are located within the companies that head a certain area of business, along with their subsidiaries. The goodwill of the Defence and Security Electronics division was allocated among the following CGUs at 31 December 2010: DRS (€mil. 2,860), SELEX Galileo (€mil. 714), SELEX Sistemi Integrati (€mil. 273), SELEX Communications (€mil. 147) and Elsag Datamat (€mil. 107).
Goodwill is subject to impairment testing to determine any loss in value. This is done by individual CGU by comparing the carrying amount with the greater of the value in use of the CGU and amount recoverable by sale. In practice, the Group has established an operational hierarchy between calculating the fair value net transaction costs and value in use, where the value in use is estimated first, and then only after, if it is lower than the carrying value, is the fair value net of transactions costs determined. The only exception is the Ansaldo STS CGU (to which the Transportation division's goodwill is allocated) where this hierarchy is inverted, to take account of the existence of a stock market price that can be used for reference and greater emphasis is placed on the market capitalisation rather than to the carrying value of the Group's net assets. In particular, the value in use is measured by the unlevered discounting of the cash flows resulting from the Group's five-year business plans approved by management and projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value), using growth rates no greater than those forecast for the market in which the given CGU operates (2% in 2010, with the sole exception of the DRS CGU for which a growth rate of 3.25% was used). The cash flows used were those generated by business activities, in their current conditions and without including the effects of future business restructurings or future investments for improving future performance, before finance costs and taxes, and includes investments in capital assets and monetary changes in working capital, while excluding cash flows from financial management, extraordinary events or the payment of dividends. The related underlying macro-economic assumptions were made on the basis of external information sources, where available, while the profitability and growth estimates used in the plans were calculated by management based on past experience and expected developments in the Group's markets.
These cash flows are discounted on a weighted-average cost of capital (WACC) basis calculated using the Capital Asset Pricing Model method. The following WACCs were used at 31 December 2010 (in 2009, there was an overall range of 8.4% to 9.3%):

	31 December 2010
Helicopters	9.2%
Defence and Security Electronics	8-8.9%
Aeronautics	9.0%
Space	8.6%
Defence Systems	8.7%
Energy	9.5%
Transportation	n.a.

The tests did not reveal any signs of impairment. An analogous result would be reached if the interest rate used to discount cash flows across all the CGUs were to rise by 50 basis points or if the growth rate used in calculating the terminal value were reduced by 50 basis points. In that regard, it should be noted that market capitalisation of Finmeccanica stock is currently below the Group's book equity. However, the stock's market price reflects the depressed and extremely volatiles conditions that still generally plague the financial markets, which has led to prices far below what they should be based on the company's fundamentals, expressed by their value in use. While we acknowledge that the economic environment is a complex one, weighted towards estimating cash flows and discount and growth rates, we believe that impairment tests should be conducted with an eye towards an asset's ability to generate cash flows along its entire period of use, rather than based on stock market values that reflect temporary difficulties and that are focused on short-term expectations.

"Development costs" increased due to the capitalisations for the period, mainly due to Aeronautics programmes (€mil. 54), Helicopter programmes (€mil. 48) and Defence and Security Electronics programmes (€mil. 26), which have been partly offset by amortisation and impairment totalling €mil. 121.

"Non-recurring costs" rose mainly because of investments for the period in the Helicopters (€mil 58), Aeronautics (€mil. 55) and Defence and Security Electronics (€mil. 52) segments. As regards programmes that benefit from the provisions of Law 808/85 and are classified as functional to national security, the portion of capitalised non-recurring costs whose fairness must be assessed yet by the grantor is separately disclosed within other non-current assets (Note 14).

"Concessions, licences and trademarks" include €mil. 82 (€mil. 89 at 31 December 2009) for the production and marketing rights of the AW139 helicopter for the portion acquired by Bell Helicopter.

Intangible assets acquired in the course of business combinations decreased mainly as a result of amortisation and include the following items:

	31 December 2010	31 December 2009
Know-how	83	85
Trademarks	45	45
Licenses	16	14
Backlog and commercial positioning	798	831
	942	**975**

Specifically, "backlog and commercial positioning" essentially refer to the portion of the purchase price of DRS, SELEX Galileo Ltd and AgustaWestland allocated to this item.

"Other" mainly includes software, which is amortised over a 3 to 5 year period, satellite capacity use rights (amortised based on actual use), and intangible assets in progress and advances.

The most significant investments were made in the Aeronautics (€mil. 146), Defence and Security Electronics (€mil. 126), Helicopters (€mil. 102) and Transportation (€mil. 35) divisions. Commitments are in place for the purchase of intangible assets for €mil. 23 (€mil. 23 at 31 December 2009).

9. Property, plant and equipment

	Land and buildings	Plant and machinery	Equipment	Other	Total
1 January 2009					
Cost	1,603	1,768	1,288	1,388	**6,047**
Depreciation and impairment	(470)	(1,137)	(665)	(676)	**(2,948)**
Carrying amount	**1,133**	**631**	**623**	**712**	**3,099**
Investments (*)	32	65	94	322	**513**
Sales	(6)	(3)	-	(55)	**(64)**
Depreciation	(60)	(137)	(85)	(76)	**(358)**
Impairment	(4)	-	-	(3)	**(7)**
Increases for business combinations	-	-	-	-	**-**
Other changes	78	110	25	(272)	**(59)**
31 December 2009	**1,173**	**666**	**657**	**628**	**3,124**
broken down as follows:					
Cost	1,684	1,883	1,381	1,271	**6,219**
Depreciation and impairment	(511)	(1,217)	(724)	(643)	**(3,095)**
Carrying amount	**1,173**	**666**	**657**	**628**	**3,124**
Investments (**)	43	68	93	304	**508**
Sales	(1)	(4)	(2)	(32)	**(39)**
Depreciation	(62)	(148)	(91)	(84)	**(385)**
Impairment	(1)	(1)	-	(10)	**(12)**
Increases for business combinations	18	26	-	9	**53**
Other changes	87	61	31	(158)	**21**
31 December 2010	**1,257**	**668**	**688**	**657**	**3,270**
broken down as follows:					
Cost	1,833	1,925	1,474	1,456	**6,688**
Depreciation and impairment	(576)	(1,257)	(786)	(799)	**(3,418)**
Carrying amount	1,257	668	688	657	**3,270**
(*) of which capitalisation of int. construction costs	-	2	57	57	**116**
(**) of which capitalisation of int. construction costs	-	2	51	46	**99**

Property, plant and equipment includes €mil. 64 (€mil. 58 at 31 December 2009) of assets held under contracts that can be qualified as finance leases, of which €mil. 62 (€mil. 56 at 31 December 2009) relates to land and buildings and €mil. 2 (€mil. 2 at 31 December 2009) to plant and machinery, equipment and other assets.

In particular, "other assets" include €mil. 24 (€mil. 25 at 31 December 2009) for helicopters owned by the AgustaWestland group and a total of €mil. 64 (€mil. 98 at 31 December 2009) for aircraft owned by the GIE-ATR group, as well as for those that did not meet the requirements, in terms of the substantial transfer of the risks of ownership (Note 4.2), to recognise the sale, despite the fact that sales contracts have been concluded with external customers.

The item also includes the value of assets under construction totalling €mil. 264 (€mil. 325 at 31 December 2009).

The most significant investments amounted to €mil. 181 for Aeronautics (mainly for progress on the B787 programme), €mil. 132 for Defence and Security Electronics, €mil. 73 for Helicopters and €mil. 38 for Space.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 78 (€mil. 130 at 31 December 2009).

10. Investment properties

Investment properties, amounting to €mil. 2 (€mil. 1 at 31 December 2009), entirely regarded land and buildings.

11. Equity investments

	31 December 2010	31 December 2009
1 January	**343**	**192**
Acquisitions/subscriptions and capital increases	9	154
Effect of recognition using the equity method	(6)	18
Impairment of other equity investments	(2)	(1)
Dividends received	(10)	(11)
Disposals	(9)	(5)
Other changes	(9)	(4)
31 December	**316**	**343**

The increases related mainly to the capital increase for the Joint Stock Company Sukhoi Civil Aircraft (€mil. 6) in the Aeronautics division and the coverage of the loss reported for Ansaldo Electric Drives in the Energy division (€mil. 2).

The effect of recognition using the equity method includes the negative results posted by the Joint Stock Company Sukhoi Civil Aircraft (€mil. 17), which was partially offset by revaluations, mainly for Eurofighter Jagdflugzeug GmbH (€mil. 3) and Elettronica SpA (€mil. 6).

Disposals refer, in particular, to the sale of a stake in Indra Espacio SA by Thales Alenia Space SpA for €mil. 8.

LIST OF UNCONSOLIDATED EQUITY INVESTMENTS AT 31 DECEMBER 2010

	Ownership	€mil.	Assets	Liabilities	Currency
SUBSIDIARIES – ASSOCIATES					
Joint Stock Company Sukhoi Aircraft (+)	25.00%	141	1,126	1,049	USD
Eurotech SpA (+)	11.08%	19	194	74	
Elettronica SpA (+)	31.333%	19	654	596	
Orizzonte - Sistemi Navali SpA (+)	49.00%	13	1,038	1,013	
Metro 5 SpA	31.90%	8	272	247	
Eurofighter Jagdflugzeug GmbH (+)	21.00%	8	1,545	1,494	
Icarus ScpA (+)	49.00%	6	17	5	
Eurosysnav SAS (+)	50.00%	5	80	69	
Finmeccanica North America Inc.	100.000%	4	9	4	USD
Finmeccanica UK Ltd	100.000%	2	5	3	GBP
Libyan Italian Advanced Technology Company (+)	50.00%	3	32	23	LYD
Novacom Services SA (*)(+)	26.62%	3	7	3	
International Metro Service Srl (+)	49.00%	2	5	-	
Musinet Engineering SpA (+)	49.00%	2	7	3	
Consorzio C.R.I.S. (+)	81.00%	2	5	3	
Jiangxi Changhe Agusta Helicopters Co. Ltd (+)	40.00%	2	53	3	CNY
Advanced Air Traffic Systems Sdn Bhd	30.00%	2	40	21	MYR
MINORITY INTERESTS					
Metro C ScpA	14.00%	21			
SIN Srl	4.00%	5			
Innovazione e Progetti ScpA (in liq.)	15.00%	5			
BCV Investments SCA	14.32%	4			
Roxel SAS (*)	12.50%	4			
Panavia Aircraft GmbH	15.00%	3			
Uirnet SpA (*)	10.65%	3			
Ferromovil 9000 SL	10.00%	2			
Sofresa SA (*)	3.00%	2			
Vitrociset SpA	1.46%	2			
Equity investments in companies and consortiums with value lower than €mil. 2		24			
Total equity investments (less impairment provisions)		**316**			

(*) Investment with % ownership in Group companies.
(+) Reference values: 2009 financial statements.

12. Business combinations

The following transactions were carried out in 2010:

- AgustaWestland purchased the Polish group PZL-ŚWIDNIK ("PZL") and now owns an interest of 93.87% (the Group owned 6.2% at 31 December 2009), for a net cash outlay of €mil. 77 (in addition to the transaction costs charged to the separate income statement totalling €mil. 27) and the assumption of borrowings of €mil. 38;
- SELEX Galileo Ltd also acquired 100% of the US company Lasertel Inc. for the equivalent of €mil. 6;
- in December, DRS Condor Holdco LLC acquired a business unit of Consulting & Engineering for Next Generation Networks Inc. ("CenGen") and, through DRS Sonar Systems LLC (51% held by the Group), it bought 100% of Advanced Acoustic Concepts Inc. ("AAC"), for a total outlay of €mil. 21, net the contribution of minority shareholders (for ACC only).

The overall effect on the balance sheet and the statement of cash flows was as follows:

	Temporary fair values				
	PZL	**Lasertel**	**CenGen**	**AAC**	**Cash flow**
Cash and cash equivalents	5			4	9
Net working capital	(17)	3		(4)	
Property, plant and equipment and intangible assets	64	3		1	
Deferred tax assets, net	3			0	
Borrowings	(38)			0	
Minority interests	(2)				
Net assets acquired	**15**	**6**		**1**	
Price paid	82	6	9	29	(126)
Contribution of minority shareholders					13
Price paid for the share acquired in 2009	7				
	89	**6**	**9**	**29**	
Goodwill deriving from acquisition	74		9	28	
Costs expensed to the income statement	27				
-of which: paid in 2010	24				(24)
Total acquisitions for 2010					**(128)**

To that end, it should be noted that the process of identifying the fair values of the assets and liabilities acquired is not yet complete, as permitted under IFRS 3. Therefore, the fair values of the individual assets and liabilities and the residual value now assigned to goodwill might be different at the end of the allocation process.

In 2009, the Group, through its subsidiary DRS Signal Solutions, acquired 100% of DRS Soneticom Inc., a US company operating in the military telecommunications sector for a cash outlay of €mil. 12.
The overall effects of the transactions in the two periods under comparison were as follow:

	2010		2009	
	Goodwill	Cash Effect	Goodwill	Cash effect
Acquisition for 2010	111	128	-	-
Soneticon acquisition	-	-	20	12
Payments relating to acquisitions made in past years	-	10	-	13
Total	**111**	**138**	**20**	**25**

13. Financial transactions with related parties

In general, commercial relations with related parties are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. Below are the amounts:

RECEIVABLES AT 31 DECEMBER 2010

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

PAYABLES AT 31 DECEMBER 2010

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

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control.

RECEIVABLES AT 31 DECEMBER 2009

	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Subsidiaries						
Other companies with unit amount lower than €mil. 5			11	6	1	**18**
Associates						
Eurofighter Jagdflugzeug GmbH				81		**81**
Iveco - Oto Melara Scarl				55		**55**
Metro 5 SpA				34		**34**
Orizzonte - Sistemi Navali SpA				21		**21**
NH Industries Sarl				18		**18**
Abruzzo Engineering Scpa				17		**17**
Euromids SAS				7		**7**
Joint Stock Company Sukhoi Aircraft				6		**6**
Eurosysnav SAS				5		**5**
Other companies with unit amount lower than €mil. 5	2		1	24		**27**
Joint ventures (*)						
MBDA SAS				75		**75**
Thales Alenia Space SAS	5		5	32		**42**
GIE-ATR				11	6	**17**
Rotorsim Srl			10	1		**11**
Aviation Training International Ltd	5					**5**
Other companies with unit amount lower than €mil. 5			6	8		**14**
Consortiums (**)						
Saturno				67	2	**69**
Ferroviario Vesuviano				14		**14**
Trevi - Treno Veloce Italiano				12		**12**
C.I.S. DEG				10		**10**
S3Log				5		**5**
Other consortiums with unit amount lower than €mil. 5			1	14		**15**
Total	**12**	**-**	**34**	**523**	**9**	**578**
% against total for the year	*14.3*		*4.3*	*11.0*	*0.1*	

PAYABLES AT 31 DECEMBER 2009

	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total	Guarantees
Subsidiaries							
Other companies with unit amount lower than €mil. 5			1	18		**19**	
Associates							
Eurofighter Jagdflugzeug GmbH			23	3		**26**	
Consorzio Start SpA				22		**22**	
Eurosysnav SAS			6			**6**	
Other companies with unit amount lower than €mil. 5			1	12	5	**18**	
Joint ventures (*)							
MBDA SAS			601	9	1	**611**	116
Thales Alenia Space SAS			45	16		**61**	1
Telespazio SpA				2	2	**4**	164
Other companies with unit amount lower than €mil. 5			2	5	5	**12**	
Consortiums (**)							
Other consortiums with unit amount lower than €mil. 5				12		**12**	
Total	**-**	**-**	**679**	**99**	**13**	**791**	**281**
% against total for the year	-	-	*35.6*	*2.1*	*0.9*		

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control.

14. Receivables and other non-current assets

	31 December 2010	31 December 2009
Third-party financing	64	69
Security deposits	22	26
Receivables for finance leases	5	3
Deferred receivables under Law 808/85	58	62
Net asset defined-benefit retirement plans (Note 25)	32	11
Other	32	29
Financial receivables from related parties (Note 13)	9	12
Non-current receivables	**222**	**212**
Deferred expenses	19	4
Non-recurring costs awaiting intervent. under Law 808/85	224	232
Other receivables from related parties (Note 13)	1	
Other non-current assets	**244**	**236**
Total other non-current assets	**466**	**448**

Receivables for finance lease relate to transactions qualifying as finance lease made by GIE-ATR where the Group is the lessor: in this case, the aircraft being the subject-matter of the lease contract is removed from assets and replaced by a receivable, and the relevant 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. 14) is classified among other current assets (Note 20). "Non-recurring costs awaiting interventions under Law 808/85" include the portion of non-recurring costs 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.

15. Inventories

	31 December 2010	31 December 2009
Raw materials, supplies and consumables	2,216	2,316
Work in progress and semi-finished goods	1,287	1,428
Finished goods and merchandise	113	79
Advances to suppliers	810	839
	4,426	**4,662**

Inventories are shown net of impairment charges of €mil. 518 (€mil. 444 at 31 December 2009).

16. Contract work in progress and advances received

	31 December 2010	31 December 2009
Work in progress (gross)	7,794	8,499
Advances from customers	(3,764)	(4,786)
Work in progress (net)	**4,030**	**3,713**
Advances from customers (gross)	18,008	16,929
Work in progress	(9,742)	(9,140)
Advances from customers (net)	**8,266**	**7,789**

Work in progress is recognised as an asset net of the relative advances if, based on an analysis carried out on a contract-by-contract basis, the gross amount of work in progress exceeds advances from customers. It is recognised as a liability if advances from customers exceed the relevant work in progress. This offsetting is performed only with regard to work in progress and not to inventories or other assets. If the advances have not been collected at the reporting date, the corresponding amount is recognised as a receivable from customers.

17. Trade and financial receivables

	31 December 2010		31 December 2009	
	Trade	Financial	Trade	Financial
Receivables	4,889	794	4,433	763
Impairment	(216)	(15)	(188)	
Receivables from related parties (Note 13)	539	34	523	34
	5,212	**813**	**4,768**	**797**

Trade receivables from related parties 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) totalling €mil. 172 (€mil. 81 in 2009) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Saturno consortium amounting to €mil. 23 (€mil. 67 in 2009) for work on high-speed train lines; receivables from the Iveco Fiat - Oto Melara consortium amounting to €mil. 41 (€mil. 55 in 2009) 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); receivables from Metro 5 SpA amounting to €mil. 41 (€mil. 34 in 2009) for the designing, construction and operation of the new line 5 of the Milan metro; receivables from Orizzonte - Sistemi Navali SpA amounting to €mil. 8 (€mil. 21 in 2009) relating to the FREMM programme, from NH Industries amounting to €mil. 34 (€mil. 18 in 2009), relating to the final sale of the NH90 helicopter, and from Abruzzo Engineering amounting to €mil. 22 (€mil. 17 in 2009) relating to the project to construct regional infrastructures for overcoming the digital divide, commissioned by the region of Abruzzo.

Financial receivables mainly include receivables from other partners of the joint ventures (€mil. 742 compared with €mil. 708 at 31 December 2009) related to the deposit of cash and cash equivalents of the MBDA and the Thales Alenia Space joint ventures with the other participants in the joint venture (BAE Systems Plc, EADS NV and Thales SA), acquired on a pro rata basis (25% MBDA and 33% Thales Alenia Space respectively) through proportionate consolidation.

The ageing of receivables together with an analysis of how the Group manages credit risk is reported under Note 43.

18. Current financial assets at fair value

These assets include:

	31 December 2010		31 December 2009	
	Assets available for sale	Assets at fair value through profit or loss	Assets available for sale	Assets at fair value through profit or loss
Bonds	-	-	-	-
Other securities	1	-	11	-
	1	**-**	**11**	**-**

Other securities decreased by €mil. 10 due to the sale of quotas of an Italian investment fund. The item includes government securities mainly given to guarantee performance of sale contracts with national government customers and are held until sale upon the expiration of the associated guarantee.

19. Income tax receivables and payables

	31 December 2010		31 December 2009	
	Receivables	Payables	Receivables	Payables
Parent Company receivables	122	-	75	-
Other income tax receivables/payables	99	56	67	126
	221	**56**	**142**	**126**

Parent Company receivables relate to IRES (corporate income tax) in the amount of €mil. 80 (€mil. 21 at 31 December 2009), to receivables for interest on tax credits for €mil. 19 (€mil. 42 at 31 December 2009) and to other receivables (IRAP, regional tax on productive activities, ILOR, local income tax, etc.) for €mil. 23 (€mil. 12 at 31 December 2009). The increase in the Parent Company receivables is mainly due to higher IRES advances paid during the year.

20. Other current assets

	31 December 2010	31 December 2009
Accrued income - current portion	124	104
Equity investments	1	1
Receivables for grants	68	69
Receivables from employees and social security	44	32
Indirect tax receivables	213	198
Deferred receivables under Law 808/85	14	35
Other assets	191	158
Other receivables from related parties (Note 13)	9	9
	664	**606**

The item “deferred receivables under Law 808/85” includes the receivables from the Ministry for Economic Development relating to the interventions pursuant to Law 808/85 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 14).
Other assets include, *inter alia*, sundry advances in the amount of €mil. 9 (€mil. 13 at 31 December 2009), receivables for disputes for €mil. 5 (€mil. 6 at 31 December 2009) and insurance payment receivables for €mil. 2 (€mil. 18 at 31 December 2009, mostly for reimbursement of losses incurred as a result of the earthquake that occurred in L’Aquila on 6 April 2009 and that affected several of the Group’s facilities).

21. Cash and cash equivalents

Cash and cash equivalents amounted to €mil. 1,854 and show a significant decrease compared to the 2009 financial statements (€mil. 2,630). The change is mainly due to the use of a part of cash and cash equivalents (€mil. 639) to repay the remaining portion of tranche C of the Senior Term Loan signed in 2008 for the purchase of the DRS group, which was then transformed into a Revolving Credit Facility in February 2010. This high amount is the result of the significant cash flows realised by the Group companies during the year, particularly in the final quarter.

Finally, as usual, a part of cash and cash equivalents stems from the cash surpluses that a number of Group companies pay to Finmeccanica outside the cash pooling system as their share, directly or through subsidiaries, under treasury agreements signed between the parties. The balancing entry is found under “borrowings from related parties” (Note 13).

The Group does not include overdraft facilities, since it is not systematically used as a form of financing.

22. Shareholders' equity

SHARE CAPITAL

	Number of ordinary shares	Par value	Treasury shares	Costs incurred net of tax effect	Total
Outstanding shares	578,150,395	2,544		(19)	**2,525**
Treasury shares	(1,144,077)		(13)		**(13)**
31 December 2009	**577,006,318**	**2,544**	**(13)**	**(19)**	**2,512**
Repurchase of treasury shares, less shares sold	431,562		5		**5**
31 December 2010	**577,437,880**	**2,544**	**(8)**	**(19)**	**2,517**
broken down as follows:					
Outstanding shares	578,150,395	2,544		(19)	**2,525**
Treasury shares	(712,515)		(8)		**(8)**
	577,437,880	**2,544**	**(8)**	**(19)**	**2,517**

The share capital, fully subscribed and paid-up, is divided into 578,150,395 ordinary shares with a par value of €4.40 each, including 712,515 treasury shares.

In 2010, the share capital increased by €mil. 5 through the sale of 431,562 treasury shares to the beneficiaries of the stock-grant plan. Following this transaction, there were 712,515 treasury shares, which were entirely used to service the stock-option and stock-grant plans.

At 31 December 2010 the Ministry of Economy and Finance held about 30.204% of the shares. Capital Research and Management Co. held about 4.879% of the shares, BlackRock Investment Management (UK) Ltd held about 2.246% of the shares and Tradewinds Global Investors LLC held about 2.027% of the shares. No other shareholder held more than 2% of the shares.

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

Cash-flow hedge reserve

This reserve includes the fair value of derivatives used by the Group to hedge its exposure to currency or interest-rate risk net of the effect of deferred taxes until the moment in which the "underlying position" is recognised in the income statement. When this condition is met, the reserve is recognised in the income statement to offset the economic effects of the hedged transaction.

Translation reserve

This reserve is used to recognise the exchange-rate differences resulting from the conversion of the financial statements expressed in foreign currencies of consolidated companies. The most significant amounts were the result of the consolidation of the UK component of the AgustaWestland (€mil. -115), SELEX Communications (€mil. -33) and SELEX Galileo (€mil. -301) groups, and of the exchange-rate effect on the assets denominated in US dollars of the DRS Technologies group (€mil. -84).

Reserve for stock-option and stock-grant plans

This reserve is the equity contra-item of the value of the activities performed by employees and non-employees, remunerated through the assignment of options on Finmeccanica SpA stock as part of the previous stock-option plan for 2002-2004 (on 17 December 2009 Finmeccanica's Board of Directors approved the extension of the period for the exercise of options up to 31 December 2011), or through the free assignment of shares as part of the 2008-2010 stock-grant plan.

Minority interests

The most significant changes for the period related to the capital increase of Global Military Aircraft Syst LLC (49% held by minority interests) for €mil. 18, the increase in the minority interest in the DRS Technologies group following purchases of €mil. 12, the payment of dividends and the change in income and costs largely attributable to the Ansaldo STS group (60% held by minority interests) recognised in shareholders' equity.

Breakdown of the tax effects on the gain and loss items recognised in shareholders' equity

			Group			*Minority interest*
	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	(15)	-	**(15)**	(1)	-	**(1)**
Changes in cash-flow hedges	(63)	17	**(46)**	2	(1)	**1**
Exchange gains/losses	233		**233**	12		**12**

23. Borrowings

	31 December 2010			31 December 2009		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	274	3,836	**4,110**	713	3,763	**4,476**
Bank borrowings	182	601	**783**	200	713	**913**
Finance leases	2	2	**4**	1	3	**4**
Borrowings from related parties (Note 13)	714	-	**714**	679	-	**679**
Other borrowings	86	104	**190**	311	125	**436**
	1,258	**4,543**	**5,801**	**1,904**	**4,604**	**6,508**

Changes in borrowings are as follows:

	1 January 2010	Increases (*)	Repayments/ Payment of coupons (*)	Change in scope of consolidation	Other changes	31 December 2010
Bonds	4,476	282	(735)	-	87	**4,110**
Bank borrowings	913	550	(722)	27	15	**783**
Finance leases	4	-	(2)	2	-	**4**
Borrowings from related parties	679	35	-	-	-	**714**
Other borrowings	436	12	(337)	15	64	**190**
	6,508	**879**	**(1,796)**	**44**	**166**	**5,801**

	1 January 2009	Increases (*)	Repayments/ Payment of coupons (*)	Change in scope of consolidation	Other changes	31 December 2009
Bonds	3,081	2,403	(1,028)	-	20	**4,476**
Bank borrowings	2,058	67	(1,198)	-	(14)	**913**
Finance leases	16	2	(14)	-	-	**4**
Payable for non-recourse factoring	109	-	(109)	-	-	-
Borrowings from related parties	652	27	-	-	-	**679**
Other borrowings	444	102	(102)	5	(13)	**436**
	6,360	**2,601**	**(2,451)**	**5**	**(7)**	**6,508**

(*) Net changes for current liabilities. The items also include changes resulting from the application of the effective interest rate method, which may not correspond with actual cash movements.

BONDS

	1 January 2010	New borrowings	Interest	Repayments	Payment of coupons	Effect of exchange rate	31 December 2010
€mil. 501.4 Finmeccanica Finance 2010 exchangeable bond*	490	-	13	(501)	(2)	-	**-**
€mil. 500 Finmeccanica Finance 2018 *	498	-	29	-	(29)	-	**498**
€mil. 500 Finmeccanica 2025 *	514	-	24	-	(24)	-	**514**
€mil. 1,000 Finmeccanica Finance 2013 *	1,009	-	81	-	(81)	-	**1,009**
USDmil. 550 DRS 2013 *	2	-	-	-	(2)	-	**-**
USDmil. 350 DRS 2016 *	9	-	1	-	(1)	1	**10**
USDmil. 250 DRS 2018 *	4	-	-	-	-	-	**4**
GBPmil. 400 Finmeccanica Finance 2019 *	445	-	38	-	(37)	14	**460**
€mil. 600 Finmeccanica Finance 2022 *	598	-	31	-	-	-	**629**
USDmil. 500 Meccanica Holdings 2019 *	351	-	24	-	(24)	29	**380**
USDmil. 300 Meccanica Holdings 2039 *	210	-	17	-	(17)	16	**226**
USDmil. 500 Meccanica Holdings 2040 *	346	-	24	-	(17)	27	**380**
	4,476		**282**	**(501)**	**(234)**	**87**	**4,110**

	1 January 2009	New borrowings	Interest	Repayments	Payment of coupons	Effect of exchange rate	31 December 2009
€mil. 501.4 Finmeccanica Finance 2010 exchangeable bond*	470	-	22	-	(2)	-	**490**
€mil. 500 Finmeccanica Finance 2018 *	497	-	29	-	(28)	-	**498**
€mil. 500 Finmeccanica 2025 *	515	-	25	-	(26)	-	**514**
€mil. 1,000 Finmeccanica Finance 2013 *	749	259	82	-	(81)	-	**1,009**
USDmil. 550 DRS 2013 *	403	-	2	(412)	-	9	**2**
USDmil. 350 DRS 2016 *	260	-	2	(264)	-	11	**9**
USDmil. 250 DRS 2018 *	187	-	1	(192)	-	8	**4**
GBPmil. 400 Finmeccanica Finance 2019 *	-	445	26	-	(24)	(2)	**445**
€mil. 600 Finmeccanica Finance 2022 *	-	592	6	-	-	-	**598**
USDmil. 500 Meccanica Holdings 2019 *	-	350	11	-	-	(10)	**351**
USDmil. 300 Meccanica Holdings 2039 *	-	208	7	-	-	(5)	**210**
USDmil. 500 Meccanica Holdings 2040 *	-	332	4	-	-	10	**346**
	3,081	**2,186**	**217**	**(868)**	**(161)**	**21**	**4,476**

(*) Maturity date of bond.

Below is some information on the features of these bonds. More detailed information can be found in the "Financial transactions" section of the Report on Operations.

- *Bond issued by Finmeccanica Finance SA exchangeable for shares of STM (2010 maturity)*: the bond was issued in 2003 for a nominal value of €mil. 501.4 and redeemed in August at maturity. In February 2010, Finmeccanica repurchased roughly €mil. 51 (nominal value) of bonds. The purchase price was equal to 99.40% of the bond's nominal value. This transaction, just one of the actions taken to optimise treasury resources, made it possible to cancel a corresponding amount of the correlated debt.

- *Bond issued by Finmeccanica Finance SA (2018 maturity)*: this bond was issued in 2003 for a total nominal value of €mil. 500. With an annual coupon of 5.75%, the effective interest rate is 5.93%.
- *Bond issued by Finmeccanica SpA (2025 maturit*y): this bond was issued in 2005 for a total nominal value of €mil. 500. With an annual coupon of 4.875%, the effective interest rate is 4.96%.
- *Bond issued by Finmeccanica Finance SA (2013 maturity)*: this bond was issued in December 2008 for a total nominal value of €mil. 750 and extended a further €mil. 250 in February 2009. With an annual coupon of 8.125%, the effective interest rate is 8.019%.
- *Bond issued by Finmeccanica Finance SA (2019 maturity)*: this bond was issued in 2009 for a total nominal value of GBPmil. 400 (€mil. 445). With an annual coupon of 8.0%, the effective interest rate is 8.369%. This entire bond issue was used to partially repay the Senior Term Loan Facility.
- *Bond issued by Finmeccanica Finance SA (2022 maturity)*: this bond was issued in October 2009 for a total nominal value of €mil. 600. With an annual coupon of 5.250%, the effective interest rate is 5.394%.
- *Bonds issued by Meccanica Holdings USA Inc. (2019 and 2039 maturities):* these bonds were issued in July 2009 in two tranches for a total nominal value of USDmil. 500 (ten-year maturity) and USDmil. 300 (thirty-year maturity). With an annual coupon of 6.250% and 7.375% respectively, the effective interest rates are 6.572% and 7.767% respectively. This bond also was used to partially repay the Senior Term Loan Facility and to finance DRS Technologies (DRS).
- *Bond issued by Meccanica Holdings USA Inc. (2040 maturity):* this bond was issued in 2009 for a total nominal value of USDmil. 500. With an annual coupon of 6.250%, the effective interest rate is 6.444%.

The change in the value of the bonds is mainly due to the net effect of the repayment of the bonds exchangeable for shares of STM in the amount of €mil. 501 at maturity, and the appreciation of the US dollar against the euro at end-period.

Bank borrowings

The increase in bank borrowings is due largely to the net effect of the repayment of the Revolving Credit Facility arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the American company DRS (see the section on “Financial transactions”), the use of the loan granted to Finmeccanica by the European Investment Bank (EIB) (see the section on “Financial transactions”) and the use of short-term credit lines to fund Group activities.
This item also includes subsidised loans (€mil. 78, compared to €mil. 66 at 31 December 2009), as well as borrowings by the joint ventures ATIL Ltd in the Helicopters segment (€mil. 33, compared with €mil. 41 at 31 December 2009), and GIE-ATR in the Aeronautics segment (€mil. 4, compared with €mil. 11 at 31 December 2009).

Finance leases

These obligations are related to property, plant and equipment held by the Group under finance lease contracts.

Borrowings from related parties

Borrowings from related parties (Note 13) include in particular the amount of €mil. 673 (€mil. 646 at 31 December 2009) due by Group companies to the joint ventures MBDA and Thales Alenia Space, for the unconsolidated portion, and payables of €mil. 27 (€mil. 23 at 31 December 2009) to Eurofighter, of which Alenia Aeronautica owns 21%. As regards the latter, under a cash pooling agreement its surplus cash and cash equivalents at 31 December 2010 were distributed among the partners.

Other borrowings

Other borrowings decreased as a result of the net effect of the repayments made during the period and the change in the scope of consolidation with the addition of the Polish group PZL-ŚWIDNIK.

The Group's financial liabilities are subject to the following repayment schedules and exposures to interest rate risk:

31 December 2010

	Bank borrowings		Bonds (*)		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	182	-	-	274	714	-	86	2	**982**	**276**
2 to 5 years	147	109	-	1,671	-	-	82	2	**229**	**1,782**
Beyond 5 years	154	191	-	2,165	-	-	22	-	**176**	**2,356**
TOTAL	**483**	**300**	**-**	**4,110**	**714**	**-**	**190**	**4**	**1,387**	**4,414**

31 December 2009

	Bank borrowings		Bonds (*)		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	200	-	-	713	679	-	306	1	**1,185**	**714**
2 to 5 years	709	-	-	1,643	-	-	112	3	**821**	**1,646**
Beyond 5 years	4	-	-	2,120	-	-	18	-	**22**	**2,120**
TOTAL	**913**	**-**	**-**	**4,476**	**679**	**-**	**436**	**4**	**2,028**	**4,480**

(*) These bond issues were transformed to floating rates through interest-rate swaps, for a nominal value of €mil. 1,000 (€mil. 1,450 at 31 December 2009).

Below is the financial information required under CONSOB communication DEM/6064293 of 28 July 2006:

	Notes	31 Dec. 2010	31 Dec. 2009
Cash and cash equivalents	21	(1,854)	(2,630)
Securities held for trading	18	(1)	(11)
LIQUIDITY		(1,855)	**(2,641)**
CURRENT FINANCIAL RECEIVABLES	17	(813)	**(797)**
Current bank payables	23	182	200
Current portion of non-current borrowings	23	274	714
Other current borrowings	23	802	990
CURRENT NET DEBT		1,258	**1,904**
CURRENT NET DEBT (CASH)		(1,410)	**(1,534)**
Non-current bank payables	23	601	713
Bonds issued	23	3,836	3,763
Other non-current payables	23	106	128
NON-CURRENT NET DEBT		4,543	**4,604**
NET FINANCIAL DEBT		**3,133**	**3,070**

24. Provisions for risks and charges and contingent liabilities

	Guarantees given	Restructuring	Penalties	Product guarantees	Other	Total
1 January 2009						
Current	23	18	26	117	448	**632**
Non-current	32	14	53	102	143	**344**
	55	**32**	**79**	**219**	**591**	**976**
Allocations	5	11	16	66	184	**282**
Uses	(2)	(15)	(14)	(34)	(68)	**(133)**
Reversals	(11)	(1)	(4)	(30)	(64)	**(110)**
Other changes	11	-	5	2	(74)	**(56)**
31 December 2009	**58**	**27**	**82**	**223**	**569**	**959**
Broken down as follows:						
Current	34	15	20	117	409	**595**
Non-current	24	12	62	106	160	**364**
	58	**27**	**82**	**223**	**569**	**959**
Allocations	5	67	15	105	236	**428**
Uses	(1)	(14)	(8)	(28)	(76)	**(127)**
Reversals	(13)	(1)	(4)	(45)	(52)	**(115)**
Other changes	21	(12)	(2)	(24)	27	**10**
31 December 2010	**70**	**67**	**83**	**231**	**704**	**1,155**
Broken down as follows:						
Current	34	58	21	136	513	**762**
Non-current	36	9	62	95	191	**393**
	70	**67**	**83**	**231**	**704**	**1,155**

The provisions for risks include:

- the "provision for guarantees given" in the amount of €mil. 70 (€mil. 58 at 31 December 2009) is related to business in the Aeronautics, Transportation and Other Activities segments with foreign partners;
- the "provision for conversion and restructuring" in the amount of €mil. 67 (€mil. 27 at 31 December 2009) was established for expected charges resulting from the programme to restructure the various segments. The most significant uses for the period involved the Defence and Security Electronics, Helicopters and Space segments. The amounts recorded are related to the Aeronautics, Defence Systems, Space, Energy, Defence and Security Electronics and Transportation segments;
- the "provision for penalties" in the amount of €mil. 83 (€mil. 82 at 31 December 2009). The amounts recorded are related to the Aeronautics, Helicopters, Space, Defence Systems and Defence and Security Electronics segments;
- the "provision for product guarantees", in the amount of €mil. 231 (€mil. 223 at 31 December 2009) includes allocations related to commitments for products sold. The amounts recorded are related to the Helicopters, Energy, Defence and Security Electronics, Defence Systems and Transportation segments;
- the other provisions totalled €mil. 704 (€mil. 569 at 31 December 2009) and include:
  - the provision for risks on the business of GIE-ATR in the amount of €mil. 68 (unchanged from the previous year);

- the provision for risks and contractual charges in the amount of €mil. 110 (€mil. 84 at 31 December 2009) related, in particular, to business in the Defence and Security Electronics, Defence Systems and Space segments;
- the provision for losses related to shares of €mil. 21 (€mil. 15 at 31 December 2009) including accruals to cover losses exceeding the carrying amounts of unconsolidated equity investments accounted for using the equity method. The provision increased mainly due to the change involving Abruzzo Engineering Scpa (in liq.);
- the provision for taxes in the amount of €mil. 94 (€mil. 72 at 31 December 2009);
- the provision for litigation with employees and former employees in the amount of €mil. 30 (€mil. 30 at 31 December 2009) related, in particular, to business in the Aeronautics, Defence and Security Electronics, Space and Transportation segments;
- the provision for pending litigation in the amount of €mil. 104 (€mil. 96 at 31 December 2009);
- the provisions for risk on contract-related losses in the amount of €mil. 25 (€mil. 36 at 31 December 2009);
- other provisions in the amount of €mil. 252 (€mil. 168 at 31 December 2009).

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.

Of particular note:

- the dispute in which Finmeccanica has been asked to cover the contractual commitments assumed upon the sale of the former subsidiary Finmilano SpA to Banca di Roma (now Unicredit Group) originated from the assessment ordered by the Rome Office of Direct Taxes of Finmilano SpA regarding the disallowance of the tax deductibility of the capital loss originating in 1987 on the sale of a non-recourse "deferred" receivable at a price below its nominal value. In essence, the Italian tax authorities felt that this sale was actually a financing transaction and that the loss, in the same manner as a finance cost, should not have been deducted in its entirety in 1987, but should have been recognised over subsequent years as implicit interest in the transaction.
  After the Court of Cassation (the supreme court of appeal) – in allowing the appeal filed by the tax authorities – had returned the parties to the court of first instance, the latter once again upheld the company's complaint. This ruling was once again appealed to the Court of Cassation, which in 2009 quashed the ruling and referred the parties to the court of second instance for the second time. It should be noted that substantial charges to be paid by Finmeccanica are not currently foreseeable;

- the dispute initiated by former Oto Melara SpA, later merged into Finmeccanica in 2001, in relation to the VAT adjustment notification for the year 1988 for about €mil. 11, with which the Tax Authorities mainly claimed the alleged non-deductibility of VAT paid on the fees given as part of a lease-back agreement, which was mistakenly considered by the Tax Office as a (VAT-free) financial transaction. The courts of first and second instance both found in favour of the Company, but the Central Tax Commission accepted the Tax Office's appeal with a ruling filed in October 2009. The Company has appealed against this ruling before the Court of Cassation based on the belief that there are valid grounds for which its own reasons can be accepted, even considering consolidated case law and the Tax Authorities' guidelines. In January 2011, having found that the Company's claims were grounded, the Tax Office cancelled the adjustment notification accordingly;

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

- the appeal, together with Enel and other parties, filed with the Regional Administrative Court of Lombardy of the resolution of the Italian Electricity and Gas Authority regarding the method of calculating interest due on amounts to be paid, as compensation, in relation to the termination of the Italian national nuclear energy programme.
  Interest due calculated using a different calculation method is around €mil. 13. Previous rulings by the Lombardy Regional Administrative Court do not support the resolutions of the Authority. Accordingly, it is reasonable to expect a favourable outcome for Finmeccanica;

- the litigation commenced by Reid in 2001 against Finmeccanica and Alenia Spazio (now So.Ge.Pa. SpA) before the Court of Texas to object to alleged breaches by the former Finmeccanica - Space Division of agreements for the project for implementing the Gorizont satellite programme. The litigation had a favourable outcome, after more than five years, due to the lack of jurisdiction of the relevant Court. On 11 May 2007, Reid served Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) with a Complaint commencing a new lawsuit before the Court of Chancery of Delaware.
  In the new lawsuit, Reid demands the same claims for compensation that were demanded in the prior Texas lawsuit, without giving an amount for the damage incurred.
  On 29 June 2007 Finmeccanica filed a Motion to Dismiss objecting to the time-barring and the statute of limitations on the action and the lack of jurisdiction of the Court of Delaware. On 27 March 2008 the Court denied the plaintiff's motion, finding the action to be time-barred. This decision was challenged by the opposing party before the Supreme Court of Delaware, which issued a decision on 9 April 2009, granting the motion and referring the case to the Court of Chancery for a decision on the other objection raised by Finmeccanica concerning the lack of jurisdiction of the Court of Delaware. The discovery phase has started and is still ongoing;

- with regard to work to build Line 6 of the Naples metro, in 1995 the Regional Prosecutor's Office attached to the State Auditors' Court brought an action against the directors of Azienda Tranvie Autofilovie Napoli (now Azienda Napoletana Mobilità) and the former Ansaldo Trasporti seeking compensation for damages amounting to €mil. 100 from all the defendants jointly and severally. In the first instance, the State Auditors' Court rejected the petition due to lack of jurisdiction. The Regional Prosecutor's Office attached to the State Auditors' Court challenged the decision, bringing Finmeccanica into the action as successor to Ansaldo Trasporti as a result of the merger in September 2001. The Company objected, arguing that it lacked capacity to be sued since, prior to the merger, the contract was transferred to Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS), which would be the company to suffer any negative consequences. On 20 March 2007, the Appellate Section of the State Auditors'

Court reversed the decision of the court of first instance and found the existence of accounting jurisdiction, even against the former directors of Ansaldo Trasporti. It referred the action to the court of first instance of the local Section for a decision on the merits. This finding was challenged before the Supreme Court, which affirmed, in its decision of 18 July 2008, that the State Auditor's Court had jurisdiction. The State Attorney's Office attached to the State Auditors' Court reinstated the action before the Jurisdictional Section of the State Auditors' Court of Campania for the decision on the merits. The State Auditors' Court issued a decision on 14 July 2010 rejecting the tax claims and finding in favour of all the defendants;

- in May 2007 Finmeccanica voluntarily intervened in a suit brought by Calyon SA (now Credit Agricole Corporate and Investment Bank) against the Agenzia delle Entrate before the Court of Rome seeking payment of a tax receivable of roughly €mil. 71, plus interest of €mil. 34, transferred by Finmeccanica in May 2004. The Agenzia delle Entrate challenged on the grounds that Calyon lacked standing since Finmeccanica had, in the past, transferred the same tax receivable to Mediofactoring SpA (the sale was later rescinded due to breach and the receivable was returned to Finmeccanica) and that the action on the receivable was time-barred. Finmeccanica intervened on behalf of Calyon and to protect its own interests related to any resulting right to restitution of the credit by Calyon.
  On 30 December 2009, the Tax Authorities repaid the credit to Calyon, partly in view of the successful action brought simultaneously by Calyon before the tax court.
  The judge dismissed the action due to the parties' failure to appear for a second time at the 30 September 2010 hearing. The decision will be set aside if the action is revived within one year's time;

- in November 1997, in relation to a contract commissioned by Prepa, the Puerto Rican Electric Power Authority, the company Abengoa awarded to Ansaldo Energia a sub-supplier contract for expansion work on the San Juan, Puerto Rican power plant. In connection with the contract between Abengoa and Prepa, American International Insurance Company of Puerto Rico ("AIIP"), a member of the AIG Group, issued a performance bond and a payment bond, each in the amount of USDmil. 125, in favour of Prepa which Ansaldo Energia, as a supplier, counter-guaranteed in relation to the sub-supply. In 2000, Abengoa unilaterally terminated its contract without informing Ansaldo Energia and filed suit against the customer in the Court of Puerto Rico seeking compensation for damages it allegedly suffered. Prepa in turn filed an appeal demanding that Abengoa be sentenced to pay the compensation for damages and filed suit against AIIP to obtain the payment of the bonds issued by it as a security of the proper performance of works. Ansaldo Energia is not a party to the suit. In 2001, Ansaldo Energia initiated arbitration proceedings in Paris seeking a finding that Abengoa breached the contract by terminating its agreement with Prepa without notifying Ansaldo Energia in advance. The arbitration award, issued in March 2003, came out in favour of Ansaldo Energia. In order to avoid any enforcement of the aforementioned counter-guarantee, on 13 May 2005, Ansaldo Energia brought an action against Abengoa, AIG and AIIP before the Court of Milan, requesting that the same be found void, or, in the alternative, that the amount of the guarantee be assessed until USDmil. 36 and that it be held harmless by Abengoa. In this suit AIIP asked that Ansaldo Energia be held jointly liable to hold harmless AIG in the event it loses the case. On 9 July 2010, the Court of Milan issued its decision finding that the first demand guarantee cannot be enforced and that Ansaldo Energia has an obligation to pay AIIP only if the Court of Puerto Rico should order Abengoa to make payment and it fails to do so. The decision rejected Ansaldo Energia's motion to establish the amount up to USDmil. 36. The company's legal advisors believe that this is a positive decision since it defines Ansaldo Energia's obligation as a resource guarantor with a right to seek compensation from Abengoa, which is a solvent company;

- in January 2009, Pont Ventoux Scrl initiated an arbitration with the joint venture formed by Ansaldo Energia, as representative (31%), Alstom Power Italia SpA (17%) and Voith Siemens

Hydro Power Generation SpA (52%) concerning a contract worth €mil. 15 to supply two electric generators as part of the project to build a hydroelectric plant in Val di Susa (Italy). The plaintiff is seeking payment for alleged damages, both direct and consequential, and harm to its image, totalling about €mil. 90. It asserts that the serious fault renders the clause that limits the liability of the joint venture to the contract amount inapplicable. Ansaldo Energia maintains that it supplied the products required and that it carried out its responsibilities as representative with the greatest diligence, underlining that it has nothing to do with the objections raised by Pont Ventoux regarding delays and non-performance of the contract. The court expert's report was submitted at the most recent hearing held on 12 May 2010 and is currently being examined;

- In December 2007, EADS ATR initiated arbitration proceedings with the International Chamber of Commerce of Lausanne to challenge an alleged breach by Alenia Aeronautica in relation with an agreement signed in May 2001 for the transfer to GIE-ATR (in which EADS ATR and Alenia own a 50% stake) of ATR 42 and ATR 72 aircraft components made by Alenia Aeronautica and EADS ATR. The plaintiff claims that Alenia Aeronautica had withdrawn from its contractual obligation to renegotiate the prices established in that contract. These prices have not been valid since 2003 and the plaintiff demanded that the company be ordered to pay USDmil. 32, plus interest, as compensation for the damages resulting from that breach. EADS ATR also demanded that the arbitration panel determine a new price for the transfer to GIE-ATR of the components made by the parties based on their actual industrial costs. In its appeal, Alenia Aeronautica challenged the plaintiff's claim and filed counterclaims. On 29 September 2008 EADS ATR served on Alenia Aeronautica a brief increasing the amount of damages from USDmil. 32 to USDmil. 55. On 20 October 2009, the arbitration panel rendered its partial award rejecting EADS ATR's claims and partially upholding Alenia Aeronautica's claims (Alenia quantified its counterclaim in the amount of USDmil. 2). On 20 November 2009 the counterparty challenged this award before the Federal Court of Lausanne which, on 18 March 2010, denied EADS ATR's appeal. The company continued the arbitration solely as to the issue of legal costs and, on 11 August 2010, the arbitration panel issued its decision, requiring EADS to pay 70% of the expenses incurred by Alenia Aeronautica in the course of the arbitration proceeding. The dispute has therefore ended;

- In April 2010 the company OS Italia Srl brought an action against Trimprobe SpA in liquidation before the Court of Milan to have the latter be held liable in contract and in tort in relation with a contract for the distribution of medical equipment named TRIMprob. The plaintiff claims that Trimprobe has hidden the product defect thereby causing a damage of €mil. 19 overall. In filing the suit, Trimprobe fully challenged the plaintiff's claims and filed a counterclaim of €mil. 2. The hearing for allowing the motions has been set for 14 April 2011;

- on 10 March 2010, the Tax Investigation Unit of the Tax Police of Genoa completed the audit of the former Datamat SpA (merged with the present Elsag Datamat SpA in 2007) and investigators alleged that invoices were issued for non-existent transactions in the years 2003 and 2004, i.e. prior to Finmeccanica's acquisition of the company in October 2005. In October 2010, Finmeccanica initiated procedures before the Court of Rome against the sellers and former CEOs of Datamat to protect its financial rights.

The Corporate Governance Report and Shareholder Structure describes actions undertaken by judicial authorities during the year against Group companies.
Given our knowledge and the results of our analysis, the Directors of Finmeccanica believe that Finmeccanica's assets, as currently comprised and as expected to be comprised in the future, are not exposed to risk.

25. Employee liabilities

	31 December 2010			31 December 2009		
	Liabilities	Assets	Net	Liabilities	Assets	Net
Severance obligations	610	-	610	640	-	640
Defined-benefit retirement plans	341	32	309	382	11	371
Share of MBDA joint-venture pension obligation	64	-	64	88	-	88
Defined-contribution retirement plans	26	-	26	26	-	26
	1,041	**32**	**1,009**	**1,136**	**11**	**1,125**

The statutory severance pay obligation is specific to Italy and calls for the payment of the entitlement accumulated by employees until the time they leave the company. This provision is calculated in accordance with Art. 2120 of the Italian Civil Code by dividing the fixed components of an employee's compensation by 13.5. Law 296 of 27 December 2006 and subsequent Decrees and Regulations issued in early 2007, as part of the complementary social security reform, significantly altered the functioning of the social security system: the severance pay accrued after the date of the reform can be transferred to complementary funds or in a treasury fund managed by INPS (the Italian Social Security Institution).
With the defined-benefit plans, the Group assumes the obligation to ensure a specific retirement benefit level for employees participating in the plan, guaranteeing to make good any negative difference between value of plan assets and the agreed-upon benefit level.
Liabilities relating to defined-benefit retirement plans include the share of the total defined-benefit retirement plans managed by BAE Systems Plc allocable to the MBDA joint venture. The valuation of these liabilities entailed the recognition of actuarial losses in equity of €mil. 23 and a cost of €mil. 6 in the income statement (Note 34).

The detail of the defined-benefit retirement plans is as follows:

	31 December 2010	31 December 2009
GBP area	105	198
Euro area	104	94
USD area	89	77
Other	11	2
	309	**371**

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

	31 Dec. .2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
Present value of obligations	1,567	1,409	1,055	1,038	1,126
Fair value of plan assets	(1,258)	(1,038)	(846)	(886)	(796)
Plan excess (deficit)	**(309)**	**(371)**	**(209)**	**(152)**	**(330)**
of which related to:					
- net liabilities	(341)	(382)	(248)	(152)	(330)
- net assets	32	11	39	-	-

The decrease in the total net deficit is essentially due to €mil. 73 for the AgustaWestland plan and to €mil. 21 for the SELEX Galileo Ltd plan.

Changes in the defined-benefit plans are shown below:

31 December 2010

	Present value of the obligation	Present value of the the asset	Net liability defined-benefit plans
Opening balance	1,409	1,038	**371**
Costs of benefits paid, less curtailment effect	(39)	-	**(39)**
Interest expense	84	-	**84**
Expected return on plan assets	-	72	**(72)**
Actuarial losses (gains) through equity	81	57	**24**
Increases from business combinations	7	-	**7**
Contributions paid	-	81	**(81)**
Contributions from other plan participants	23	23	**-**
Exchange-rate differences	53	38	**15**
Benefits paid	(51)	(51)	**-**
Other changes	-	-	**-**
Closing balance	**1,567**	**1,258**	**309**
of which related to:			
- net liabilities	1,253	912	**341**
- net assets	314	346	**(32)**

31 December 2009

	Present value of the obligation	Present value of the the asset	Net liability defined-benefit plans
Opening balance	1,055	846	**209**
Costs of benefits paid	40		**40**
Interest expense	69		**69**
Expected return on plan assets		58	**(58)**
Actuarial losses (gains) through equity	206	29	**177**
Increases from business combinations	-	-	-
Contributions paid		74	**(74)**
Contributions from other plan participants	22	22	-
Exchange-rate differences	52	50	**2**
Benefits paid	(44)	(42)	**(2)**
Other changes	9	1	**8**
Closing balance	**1,409**	**1,038**	**371**
of which related to:			
- net liabilities	1,172	790	**382**
- net assets	237	248	**(11)**

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

	31 December 2010	31 December 2009
Costs of current services	54	40
Curtailment	(93)	-
Total "personnel costs" (Note 34)	**(39)**	**40**
Interest expense	84	69
Expected return on plan assets	(72)	(58)
Costs (income) booked as "finance income/costs"	**12**	**11**
Total cost to income statement	**(27)**	**51**

During the year, the method for calculating the benefits to be paid through the AgustaWestland plan was changed. As a result the liability had a curtailment effect of €mil. 93 in the income statement.
Changes in severance obligations are shown below:

	31 December 2010	31 December 2009
Opening balance	**640**	**701**
Costs of benefits paid	2	2
Interest expense	19	25
Actuarial losses (gains) through equity	10	(30)
Benefits paid	(61)	(59)
Other changes	-	1
Closing balance	**610**	**640**

The main actuarial assumptions used in the valuation of defined-benefit plans and of the portion of severance pay provision that has maintained the nature of defined-benefit plan are as follows:

	Severance obligations		Defined-benefit plans	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**
Discount rate (annual)	2.7%-4.1%	2.7%-4.2%	4.3%-5.85%	5%-6.3%
Expected return on plan assets	-	-	3.5%-7.7%	4.7%-8.5%
Rate of salary increase	-	-	3.5%-5.25%	1.5%-5.1%
Rate of turnover	2.3%-6.0%	3.8%-6.0%	3.0%-9.77%	3%-9.7%

Assets of defined-benefit plans include:

	31 December 2010	31 December 2009
Shares	381	343
Real properties	35	38
Bonds	258	209
Cash or equivalents	12	13
Other	572	435
	1,258	**1,038**

26. Other current and non-current liabilities

	Non-current		Current	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Employee obligations	55	59	474	468
Deferred income	28	25	89	82
Social security payable	6	5	295	302
Payable to MED Law 808/85	268	267	64	36
Payable to MED for monopoly rights Law 808/1985	96	77	35	35
Other liabilities Law 808/1985	109	113	-	-
Indirect tax payables	-	-	202	182
Other payables	91	105	472	462
Other payables to related parties (Note 13)	-	-	24	13
	653	**651**	**1,655**	**1,580**

The payables to the Ministry of Economic Development (MED) relate to the payables for monopoly rights 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.

The item “Other liabilities Law 808/85” includes the differential 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. 70 (€mil. 78 as of 31 December 2009), of which €mil. 52 carried as a non-current liability (€mil. 64 at 31 December 2009), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW 139, previously owned by Bell Helicopter at 25%;
- the payable to EADS NV due from GIE-ATR (50-50 consortium owned by Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 4 (€mil. 6 at 31 December 2009);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 7 (€mil. 8 at 31 December 2009);
- payables for customer deposits in the amount of €mil. 44 (€mil. 28 at 31 December 2009);
- royalties due in the amount of €mil. 21 (€mil. 28 at 31 December 2009);
- commissions due in the amount of €mil. 37 (€mil. 24 at 31 December 2009);
- payables for insurance in the amount of €mil. 7 (€mil. 16 at 31 December 2009);
- the payable for contractual penalties in the amount of €mil. 16 (€mil. 15 at 31 December 2009).

27. Trade payables

	31 December 2010	31 December 2009
Trade payables	4,614	4,512
Trade payables to related parties (Note 13)	116	99
	4,730	**4,611**

Trade payables to related parties mainly refer to the non-eliminated portion of payables to joint ventures and to the Start Consortium for the supply of software for Defence Systems and Space.

28. Derivatives

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

	31 December 2010		31 December 2009	
	Assets	Liabilities	Assets	Liabilities
Forward forex instruments	105	111	86	64
Forex options	-	-	-	5
Embedded derivatives	41	-	58	-
Interest rate swaps	60	7	42	19
Other equity derivatives	13	13	7	-
	219	**131**	**193**	**88**

The change in the fair value of forward instruments is due to the volatility of the US dollar against the euro: the exchange rate went from 1.4406 at 31 December 2009 to 1.3362 at 31 December 2010. Specifically, this item includes operations performed to hedge risks relating to the ratio of payables to receivables denominated in currencies other than the euro (USD and GBP), the effects of which are offset by the exchange rate delta and realignment, and to hedge commercials revenues and costs subject to the cash flow hedge method, with the impact seen in the balance sheet but not the income statement.

In previous years, a Group company entered into a sale contract that included an embedded derivative, denominated in a currency different from that contractually agreed by the parties and from that generally used in the reference markets. The fair value of the embedded derivative at 31 December 2010 was €mil. 41.

The interest rate swaps with a total notional value of €mil. 1,200 were placed into effect to hedge bonds issued for a total of €mil. 4,110. The change in the fair value is primarily due to the short/medium-term trend in interest rates.

Under the STM sale contract (the sale occurred in December 2009), Finmeccanica benefits from an earn-out mechanism, which in 2009 led to the recognition of a derivative whose fair value is positive in the amount of €mil. 7. “Other equity derivatives” include the fair value of this option, as well as the mirror option sold on the market to neutralise any further change in the value of the original option through the natural date of its expiration in March 2011.

The table below provides the fair values of the various derivatives in the portfolio:

		Fair value at 31 December 2010	Fair value at 31 December 2009
Assets			
Interest rate swaps			
	Trading	60	42
	Fair value hedge		-
	Cash flow hedge		-
Currency forward/swap/option			
	Trading		-
	Fair value hedge		-
	Cash flow hedge	105	86
Equity instruments (trading)		13	7
Embedded derivatives (trading)		41	58
Liabilities			
Interest rate swaps			
	Trading	2	15
	Fair value hedge		-
	Cash flow hedge	5	4
Currency forward/swap/option			
	Trading	-	5
	Fair value hedge		-
	Cash flow hedge	111	64
Equity instruments (trading)		13	-
Embedded derivatives (trading)		-	-

A more detailed analysis of existing instruments as well as the portion of changes that had an earnings impact is illustrated in Note 37.
Details on the instruments outstanding are provided in Note 43.

29. Guarantees and other commitments

Leasing

The Group is party to a number of operating leases as both lessor and lessee primarily for the purposes of acquiring the use of plant and equipment. Below are the non-cancellable minimum future payments and collections relating to operating lease contracts:

	31 December 2010		31 December 2009	
	As lessee	As lessor	As lessee	As lessor
Within 1 year	178	45	157	51
2 to 5 years	380	94	310	71
Beyond 5 years	294	54	325	89
	852	**193**	**792**	**211**

The amounts of the purchase and sale commitments include those relating to the satellite capacity business conducted by the Telespazio joint venture, as well as those relating to GIE-ATR's airplane leasing and sub-leasing operations. Specifically, the amount of the commitments to purchase satellite capacity came to about €mil. 270 (€mil. 257 at 31 December 2009) and is substantially covered by the customer order backlog. The corresponding sales commitments amounted to €mil. 178 (€mil. 193 at 31 December 2009).

Guarantees

At 31 December 2010, the Group had the following outstanding guarantees:

	31 December 2010	31 December 2009
Guarantees in favour of third parties	20,239	17,537
Other unsecured guarantees given to third parties	667	669
Unsecured guarantees given	**20,906**	**18,206**

At 31 December 2010 there are no secured guarantees given for the liabilities or obligations of third parties.

30. Transactions with related parties

The income statement transactions with Group's related parties for 2010 and 2009 are described below:

31 December 2010	Revenue	Other operat. income	Costs	Other operat. expenses	Finance income	Finance costs
Subsidiaries						
Finmeccanica North America Inc.			11			
Alifana Due Scrl	6		10			
Finmeccanica UK Ltd	1		8			
Sesm-Soluzioni Evolute Sistemi e Modelli Scarl			5			
Other companies with unit amount lower than €mil. 5	2		7			
Associates						
Eurofighter Jagdflugzeug GmbH	988		1			
NH Industries Sarl	204					
Orizzonte - Sistemi Navali SpA	138		1			
Iveco - Oto Melara Scarl	130		2	2		2
Metro 5 SpA	30					
Eurofighter Simulation Sistems GmbH	19					
Macchi Hurel Dubois SAS	17					
Eurosysnav SAS	12					
A4Essor SAS	12					
Euromids SAS	6					
Joint Stock Company Sukhoi Civil Aircraft	5					
Consorzio Start SpA	2		35			
Contact Srl			5			
Other companies with unit amount lower than €mil. 5	10	1	10			
Joint ventures (*)						
MBDA SAS	95					4
GIE-ATR	78					
Thales Alenia Space SAS	33		12			
Telespazio SpA	1		6			
Rotorsim Srl		2	6			
Other companies with unit amount lower than €mil. 5	3		2		1	1
Consortiums (**) and other						
Saturno	32		2			
Other with unit amount lower than €mil. 5	11		7			
Total	**1,835**	**3**	**130**	**2**	**1**	**7**
% against total for the year	*9.8*	*0.5*	*1.0*	*0.3*	*0.1*	*0.6*

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control.

31 December 2009

	Revenue	Other operat. income	Costs	Other operat. expenses	Finance income	Finance costs
Subsidiaries						
Alifana Due Scrl	10		11			
Finmeccanica UK Ltd			8			
Sel Proc Scrl	6		3			
Other companies with unit amount lower than €mil. 5	1		12			
Associates						
Eurofighter Jagdflugzeug GmbH	868					1
Iveco - Oto Melara Scarl	128		1	2		1
Orizzonte - Sistemi Navali SpA	81					
NH Industries Sarl	79					
Consorzio Start SpA	2		31			
Metro 5 SpA	27		1			
Eurosysnav SAS	23					
Macchi Hurel Dubois SAS	20					
Eurofighter Simulation Sistems GmbH	20					
Euromids SAS	16					
Advanced Male Aircraft LLC	10					
Abruzzo Engineering Scpa	9		2			
Advanced Air Traffic SDN BHD	8		3			
Pegaso Scrl			6			
Joint Stock Company Sukhoi Civil Aircraft					5	
Other companies with unit amount lower than €mil. 5	8		9			
Joint ventures (*)						
GIE-ATR	111		10			
MBDA SAS	99					5
Thales Alenia Space SAS	40		6			
Other companies with unit amount lower than €mil. 5	7	1	5		1	
Consortiums (**)						
Saturno	76		4			
Ferroviario Vesuviano	7		1			
Other consortiums with unit amount lower than €mil. 5	19		10			
Total	**1,675**	**1**	**123**	**2**	**6**	**7**
% against total for the year	*9.2*	*0.1*	*1.0*	*0.3*	*0.6*	*0.5*

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control.

31. Revenue

	31 December 2010	31 December 2009
Revenue from sales	13,237	11,694
Revenue from services	3,754	3,726
	16,991	15,420
Change in contract work in progress	(131)	1,081
Revenue from related parties (Note 30)	1,835	1,675
	18,695	**18,176**

The trends in revenue by business segment are described in the notes above (Note 7).

32. Other operating income (expenses)

	2010		2009	
	Income	**Expense**	**Income**	**Expense**
Grants for research and development costs	63	-	56	-
Other operating grants	20	-	15	-
Gains/Losses on sales of intangible asset, property, plant and equipment	1	(2)	4	(1)
Reversals/Accruals to provisions for risks and charges	110	(336)	94	(246)
(Reversal of impairment) receivables	12	-	9	-
Exchange rate difference on operating items	278	(274)	271	(274)
Portion under Law 808/85	9	-	179	-
Insurance reimbursements	46	-	55	-
Reorganisation costs	-	(7)	1	(5)
Indirect taxes	-	-	-	(50)
Other operating income (costs)	84	(180)	86	(106)
Other operating income (costs) from related parties	4	(2)	1	(2)
	627	**(801)**	**771**	**(684)**

The reversals of provisions for risks and charges of €mil. 110 (€mil. 94 in 2009) regarded, among others: the provision for product guarantees in the amount of €mil. 45 (€mil. 30 in 2009), the provision for guarantees given in the amount of €mil. 13 (€mil. 11 in 2009), the provision for penalties in the amount of €mil. 4 (€mil. 4 in 2009). The accruals of provisions for risks and charges of €mil. 336 (€mil. 246 in 2009) regarded, among others: the provision for disputes with third parties in the amount of €mil. 11 (€mil. 15 in 2009), the provision for product guarantees in the amount of €mil. 105 (€mil. 66 in 2009), the provision for guarantees given in the amount of €mil. 5 (€mil. 5 in 2009), the provision for penalties in the amount of €mil. 15 (€mil. 16 in 2009), the provision for risks and contractual charges in the amount of €mil. 77 (€mil. 98 in 2009). Other operating income and costs include, among others, interest income and expense on commercial transactions. Reorganisation costs also include reversals and accruals to the “provision for reorganisation risks”.

33. Raw materials and consumables used and purchase of services

	2010	2009
Purchase of materials from third parties	6,201	7,029
Change in inventories	98	(192)
Costs for purchases from related parties (Note 30)	17	18
Total raw materials and consumables used	**6,316**	**6,855**
Services rendered by third parties	5,438	5,236
Royalties	33	39
Cost of PSP relating to non-employees (Note 22)	3	2
Software fees	11	10
Costs of acquiring satellite capacity	63	62
Costs of airplane leases	3	8
Costs of rents and operating leases	161	151
Rental fees	53	48
Costs for services from related parties (Note 30)	113	105
Total purchase of services	**5,878**	**5,661**

Royalties mostly relate to royalties due under Law 808/85 for programmes qualified as functional to national security.

The costs for the acquisition of satellite capacity refer to the satellite capacity trading business conducted by the Telespazio joint venture and are more than offset by revenues from sales; this activity is carried out primarily on the basis of back-to-back contracts in terms of their expiry date and penalties in the event of breach of contract. The costs of leasing airplanes relate to leasing and sub-leasing transactions entered into by GIE-ATR. The amount for the purchase commitments undertaken to that regard through Telespazio and GIE-ATR are described in Note 29.

34. Personnel costs

	2010	2009
Wages and salaries	3,598	3,428
Cost of PSP (Note 22)	40	24
Cost of LTIP	4	8
Social security contributions	776	773
Costs of severance pay (Note 25)	2	2
Costs related to other defined-benefit plans, less curtailment effect (Note 25)	(39)	40
Costs related to defined-contribution plans	142	141
Employee disputes	1	-
Restructuring costs - net	96	19
Other costs	152	172
	4,772	**4,607**

Overall personnel costs, excluding restructuring costs, rose, but were lower than the prior-year level as a percentage of revenue, going from 25.3% to 24.1%.
The increase is specifically attributable to the net effect of:

- the different scope of consolidation, in particular due to the contribution of the PZL-ŚWIDNIK group, consolidated as from 2010;
- restructuring costs;
- lower costs for other defined-benefit plans;
- the appreciation of the euro against the Group's other major currencies (pound sterling and US dollar);

The decrease in costs related to other defined-benefit plans is essentially due to the UK component of the AgustaWestland group. During the year, the method for calculating the benefits to be paid through its pension plan was changed. As a result, the liability was curtailed with a positive effect on the income statement (Note 25).
Personnel costs for 2010 also include €mil. 96 of restructuring costs (€mil. 19 in 2009) relating in particular to the Aeronautics (€mil. 61), Defence and Security Electronics (€mil. 26), Transportation (€mil. 8) and Space (€mil. 1) segments for costs incurred and accruals made for the reorganisations under way in several companies of the Group.
The increase in costs related to PSP plans is attributable to the calculation of the final tranche of the 2008-2010 Plan, expected to be 50% of the total value.

Finally, social security contributions benefit from income (€mil. 14) related to contributions not owed for 2008 and 2009 as a result of the exemption for earnings on stock-option and stock-grant plans as provided in INPS Circular 123/2009.

The average workforce at 31 December 2010 numbered 75,115, as compared with 72,537 in 2009. The net increase of 2,578 is especially significant in the case of personnel abroad as a result of the change in the scope of consolidation.
The total workforce went from 73,056 at 31 December 2009 to 75,197 at 31 December 2010, with a net increase of 2,141, due to the increase resulting from the change in the scope of consolidation, on the one hand, and to the decrease across almost all the Group's divisions, particularly Helicopters, Aeronautics, Defence and Security Electronics and Transportation, mainly as a result of the reorganisations, on the other.

	31 Dec. 2010	31 Dec. 2009	Net change
Senior managers (*)	2,341	2,224	117
Middle managers	8,036	8,012	24
Clerical employees	44,222	40,674	3,548
Manual labourers (**)	20,598	22,146	(1,548)
Total	**75,197**	**73,056**	**2,141**

(*) Includes pilots.
(**) Includes temporary employees.

Specifically, the marked change in clerical employees and manual labourers is due to the different calculation of the workforce of the DRS group during the year.

35. Amortisation, depreciation and impairment

	2010	2009
Depreciation and amortisation:		
• amortisation	278	297
• depreciation	385	358
	663	**655**
Impairment		
• non-current assets and investment properties	76	46
• goodwill	-	-
• operating receivables	46	26
	122	**72**
Total amortisation, depreciation and impairment	**785**	**727**

The impairment charges with regard to non-current assets refer to property, plant and equipment (€mil. 12, as compared with €mil. 7 in 2009) and intangible assets (€mil. 64, €mil. 39 in 2009). This item relates essentially to the impairment of the alternative energy segment (Energy division) for €mil. 19 which was necessary due to the changed conditions in the reference market for alternative energies applied to fuel cells. This led to a reduction in the product portfolio as compared with the original estimate and to the final interruption of part of the technological developments carried out. It also relates to the impairment of €mil. 46 in the Helicopters division for the portion of non-recoverable development costs for a programme for which the original business case assumptions in terms of quantity and profitability were updated during the year.

36. Work performed by the Group and capitalised

	2010	2009
Personnel cost	278	317
Materials	96	87
Other cost	264	358
	638	**762**

37. Finance income and costs

	31 December 2010			31 December 2009		
	Income	Costs	Net	Income	Costs	Net
Capital gain on sale of STM	-	-	-	18	-	18
Dividends	3	-	3	6		6
Gains on investments and securities	4	-	4	37		37
Discounting of receivables, payables and provisions	5	(4)	1	6	(12)	(6)
Interests (*)	26	(330)	(304)	30	(301)	(271)
Premiums (paid) received on IRS	77	(35)	42	66	(52)	14
Commissions (including commissions and other costs on non-recourse items)	8	(59)	(51)	2	(87)	(85)
Fair value adjustments through profit or loss	60	(83)	(23)	98	(44)	54
Premiums (paid) received on forwards	7	(4)	3	14	(8)	6
Exchange-rate differences	636	(618)	18	721	(723)	(2)
Value adjustments to equity investments	2	(10)	(8)	-	(1)	(1)
Interest cost on defined-benefit plans (less expected returns on plan assets)	-	(32)	(32)	-	(36)	(36)
Finance income/costs - related parties	1	(7)	(6)	6	(7)	(1)
Other finance income and costs	21	(20)	1	3	(50)	(47)
	850	**(1,202)**	**(352)**	**1,007**	**(1,321)**	**(314)**

(*) Of which non-liquidated finance costs relating to bond issues in the amount of €mil. 48 (€mil. 36 at 31 December 2009).

Finance income and costs deteriorated by €mil. 38 as compared with 2009. It should be noted that 2009 benefited from non-recurring events consisting of the capital gain of €mil. 18 on the sale of the STM shares and the recognition of a gain of €mil. 37 from the sale of Global Aeronautica LLC (€mil. 24) and other minor companies.

This is broken down as follows:

- net interest costs of €mil. 304 (€mil. 271 in 2009), which reflect a higher level of average indebtedness as compared with the precise figure reported at 31 December 2010. Specifically, finance costs include €mil. 282 (€mil. 217 in 2009) of interest on bonds. The figure reported for 2009 reflects in part the various bond issues made during the previous year. Vice-versa the cost figure for 2009 included €mil. 40 in interest on the Senior Term Loan Facility, opened in June 2008 as part of the acquisition of DRS Technologies (DRS) and closed in February 2010;
- net premiums on interest rate swaps (IRS) amounted to €mil. 42 (€mil. 14 in 2009); specifically, the figure includes €mil. 24 resulting from the completion of the swap for a floating rate on the pound sterling bond issue;
- net commissions of €mil. 51 (€mil. 85 in 2009); the increase, excluding costs of non-recourse sales (€mil. 34 compared with €mil. 79 in 2009), refers mainly to commissions on operations undertaken to rationalise the lines of credit, described in greater detail in the "Financial transactions" section of the Report on Operations;
- net cost arising from the application of fair value to the income statement of €mil. 23 (net income of €mil. 54 in 2009), as detailed below:

	31 December 2010			31 December 2009		
	Income	Costs	Net	Income	Costs	Net
Foreign-currency swaps	8	(24)	(16)	13	(10)	3
Forex options	3	-	3	32	(1)	31
Interest rate swaps (Note 28)	32	(1)	31	25	(14)	11
Ineffective component of hedging on swaps (premium points)	11	(28)	(17)	21	(8)	13
Embedded derivatives	-	(17)	(17)		(11)	(11)
Other equity derivatives	6	(13)	(7)	7	-	7
	60	(83)	(23)	98	(44)	54

› net cost on foreign-currency swaps includes the effects of trading derivative instruments or instruments which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness. Specifically the costs arising from the calculation of fair value of hedges on payables and receivables in foreign currencies and the realignment of the exchange rates for such hedged payables and receivables at period-end was offset by income generated by extending the hedges, classified under “exchange-rate differences”;

› the natural expiration of most of the existing forex options in 2010 at contractually-established exchange rates did not have any significant effect in terms of recognition, and therefore had no impact on the income statement. In 2009, these instruments caused the recognition of income in the amount of €mil. 31;

› the increase in net income from interest rate swaps reflects the significantly low level of short-term interest rates (floating), as well as the flattening out of long-term interest rates (fixed). This situation (6-month Euribor went from 0.993% at 31 December 2009 to 1.23% at 31 December 2010; the 10-year IRS rate went from 3.60% at 31 December 2009 to 3.30% at 31 December 2010) has made it possible for the Group to benefit from the reduction in the component usually classified as “premiums (paid) received on IRS” and in the fair value component, relating to bond issues transformed into variable-rate instruments via the use of derivatives (Note 28);

› 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, did not have any financial impact;

› under the contract for the sale of options on STM shares signed in December 2009, Finmeccanica benefits from an earn-out mechanism. The fair value of this option, which expires in March 2011, was positive €mil. 7 at 31 December 2009, and positive €mil. 13 at 31 December 2010.
Given the trend in the share price, in the first quarter of 2010, Finmeccanica sold an option mirroring its earn-out option on the market in several instalments. This transaction yielded income of €mil. 8, classified as “other finance income”, over the fair value of the option at 31 December 2009. Placing this value on the option sold resulted in the recognition of a fair value cost of €mil. 13 in 2010. This transaction made it possible, and will make it possible until the option expires in the first quarter of 2011, to almost completely neutralise any further change in original value of the option;

• interest costs on defined-benefit plans (less expected returns on plan assets) of €mil. 32 (€mil. 36 in 2009). The figure is in line with that reported for the previous year.

Finally, the Group assigned receivables without recourse during the year in an amount equal to around €mil. 1,398 (roughly €mil. 1,851 in 2009) with overall finance costs of €mil. 34 (€mil. 79 in 2009).

38. Share of profit (loss) of equity accounted investments

	2010	2009
Revaluation of Eurofighter Jagdflugzeug GmbH	3	11
Revaluation of Elettronica SpA	6	5
Impairment of Joint Stock Company Sukhoi Aircraft	(17)	-
Impairment of Abruzzo Engineering SCPA (in liquidation)	(6)	-
Net revaluations of other investees	-	1
	(14)	**17**

39. Income taxes

Income tax expense can be broken down as follows:

	2010	2009
Corporate income tax (IRES)	186	282
Regional tax on productive activities (IRAP)	105	114
Benefit under consolidated tax mechanism	(119)	(126)
Other income taxes	101	79
Substitute taxes	-	1
Tax related to previous periods	(28)	(4)
Provisions for tax disputes	22	24
Deferred tax - net	42	7
	309	**377**

Income from adopting the consolidated taxation mechanism for IRES purposes (a tax introduced by Legislative Decree 344/2003) from 1 January 2004 was considered in the calculation of income taxes. According to this mechanism, there is only one taxable income for all the Group companies included in the scope of consolidation.
This option makes it possible to offset the tax results (taxable income and losses in the consolidation period) of the participating companies. As a result, the income statement includes the benefit resulting from the losses for the period up to the limit of the taxable income included in the consolidated tax base. This income was then allocated to all the consolidated companies reporting a fiscal loss.
Following is an analysis of the composition of the effective tax rate for 2009 and 2010:

	2010	2009
Profit (loss) before taxation	866	1,095
Percentage impact of Italian and foreign taxes		
IRES (net of tax receipts)	7.78	14.20
IRAP	12.13	10.40
Other income taxes	11.59	7.20
Substitute taxes	-	0.08
Tax related to previous periods	(3.22)	(0.31)
Provisions for tax disputes	2.58	2.20
Deferred tax - net	4.83	0.67
Effective rate	**35.69**	**34.44**

Nothing occurred in 2010 that caused a substantial variance between the theoretical and effective tax rates.
During the previous year, there were permanent differences that generated a variance between the effective rate and the theoretical rate in relation to the capital gain on the investment sold under the participation exemption, the recognition of tax receivables for research and development and the regulatory IRAP change for the 2004-2007 period.

Deferred taxes and their related receivables and payables at 31 December 2010 were the result of the following temporary differences:

	Income statement 2010			Income statement 2009		
	Income	Expense	Net	Income	Expense	Net
Deferred taxes on tax losses	52	42	10	3	35	(32)
Goodwill	1	15	(14)	-	3	(3)
Property, plant and equipment	7	12	(5)	3	9	(6)
Intangible assets	29	13	16	27	5	22
Financial assets and liabilities	-	-	-	-	8	(8)
Severance and retirement benefits	1	35	(34)	3	7	(4)
Provision for risks and impairment	71	84	(13)	55	74	(19)
Stock option/stock grant	1	-	1	-	1	(1)
Grants	1	4	(3)	2	2	-
Other	55	55	-	97	53	44
Offsetting	-	-	-	-	-	-
Total	**218**	**260**	**(42)**	**190**	**197**	**(7)**

	Balance sheet 2010			Balance sheet 2009		
	Income	Expense	Net	Income	Expense	Net
Deferred taxes on tax losses	89	-	89	88	-	88
Goodwill	-	53	(53)	-	18	(18)
Property, plant and equipment	11	54	(43)	15	47	(32)
Intangible assets	48	359	(311)	59	373	(314)
Severance and retirement benefits	67	10	57	73	10	63
Financial assets and liabilities	-	-	-	-	1	(1)
Provision for risks and impairment	223	-	223	282	3	279
Stock option/stock grant	1	-	1	1	-	1
Grants	-	6	(6)	-	11	(11)
Other	215	66	149	161	68	93
Offsetting	(89)	(89)	-	(94)	(94)	-
Total	**565**	**459**	**106**	**585**	**437**	**148**
Cash-flow hedge derivatives	14	16	(2)	22	32	(10)
Severance and retirement benefits	77	21	56	66	19	47
Total in the statement of comprehensive income	91	37	54	88	51	37
	656	**496**	**160**	**673**	**488**	**185**

40. Discontinued operations and assets held for sale

The item, amounting to €mil. 1 (€mil. 7 at 31 December 2010), refers to equipment of a company of the Helicopters division which is destined for sale to third parties. The prior year's figure related to the sale of a property owned by the subsidiary Ansaldo Energia for which a preliminary sale contract had been entered into.

41. Earning 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	2010	2009
Average number of shares for the period (in thousands)	577,026	576,914
Net earnings (not including minority interests) (€mil.)	493	654
Earnings of continuing operations (not including minority interests) (€mil.)	493	654
Basic EPS	**0.854**	**1.134**

Diluted EPS	2010	2009
Average number of shares for the period (in thousands)	577,685	577,573
Adjusted earnings (not including minority interest) (€mil.)	493	654
Adjusted earnings of continuing operations (not including minority interests) (€mil.)	493	654
Diluted EPS	**0.853**	**1.133**

42. Cash flow from operating activities

	For the 12 months ended 31 December	
	2010	2009
Net profit	557	718
Depreciation, amortisation and impairment	785	727
Share of profit (loss) of equity accounted investments	14	(17)
Income taxes	309	377
Cost of defined-benefit plans and stock-grant plans	10	72
Net finance costs (income)	352	314
Net capital gains on sale of non-current assets	1	(3)
Net allocations to the provisions for risks	264	90
Other non-monetary items	69	(56)
	2,361	**2,222**

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), and cash outlays relating to the stock-grant plan.

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 12 months ended 31 December	
	2010	2009
Inventories	245	(486)
Contract work in progress and advances received	181	300
Trade receivables and payables	(543)	(302)
Changes in working capital	**(117)**	**(488)**

The changes in other operating assets and liabilities, net of the effects of the acquisition and sale of consolidated companies and translation differences, are as follows:

	For the 12 months ended 31 December	
	2010	2009
Payment of pension and stock-grant plans	(164)	(160)
Changes in provisions for risks and other operating items	(191)	(38)
	(355)	**(198)**

43. Financial risk management

The Group is exposed to financial risks associated with its operations, specifically related to these types of risks:

- *interest-rate risks,* related to the Group's financial exposure; exchange-rate risks, related to operations in currencies other than the reporting currency;
- *liquidity risks*, relating to the availability of financial resources and access to the credit market;
- *credit risks*, resulting from normal commercial transactions or financing activities.

The Group carefully and specifically follows each of these financial risks, with the objective of promptly minimising them, also through hedging derivatives.
The sections below provide an analysis, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in reference parameters. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results of the reference periods and, by their own nature, they neither can be considered as indicators of the actual effects of future changes in reference parameters with different financial statements and market conditions, nor reflect the inter-relations and the complexity of reference markets.

Interest-rate risk

The Finmeccanica Group is exposed to interest-rate risk on borrowings. The management of interest-rate risk is consistent with the long-standing practice of reducing the risk of fluctuations in interest rates while seeking to minimise related finance costs. To that regard and with reference to the gross amount of bank borrowings posted in the financial statements (€mil. 4,893), prior to interest-rate transactions, the fixed-rate percentage amounted to around 90% and the floating-rate percentage to around 10%. Interest-rate transactions, as described below (totalling €mil. 1,200 of which €mil. 1,000 at a floating rate) shift the floating-rate percentage to 30%.
The detail of the main derivative instruments in interest rate swaps (IRS9 at 31 December 2010 is as follows:

	Notional 2010	Notional 2009	Underlying (maturity)		Fair value at 1 Jan. 10	Changes: Income	Changes: Costs	Changes: CFH reserve	Fair value at 31 Dec. 10
IRS fixed/floating/fixed	200	200	Bond 2018	(a)	4	1			5
IRS fixed/floating and options	250	250	Bond 2025	(b)	14	8	1		21
IRS fixed/floating	750	750	Bond 2013	(c)	23	9			32
IRS fixed/floating in GBP		450	Bond 2019	(d)	(14)	14			-
Other		-	-	(e)	(4)			(1)	(5)
Total notional	**1,200**	**1,650**			**23**	**32**	**1**	**(1)**	**53**

	Notional 2009	Notional 2008	Underlying (maturity)		Fair value at 1 Jan. 09	Changes: Income	Changes: Costs	Changes: CFH reserve	Fair value at 31 Dec. 09
IRS fixed/floating/fixed	200	400	Bond 2018	(a)	4	-	-	-	4
IRS fixed/floating and options	250	250	Bond 2025	(b)	13	1	-	-	14
IRS fixed/floating	750	750	Bond 2013	(c)	-	23	-	-	23
IRS fixed/floating in GBP	450	-	Bond 2019	(d)	-	-	14	-	(14)
Other	-	-	-	(e)	(3)	-	-	(1)	(4)
Total notional	**1,650**	**1,400**			**14**	**24**	**14**	**(1)**	**23**

(a)The transaction was carried out to benefit from low short-term interest rates without, however, exposing the Group to the risk of any subsequent increases. As such, the exposure on the bond maturing in 2018 (totalling €mil. 500) was converted to a floating rate through 19 December 2010 and back to fixed (5.60% average on €mil. 500) after that date.

(b)The transaction was carried out in 2005 to take advantage of low interest rates, with a 2.5% saving in the current interest period. The instruments purchased also include several forms of protection against the risk of rises in interest rates that enable the Group to protect portion of the debt portfolio exposed to floating rates.

(c)The transaction was placed into effect at the time of the 5-year issue of €mil. 1,000, in December 2008, enabling the Group to benefit from the low costs of floating interest rates with a saving of more than 2% in the current interest period.

(d)The transaction was placed into effect at the time of the 10-year issue of GBPmil. 400, in April 2009, and was closed in the first half of 2010. It generated a receipt of about €mil. 37 and a gain of around €mil. 24.

(e)The item includes an IRS floating/fixed carried out by the ATIL joint venture, which operates in the helicopter sector, and other minor items.

The table below shows the effects of the sensitivity analysis for 2010 and 2009 deriving from the 50-basis-point shift in the interest rate:

Effect of shift of interest-rate curves	31 Dec. 2010		31 Dec. 2009	
	increase of 50 bps	decrease of 50 bps	increase of 50 bps	decrease of 50 bps
Net result	(13)	13	(31)	30
Shareholders' equity (*)	(14)	13	(32)	31

(*) Defined as sum of earnings and cash-flow hedge reserve.

Exchange-rate risk

Transaction risk

Due to its commercial operations, the Group is exposed to the risk of fluctuations in the currencies in which its orders are denominated (specifically, US dollars - USD and, to a lesser extent, the pound sterling - GBP), due to the fact that costs are concentrated in the euro and the GBP areas.

Exchange-rate risk management is governed by the directive in force within the Group. The purpose of the directive is to standardise management criteria based on industrial – not speculative – strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency positions. The methodology adopted calls for the systematic hedging of commercial cash flows resulting from the assumption of contractual commitments that are certain or highly probable as either buyer or seller, thereby ensuring current exchange rates at the date of acquisition of multi-year contracts and neutralising the effects of exchange-rate fluctuations. As a result, contracts for purchases or sales denominated in a currency different from the functional currency are hedged using forward contracts of amounts, maturities, and key parameters that are similar to the underlying position. Therefore, at the moment of receiving payment from a customer (or making payment to a vendor), which takes place at the current exchange rate on that day, the related hedging transactions are extinguished in order to substantially offset the effects of the difference between the current exchange rate and the rate of the hedging instrument.

The effectiveness of the hedge is tested at least at each interim or year-end reporting date using mathematical and statistical methods. In the event that, due to its nature or following such tests, a derivative instrument held should be found to no longer be an effective hedge, the fair value of the instrument is immediately recognised through profit and loss. In the event the designation of the instrument as a hedge should continue to be supported by the tests of actual and future effectiveness, the cash-flow hedge accounting method of recognition is adopted (Note 4.3).

These transactions are mainly carried out with banks by Finmeccanica's Group Finance Department and then matched with the companies of the Group, which incur the relevant costs.

At 31 December 2010, Finmeccanica had outstanding foreign exchange transactions in the interest of other Group companies totalling €mil. 6,331 (notional amount) (an increase of about 32% over the year-earlier period), broken down as follows:

	Notional			Fair	Changes			Fair
	Sales	Purchases	Total	value at 1 Jan. 10	Income	Costs	CFH reserve	value at 31 Dec. 10
Swap and forward transactions	3,825	2,502	6,327	22	19	(52)	5	(6)
Options	4	-	4	(5)	3		2	-
Total notional	**3,829**	**2,502**	**6,331**	**17**	**22**	**(52)**	**7**	**(6)**

	Notional			Fair	Changes			Fair
	Sales	Purchases	Total	value at 1 Jan. 09	Income	Costs	CFH reserve	value at 31 Dec. 09
Swap and forward transactions	2,718	1,917	4,635	(58)	34	(18)	64	22
Options	156	-	156	(36)	32	(1)	-	(5)
Total notional	**2,874**	**1,917**	**4,791**	**(94)**	**66**	**(19)**	**64**	**17**

The table below shows the expected receipts and payments of the hedged flows in the hedged currency according to due dates:

	31 December 2010				31 December 2009			
	Receipts Notional		Payments Notional		Receipts Notional		Payments Notional	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Cash-flow hedge								
Within 1 year	2,204	23	675	1,166	2,065	3	703	994
2 to 3 years	1,711	16	440	122	1,195	-	534	6
4 to 9 years	165	3	68	-	44	-	21	-
More than 9 years	-	-	-	-	-	-	-	-
Total	4,080	42	1,183	1,288	**3,304**	**3**	**1,258**	**1,000**
Transactions other than cash-flow hedges	383	10	321	3	158	-	62	5
Total transactions	**4,463**	**52**	**1,504**	**1,291**	**3,462**	**3**	**1,320**	**1,005**

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the pound sterling and the US dollar, assuming a +/-5% change in the euro/US dollar exchange rate and the euro/pound sterling exchange rate compared with the rates of reference at 31 December 2010 (1.3362 and 0.86075, respectively) and at 31 December 2009 (1.4406 and 0.8881, respectively).

	31 December 2010				31 December 2009			
	Effect of change in the €/GBP rate		Effect of change in the €/USD rate		Effect of change in the €/GBP rate		Effect of change in the €/USD rate	
	increase of 5%	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*
Net result	13	(13)	(4)	4	6	(6)	(16)	4
Shareholders' equity (*)	14	(14)	64	(70)	5	(6)	17	(21)

(*) Defined as sum of earnings and cash-flow hedge reserve.

Translation risk

The Group is also exposed to “translation risk”, i.e. the risk that assets and liabilities in consolidated companies whose reporting currency is not the euro (mainly GBP and USD) can have different values in euros depending on the performance of exchange rates, which affects the equity reserve named “Translation reserve” (Note 22). The Group is monitoring the performance of this exposure. At 31 December 2010 there were no hedging transactions against it using derivatives, since these transactions, even if they fall within the scope of the net investment hedge principle, would expose the Group to a cash-flow risk deriving from the exchange-rate differences arising from the renewal of these transactions. With regard to borrowings in a currency other than the euro, those denominated in USD were not hedged using exchange-rate derivatives, since they were issued by Meccanica Holdings which uses the USD as its reporting currency and thus is not subject to exchange-rate risk, whereas the 10-year GBPmil. 400 bond was hedged against the exchange-rate risk in the short term.
Finally, as a result of the financial centralisation, the cash flows of the Group’s foreign companies were recharged in several ways to Finmeccanica SpA through intercompany transactions mainly denominated in GBP and USD. For this type of risks, the income statement is hedged using mirror transactions of payables/receivables from banks in the currency of intercompany items or through specific exchange-rate derivatives. As a result, even though the Group has no economic exposure, it is subject to equity volatility impacting directly the amount of Group net debt, which is affected by the realignment of realigning payables/receivables in foreign currency from third parties or, similarly, by the cash effects deriving from the renewal of hedges.

Other risks on financial instruments

Options on STM

Under the contract for the sale of options on STM shares signed in December 2009, Finmeccanica benefits from an earn-out mechanism. The fair value of this option, which expires in March 2011, was positive €mil. 7 at 31 December 2009, and positive €mil. 13 at 31 December 2010.
Given the trend in the share price, in the first quarter of 2010, Finmeccanica sold an option mirroring its earn-out option on the market in several instalments. This transaction yielded income of €mil. 8, classified as “other finance income”, over the fair value of the option at 31 December 2009. Placing this value on the option sold resulted in the recognition of a fair value charge of €mil. 13 in 2010. This transaction made it possible, and will make it possible until the option expires in the first quarter of 2011, to almost completely neutralise any further change in the original value of the option.

Liquidity risk

The Group is exposed to the liquidity risk, i.e. the risk that it cannot efficiently finance ordinary commercial and investment operations and that it cannot repay its payables at maturity. In order to ensure the procurement of the resources needed to cover the Group’s financial requirements, including the requirements deriving from investing activities and working capital, the Group adopted a series of instruments with the aim of optimising the management of financial resources.
In addition to the funding raised in previous years in the bond and banking markets (refer to the “Financial transactions” section), which extended the average life of borrowing to more than 10 years, Finmeccanica was also able to extend the maturity of certain short-term confirmed lines of credit (with maturities up through 2012) to 2015. Specifically, on 21 September 2010, it signed a new revolving credit facility for €mil. 2,400 (final maturity in September 2015) with a pool of banks, including leading Italian and foreign banks.

When the new contract was signed (refer to the “Financial transactions” section for information on the main terms), the following were cancelled before their natural maturity dates:

- the medium-term revolving credit line of €mil. 1,200, signed in 2004, with a pool of domestic and foreign banks (maturity 2012);
- the revolving credit facility of €mil. 639 (maturity June 2011), entered into in February 2010 and arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the DRS group;
- all the confirmed bilateral lines of credit in existence at the time of signing of the new line (for a total of €mil. 670), except for one of €mil. 50 maturing at the end of 2011.

In July 2010, the EMTN bond-issue programme was extended for another period of 12 months. Finmeccanica is co-issuer in the programme with the Luxembourg subsidiary Finmeccanica Finance SA, and serves as a guarantor in case of issue by the subsidiary. The total amount of the programme is €mil. 3,800, with bonds of roughly €mil. 3,050 issued at 31 December 2010.

The Group will not be required to reimburse any existing bonds or medium/long-term bank loans in 2011.

Credit risk

The Group is exposed to credit risk, which is defined as the probability of an insolvency with respect to a credit position with commercial and financial counterparties (for both financing and investing activities), and industrial counterparties (for guarantees given on payables or third-party commitments) (Note 29).
Regarding commercial transactions, the most significant programmes are made with public sector contractors or contractors belonging to public institutions, mainly in the euro area, in the UK and the US. The risks associated with the counterparty, for contracts with countries for which there are no usual commercial relations, are analysed and valued at the time of the offer in order to highlight insolvency risks, if any. While solvency is guaranteed with public-entity customers, collection times are longer (in some countries they are significantly longer) than for other businesses, creating significant outstanding credit positions and the subsequent need for transactions to convert the receivables into cash.

The table below summarises trade receivables at 31 December 2010 and 2009, with most of the balance claimed, as indicated, from public-sector contractors or contractors belonging to public institutions:

€ billions	**31 December 2010**	**31 December 2009**
Portion due	2.7	2.3
- of which: for more than 12 months	*0.6*	*0.5*
Portion not yet due	2.5	2.5
Total trade receivables	**5.2**	**4.8**

A part of the portion due is offset by a liability, in relation to payable items or provisions for risks on any net excesses.
Receivables from financing activities, amounting to €mil. 890 (€mil. 881 at 31 December 2009) include €mil. 77 (€mil. 84 at 31 December 2009) classified as “non-current” and consequently excluded from the net financial position. The receivables mainly refer to the cash and cash equivalents of the MBDA and Thales Alenia Space joint ventures on deposit with the other partners (BAE and EADS in the first case; Thales in the second case) and financing to other related parties, as shown in the table below:

	2010			2009		
	Total	of which MBDA	of which TAS	Total	of which MBDA	of which TAS
Financial receivables from related parties	9	-	-	12	-	-
Other financial receivables	68	-	7	72	-	1
Non-current financial receivables	**77**	**-**	**7**	**84**	**-**	**1**
Financial receivables from related parties	34	-	-	34	-	-
Other financial receivables	779	589	153	763	600	108
Current financial receivables	**813**	**589**	**153**	**797**	**600**	**108**
Total financial receivables	**890**	**589**	**160**	**881**	**600**	**109**

Both trade and financial receivables are impaired individually if they are significant. For receivables that are not impaired individually, impairment provisions are accrued on an aggregate basis, using historical series and statistical data.

Classification of financial assets and liabilities

The table below gives a breakdown of Group assets by type of recognition. The fair value of derivatives is analysed separately in Note 28.
For these instruments the fair value is determined on the basis of measurement techniques which consider directly observable market inputs (the so-called "Level 2" as defined in IFRS 7). In particular, the inputs used for the fair value measurement are the foreign exchange rate and interest rate observable on the market (spot exchange rates and forwards), exclusively in relation to options, and the volatility of these inputs.
Liabilities are all valued using the "amortised cost method".

31 December 2010	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Financial assets at fair value	-	-	-	-	-
Non-current receivables from related parties	-	9	-	-	**9**
Receivables	-	424	-	-	**424**
Current assets					
Trade receivables	-	5,212	-	-	**5,212**
Financial assets at fair value	-	-	-	1	**1**
Financial receivables	-	813	-	-	**813**
Other assets	-	326	-	-	**326**

31 December 2009	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Financial assets at fair value	-	-	-	-	-
Non-current receivables from related parties	-	12	-	-	**12**
Receivables	-	426	-	-	**426**
Current assets					
Trade receivables	-	4,768	-	-	**4,768**
Financial assets at fair value	-			11	**11**
Financial receivables	-	797	-	-	**797**
Other assets	-	328	-	-	**328**

44. Information pursuant to Art. 149-*duodecies* of the CONSOB Issuer Regulation

The following statement was prepared in accordance with Article 149-duodecies of the CONSOB Issuer Regulation and reports the fees for the year 2010 for auditing and certification services and for tax and other services provided by the same auditing firm and entities belonging to the auditing firm's network.

€ thousands	Entity providing the service	to	Fees for the year 2010	Notes
Auditing services	PricewaterhouseCoopers SpA	Parent Company	1,210	(1)
	PricewaterhouseCoopers SpA	Subsidiaries	4,709	
	Network PricewaterhouseCoopers	Subsidiaries	7,921	
Certification services	PricewaterhouseCoopers SpA	Parent Company	23	(1)
	PricewaterhouseCoopers SpA	Subsidiaries	177	(4)
	Network PricewaterhouseCoopers	Subsidiaries	401	(4)
Tax consulting services	PricewaterhouseCoopers	Subsidiaries	30	(2)
	Network PricewaterhouseCoopers	Subsidiaries	1,077	(2)
Other services	Network PricewaterhouseCoopers	Parent Company	88	(1)
	PricewaterhouseCoopers SpA	Subsidiaries	79	(3)
	Network PricewaterhouseCoopers	Subsidiaries	146	(3)
			15,861	

(1) See statement attached to the financial statements of Finmeccanica SpA.
(2) Tax assistance services mainly for issues regarding employees in foreign companies, expatriates.
(3) Agreed-upon procedures.
(4) Activities connected with the certification of statements in order to tender bids.

45. Remuneration to key management personnel

Remuneration paid to persons who have power and responsibility over the planning, management and control of the Company, including executive and non-executive Directors, is as follows:

	31 December 2010	31 December 2009
Compensation	85	81
Post-employment benefits	2	8
Other long-term benefits	-	3
Severance indemnity	2	-
Stock grants	2	4
Total	**91**	**96**

Remuneration paid to Directors and managers with strategic responsibility came to €mil. 89 and €mil. 94 for 2010 and 2009 respectively.
Remuneration to the Statutory Auditors came to €mil. 2 and €mil. 2 for 2010 and 2009 respectively. These figures include fees and other compensation, pensions and other benefits, including the portion borne by the Company, owed as a result of holding the position of Director or Statutory Auditor of the Parent Company and of the other companies included in the scope of consolidation, that represented a cost for the Group.
The detail of compensation paid to the Directors, Statutory Auditors, the General Manager and the managers with strategic responsibility of the Parent Company is reported in the following table.

Compensation paid to members of administrative and control bodies, to General Managers and Managers with strategic responsibilities (in thousands of euros)

PERSON	DESCRIPTION OF POSITION		
Surname and Name	Position	Office term	Term of office expiring
Guarguaglini Pier Francesco	Chairman/ Chief Executive Officer	1.1/31.12.2010	year 2010
Alberti Piergiorgio	Director	1.1/31.12.2010	year 2010
Boltho von Hohebach Andrea	Director	1.1/31.12.2010	year 2010
Bonferroni Franco	Director	1.1/31.12.2010	year 2010
Castellaneta Giovanni	Director	1.1/31.12.2010	year 2010
De Tilla Maurizio	Director	1.1/31.12.2010	year 2010
Galli Dario	Director	1.1/31.12.2010	year 2010
Greco Richard	Director	1.1/31.12.2010	year 2010
Parlato Francesco	Director	1.1/31.12.2010	year 2010
Squillace Nicola	Director	1.1/31.12.2010	year 2010
Varaldo Riccardo	Director	1.1/31.12.2010	year 2010
Venturoni Guido	Director	1.1/31.12.2010	year 2010
Gaspari Luigi	Chairman of the Board of Statutory Auditors	1.1/31.12.2010	year 2011
Cumin Giorgio	Regular Auditor	1.1/31.12.2010	year 2011
Fratino Maurilio	Regular Auditor	1.1/31.12.2010	year 2011
Montaldo Silvano	Regular Auditor	1.1/31.12.2010	year 2011
Tamborrino Antonio	Regular Auditor	1.1/31.12.2010	year 2011
Zappa Giorgio	General Manager	1.1/31.12.2010	
	Managers with strategic responsibilities	1.1/31.12.2010	

(1) Variable remunerations, still to be paid, are reported at their estimated value recorded in the company's financial statements.
(2) Emolument for position under Art. 2389.
(3) Professional services rendered for legal and administrative advice.
(4) Of which €th. 60 paid to the Ministry of Economy and Finance.
(5) Of which €th. 5 paid to the Ministry of Economy and Finance.
(6) Fees for positions held with other Group companies.
(7) Fees for positions held with other Group companies.
(8) Reimbursement of lump-sum expenses and fees and reimbursement of lump-sum expenses for positions held with other Group companies.
(9) Compensation.
(10) Compensation.

EMOLUMENTS BY POSITION IN THE REPORTING COMPANY						NON-CASH BENEFITS	BONUSES AND OTHER INCENTIVES			OTHER REMUNERATIONS		
resolved by Shareholders' Meeting			participation in committees									
total		of which unpaid	total		of which unpaid		total		of which unpaid	total		of which unpaid
90		23				8	2,716	(1)	1,816	1,500	(2)	
60		15	46		16					50	(3)	
60		15	8		3							
60		60	41		41							
60		15	8		3							
60		60	60		60							
60		15	21		7							
60		15	8		3							
60	(4)	60	21	(5)	6							
60		15	35		13							
60		15	17		6							
60		15	23		8							
78		78								38	(6)	38
52		52								16	(7)	
52		26										
52		52										
52		26								87	(8)	68
						153	1,021	(1)	1,021	1,072	(9)	
						148	976	(1)	976	950	(10)	

The Group Parent, Finmeccanica SpA, in order to create an incentive and retention system for Group employees and collaborators, implemented incentive plans providing for the granting of Finmeccanica shares, subject to the attainment of specific objectives.

At 31 December 2010, there were commitments to Finmeccanica employees and collaborators to grant 2,921,586 ordinary Finmeccanica shares with a par value of € 20.44 and 905.692 ordinary Finmeccanica shares with a par value of € 9.975. The changes in the stock-grant plans are as follows (see "Incentive plans (stock-option and stock-grant plans)" in the Report on Operations):

no. of shares	**31 December 2010**	**31 December 2009**
Rights existing at 1 January	-	-
New rights assigned	738,381	1,213,088
Rights exercised during the year	738,381	1,213,088
Rights lapsed during the year	-	-
Rights existing at period end	-	-

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

CERTIFICATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/98 AS AMENDED

1. The undersigned, Pier Francesco Guarguaglini, Chairman and Chief Executive Officer, and Alessandro Pansa, the manager in charge of the preparation of the company accounting documents of Finmeccanica SpA, certify, in accordance with Art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the consolidated financial statements at 31 December 2010.

2. In this respect no significant matters arose.

3. It is also certified that:

   3.1 the consolidated financial statements:

      a. were prepared in accordance with applicable international accounting standards as recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

      b. correspond to the entries in the books and accounting records;

      c. were prepared in accordance with Art. 154-*ter* of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations, provide a true and fair representation of the performance and financial position of the issuer and all the companies included in the scope of consolidation;

   3.2 the Report on Operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer and all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

This certification also is made pursuant to and for the purposes of Art. 154-*bis*, paragraph 2, of Legislative Decree 58 of 24 February 1998.

Rome, 2 March 2011

Chairman and Chief Executive Officer **Pier Francesco Guarguaglini**	Manager in charge of the preparation of company accounting documents **Alessandro Pansa**

ATTACHMENTS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No 39 OF 27 JANUARY 2010

FINMECCANICA SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010 pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No 39 OF 27 JANUARY 2010

To the Shareholders of
Finmeccanica SpA

1 We have audited the consolidated financial statements of Finmeccanica SpA and its subsidiaries ("Finmeccanica Group") as of 31 December 2010, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and related explanatory notes. The directors of Finmeccanica SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the national stock exchange commission. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 13 April 2010.

3 In our opinion, the consolidated financial statements of the Finmeccanica Group as of 31 December 2010 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Finmeccanica Group for the year then ended.

4 We draw attention that in the notes to the consolidated financial statements and in the corporate governance report and shareholder structure included in the report on operations, the directors refer to the ongoing investigation involving certain companies and some executives of the Finmeccanica Group. Our opinion is not qualified in respect of this matter.

5 The directors of Finmeccanica SpA are responsible for the preparation of the report on operations in compliance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and shareholder structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No 58/1998, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No 58/1998 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of the Finmeccanica Group as of 31 December 2010.

Rome, 18 March 2011

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

ATTACHMENT: LIST OF EQUITY INVESTMENTS PURSUANT TO ART. 125 OF CONSOB RESOLUTION 11971

List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2010

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
1	3083683 NOVA SCOTIA LIMITED	CANADA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
2	a4ESSOR SAS	FRANCE	21,000	21,000	SELEX COMMUNICATIONS SpA	Voting right ownership
3	ABRUZZO ENGINEERING SOCIETA` CONSORTILE PER AZIONI (in liquidazione)	ITALY	30,000	30,000	SELEX Service Management SpA	Voting right ownership
4	ABS TECHNOLOGY SPA	ITALY	60,000	60,000	AMTEC SpA	Voting right ownership
5	ABU DHABI SYSTEMS INTEGRATION (ADSI) LLC	UNITED ARAB EMIRATES	43,043	43,043	SELEX Sistemi Integrati SPA	Voting right ownership
6	ADVANCED ACOUSTIC CONCEPTS, INC.	USA	100,000	100,000	DRS SONAR SYSTEMS, LLC	Voting right ownership
7	ADVANCED AIR TRAFFIC SYSTEMS Sdn Bhd	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	Voting right ownership
8	ADVANCED MALE AIRCRAFT LLC	UNITED ARAB EMIRATES	49,000	49,000	ALENIA AERONAUTICA SpA	Voting right ownership
9	AERIMPIANTI SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	Pledge
10	AGUSTA AEROSPACE CORPORATION	DELAWARE - USA	100,000	100,000	AGUSTA SpA	Voting right ownership
11	AGUSTA AEROSPACE SERVICES - A.A.S.	BELGIUM	100,000	99,000	AGUSTA SpA	Voting right ownership
				1,000	AgustaWestland NV	Voting right ownership
12	AGUSTA HOLDING BV	NETHERLANDS	100,000	100,000	AgustaWestland NV	Voting right ownership
13	AGUSTA SpA	ITALY	100,000	100,000	AGUSTA HOLDING BV	Voting right ownership
14	AGUSTA U.S. Inc.	DELAWARE - USA	100,000	100,000	AGUSTA SpA	Voting right ownership
15	AGUSTAWESTLAND AMERICA LLC	DELAWARE - USA	100,000	100,000	AgustaWestland North America Inc	Voting right ownership
16	AGUSTAWESTLAND AUSTRALIA PTY LTD	AUSTRALIA	100,000	100,000	AgustaWestland NV	Voting right ownership
17	AGUSTAWESTLAND DO BRASIL LTDA	BRAZIL	100,000	99,359	AGUSTA SpA	Voting right ownership
				0,641	WESTLAND HELICOPTERS LIMITED	Voting right ownership
18	AGUSTAWESTLAND ESPANA S.L.	SPAIN	100,000	100,000	AgustaWestland NV	Voting right ownership
19	AgustaWestland Holdings Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland NV	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
20	AGUSTAWESTLAND Inc	DELAWARE - USA	100,000	100,000	AgustaWestland North America Inc	Voting right ownership
21	AGUSTAWESTLAND INTERNATIONAL LIMITED	UNITED KINGDOM	100,000	50,000	AGUSTA SpA	Voting right ownership
				50,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
22	AGUSTAWESTLAND MALAYSIA SDN. BHD	MALAYSIA	100,000	100,000	AGUSTA SpA	Voting right ownership
23	AgustaWestland North America Inc	DELAWARE - USA	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
24	AgustaWestland NV	NETHERLANDS	100,000			Voting right ownership
25	AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SCARL	ITALY	80,000	80,000	AGUSTA SpA	Voting right ownership
26	AGUSTAWESTLAND PORTUGAL SA	PORTUGAL	100,000	100,000	AgustaWestland NV	Voting right ownership
27	AgustaWestland Properties Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
28	ALENIA AERMACCHI SpA	ITALY	99,998	7,229	ALENIA AERMACCHI SpA	Voting right ownership
				92,769	ALENIA AERONAUTICA SpA	Voting right ownership
29	ALENIA AERONAUTICA SpA	ITALY	100,000			Voting right ownership
30	ALENIA HELLAS SA	GREECE	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
31	ALENIA IMPROVEMENT SPA	ITALY	98,000	98,000	ALENIA AERONAUTICA SpA	Voting right ownership
32	ALENIA NORTH AMERICA DEFENSE LLC	DELAWARE - USA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
33	ALENIA NORTH AMERICA, INC.	DELAWARE - USA	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
34	ALENIA NORTH AMERICA-CANADA, CO.	CANADA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
35	Alenia SIA SpA	ITALY	100,000	60,000	ALENIA AERONAUTICA SpA	Voting right ownership
				30,000	SELEX GALILEO SpA	Voting right ownership
				10,000	SELEX COMMUNICATIONS SpA	Voting right ownership
36	ALIFANA - Societa` Consortile a responsabilita` limitata	ITALY	65,850	65,850	ANSALDO STS SpA	Voting right ownership
37	ALIFANA DUE - Societa` Consortile a r.l.	ITALY	53,340	53,340	ANSALDO STS SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
38	AMSH B.V.	NETHERLANDS	50,000			Voting right ownership
39	AMTEC SpA	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
40	ANSALDO ARGENTINA SA	ARGENTINA	99,993	5,000	ANSALDO ESG AG	Voting right ownership
				94,993	ANSALDO THOMASSEN B.V.	Voting right ownership
41	ANSALDO ELECTRIC DRIVES SpA	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
42	ANSALDO EMIT SCRL	ITALY	50,000	50,000	SO.GE.PA.-Societa' Generale di Partecipazioni SPA (in liquidazione)	Voting right ownership
43	ANSALDO ENERGIA SpA	ITALY	100,000			Voting right ownership
44	ANSALDO ENERGY Inc	DELAWARE - USA	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
45	ANSALDO ESG AG	SWITZERLAND	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
46	ANSALDO FUEL CELLS SpA	ITALY	99,515	99,515	ANSALDO ENERGIA SpA	Voting right ownership
47	ANSALDO NUCLEARE SpA	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
48	ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	CHINA	100,000	100,000	ANSALDO STS SpA	Voting right ownership
49	ANSALDO STS AUSTRALIA PTY Ltd	AUSTRALIA	100,000	100,000	ANSALDO STS SpA	Voting right ownership
50	ANSALDO STS BEIJING LTD	CHINA	80,000	80,000	ANSALDO STS FRANCE SAS	Voting right ownership
51	ANSALDO STS CANADA INC	CANADA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
52	ANSALDO STS DEUTSCHLAND GMBH	GERMANY	100,000	100,000	ANSALDO STS SpA	Voting right ownership
53	ANSALDO STS ESPANA SA	SPAIN	100,000	100,000	ANSALDO STS FRANCE SAS	Voting right ownership
54	ANSALDO STS FINLAND O.y.	FINLAND	100,000	100,000	ANSALDO STS SWEDEN AB	Voting right ownership
55	ANSALDO STS FRANCE SAS	FRANCE	100,000	100,000	ANSALDO STS SpA	Voting right ownership
56	ANSALDO STS HONG KONG Ltd	CHINA	100,000	100,000	ANSALDO STS FRANCE SAS	Voting right ownership
57	ANSALDO STS IRELAND LIMITED	IRELAND	100,000	99,999	ANSALDO STS SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
				0,001	ANSALDO STS USA INC.	Voting right ownership
58	ANSALDO STS MALAYSIA SDN BHD	MALAYSIA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
59	ANSALDO STS SISTEMAS DE TRANSPORTE E SINALIZACAO LIMITADA	BRAZIL	100,000	99,990	ANSALDO STS SpA	Voting right ownership
				0,010	ANSALDO STS USA INTERNATIONAL CO.	Voting right ownership
60	ANSALDO STS SOUTH AFRICA (PTY) LTD	SOUTH AFRICA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
61	ANSALDO STS SOUTHERN AFRICA (PTY) LTD	BOTSWANA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
62	ANSALDO STS SWEDEN AB	SWEDEN	100,000	100,000	ANSALDO STS SpA	Voting right ownership
63	ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	INDIA	100,000	0,001	ANSALDO STS SpA	Voting right ownership
				99,999	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
64	ANSALDO STS UK LTD.	UNITED KINGDOM	100,000	100,000	ANSALDO STS SpA	Voting right ownership
65	ANSALDO STS USA INC.	DELAWARE - USA	100,000	100,000	ANSALDO STS SpA	Voting right ownership
66	ANSALDO STS USA INTERNATIONAL CO.	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
67	ANSALDO STS USA INTERNATIONAL PROJECTS CO	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
68	ANSALDO THOMASSEN B.V.	NETHERLANDS	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
69	ANSALDO THOMASSEN GULF LLC	UNITED ARAB EMIRATES	100,000	48,667	ANSALDO THOMASSEN B.V.	Voting right ownership
				51,333	ANSALDO THOMASSEN B.V.	Pledge
70	ANSALDOBREDA ESPANA SLU.	SPAIN	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership
71	ANSALDOBREDA FRANCE SAS	FRANCE	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership
72	ANSALDOBREDA Inc.	USA	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership
73	ANSALDOBREDA SpA	ITALY	100,000			Voting right ownership
74	ANSERV SRL	ROMANIA	100,000	100,000	ANSALDO NUCLEARE SpA	Voting right ownership
75	ASIA POWER PROJECTS PRIVATE LTD	INDIA	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
76	AURENSIS S.L	SPAIN	100,000	100,000	TELESPAZIO SpA	Voting right ownership
77	AUTOMATION INTEGRATED SOLUTIONS SPA	ITALY	40,000	40,000	FATA SPA	Voting right ownership
78	AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	FRANCE	100,000	100,000	ANSALDO STS FRANCE SAS	Voting right ownership
79	AVIATION TRAINING INTERNATIONAL LIMITED	UNITED KINGDOM	50,000	50,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
80	BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	MALAYSIA	50,000	40,000	ANSALDO STS MALAYSIA SDN BHD	Voting right ownership
				10,000	ANSALDO STS MALAYSIA SDN BHD	Voting right as per contractual commitments
81	BCV INVESTMENT SCA	LUXEMBOURG	14,321	14,321	FINMECCANICA FINANCE S.A.	Voting right ownership
82	BCV MANAGEMENT SA	LUXEMBOURG	14,999	14,999	FINMECCANICA FINANCE S.A.	Voting right ownership
83	BELL AGUSTA AEROSPACE COMPANY LLC	DELAWARE - USA	40,000	40,000	AGUSTA U.S. Inc.	Voting right ownership
84	BREDAMENARINIBUS SpA	ITALY	100,000			Voting right ownership
85	BRITISH HELICOPTERS LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
86	C.I.R.A. (Centro Italiano di Ricerche Aerospaziali) SCpA	ITALY	11,989	2,757	ALENIA AERMACCHI SpA	Voting right ownership
				8,912	ALENIA AERONAUTICA SpA	Voting right ownership
				0,320	SELEX COMMUNICATIONS SpA	Voting right ownership
87	CANOPY TECHNOLOGIES, LLC	DELAWARE - USA	50,000	50,000	DRS POWER & CONTROL TECHNOLOGIES, INC.	Voting right ownership
88	CARDPRIZE Two Limited	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	Voting right ownership
89	CCRT SISTEMI SpA (in fall)	ITALY	30,340	30,340	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	Voting right ownership
90	CISDEG SPA	ITALY	87,500	2,000	OTO MELARA SpA	Voting right ownership
				2,000	SELEX COMMUNICATIONS SpA	Voting right ownership
				83,500	SELEX Sistemi Integrati SPA	Voting right ownership
91	COMLENIA Sendirian Berhad	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	Voting right ownership
92	CONSORZIO START Societa` per Azioni	ITALY	40,000	40,000	SPACE SOFTWARE ITALIA SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
93	CONTACT SRL	ITALY	30,000	30,000	ANSALDOBREDA SpA	Voting right ownership
94	COREAT SOCIETA' CONSORTILE a RESPONSABILITA' LIMITATA	ITALY	30,000	30,000	SELEX COMMUNICATIONS SpA	Voting right ownership
95	DIGINT SRL	ITALY	49,000	49,000	FINMECCANICA GROUP SERVICES SPA	Voting right ownership
96	DISTRETTO LIGURE DELLE TECNOLOGIE MARINE SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA	ITALY	11,765			Voting right ownership
97	DISTRETTO TECNOLOGICO AEROSPAZIALE SCARL	ITALY	24,000	7,000	AGUSTA SpA	Voting right ownership
				17,000	ALENIA AERONAUTICA SpA	Voting right ownership
98	DRS C3 & AVIATION COMPANY	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
99	DRS CONDOR HOLDCO, LLC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
100	DRS CONSOLIDATED CONTROLS INC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
101	DRS DEFENSE SOLUTIONS, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
102	DRS ENVIROMENTAL SYSTEMS INC	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
103	DRS HOMELAND SECURITY SOLUTIONS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
104	DRS ICAS LLC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
105	DRS INTERNATIONAL, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
106	DRS POWER & CONTROL TECHNOLOGIES, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
107	DRS POWER TECHNOLOGY, INC.	DELAWARE - USA	100,000	100,000	DRS POWER & CONTROL TECHNOLOGIES, INC.	Voting right ownership
108	DRS RADAR SYSTEMS LLC	DELAWARE - USA	100,000	100,000	DRS C3 & AVIATION COMPANY	Voting right ownership
109	DRS RSTA, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
110	DRS SENSORS & TARGETING SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
111	DRS SIGNAL SOLUTIONS, INC.	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
112	DRS SONAR SYSTEMS, LLC	DELAWARE - USA	51,000	51,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
113	DRS SONETICOM INC	USA	100,000	100,000	DRS SIGNAL SOLUTIONS, INC.	Voting right ownership
114	DRS SURVEILLANCE SUPPORT SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
115	DRS SUSTAINMENT SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
116	DRS SYSTEMS MANAGEMENT, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
117	DRS SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
118	DRS TACTICAL SYSTEMS GLOBAL SERVICES, INC.	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
119	DRS TACTICAL SYSTEMS LIMITED	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES UK LIMITED	Voting right ownership
120	DRS TACTICAL SYSTEMS, INC.	USA	100,000	100,000	DRS TACTICAL SYSTEMS GLOBAL SERVICES, INC.	Voting right ownership
121	DRS TECHNICAL SERVICES GMBH & CO. KG	GERMANY	100,000	100,000	DRS TECHNICAL SERVICES, INC.	Voting right ownership
122	DRS TECHNICAL SERVICES, INC.	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
123	DRS TECHNOLOGIES CANADA, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
124	DRS TECHNOLOGIES CANADA, LTD	CANADA	100,000	100,000	DRS TECHNOLOGIES CANADA, INC	Voting right ownership
125	DRS TECHNOLOGIES UK LIMITED	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
126	DRS TECHNOLOGIES VERWALTUNGS GMBH	GERMANY	100,000	100,000	DRS TECHNICAL SERVICES, INC.	Voting right ownership
127	DRS TECHNOLOGIES, INC.	DELAWARE - USA	100,000	100,000	MECCANICA HOLDINGS USA, INC.	Voting right ownership
128	DRS TEST & ENERGY MANAGEMENT, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
129	DRS TRAINING & CONTROL SYSTEMS, LLC	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
130	DRS TSI INTERNATIONAL LLC	DELAWARE - USA	100,000	100,000	DRS TECHNICAL SERVICES, INC.	Voting right ownership
131	DRS UNMANNED TECHNOLOGIES, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
132	e - GEOS SPA	ITALY	80,000	80,000	TELESPAZIO SpA	Voting right ownership
133	E - SECURITY SRL	ITALY	79,688	79,688	ELSAG DATAMAT SPA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
134	ECOSEN CA	VENEZUELA	48,000	48,000	ANSALDO STS FRANCE SAS	Voting right ownership
135	ED CONTACT SRL	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
136	ELECTRON ITALIA SRL	ITALY	80,000	80,000	ELSAG DATAMAT SPA	Voting right ownership
137	ELETTRONICA SpA	ITALY	31,333			Voting right ownership
138	ELSACOM HUNGARIA KFT	HUNGARY	100,000	100,000	ELSACOM NV	Voting right ownership
139	ELSACOM NV	NETHERLANDS	100,000			Voting right ownership
140	ELSACOM SLOVAKIA SRO	SLOVAKIA	100,000	100,000	ELSACOM NV	Voting right ownership
141	ELSACOM SpA (IN LIQUIDAZIONE)	ITALY	100,000	100,000	ELSACOM NV	Voting right ownership
142	ELSACOM UKRAINE Joint Stock Company	UKRAINE	49,000	49,000	ELSACOM NV	Voting right ownership
143	ELSAG DATAMAT SPA	ITALY	100,000			Voting right ownership
144	ELSAG NORTH AMERICA LLC	USA	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
145	ENGINEERED COIL COMPANY	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
146	ENGINEERED ELECTRIC COMPANY	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
147	ENGINEERED SUPPORT SYSTEMS, INC	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
148	ESSI RESOURCES, LLC	USA	100,000	100,000	DRS SUSTAINMENT SYSTEMS, INC.	Voting right ownership
149	EURIMAGE SpA	ITALY	100,000	100,000	e - GEOS SPA	Voting right ownership
150	EURO PATROL AIRCRAFT GmbH (in liquidazione)	GERMANY	50,000	50,000	ALENIA AERONAUTICA SpA	Voting right ownership
151	EUROFIGHTER AIRCRAFT MANAGEMENT Gmbh	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
152	EUROFIGHTER INTERNATIONAL Ltd	UNITED KINGDOM	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
153	EUROFIGHTER JAGDFLUGZEUG Gmbh	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
154	EUROFIGHTER SIMULATION SYSTEMS Gmbh	GERMANY	24,000	24,000	SELEX GALILEO SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
155	EUROMAP SATELLITENDATEN-VERTRIEBSGESELLSCHAFT MBH	GERMANY	100,000	100,000	GAF A.G.	Voting right ownership
156	EUROMIDS SAS	FRANCE	25,000	25,000	SELEX COMMUNICATIONS SpA	Voting right ownership
157	EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	GERMANY	18,939			Voting right ownership
158	EUROPEAN SATELLITE NAVIGATION INDUSTRIES S.A (IN LIQUIDAZIONE)	BELGIUM	18,939			Voting right ownership
159	EUROSYSNAV SAS	FRANCE	50,000			Voting right ownership
160	FATA ENGINEERING SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	Voting right ownership
161	FATA HUNTER INC.	USA	100,000	100,000	FATA SPA	Voting right ownership
162	FATA HUNTER INDIA PVT LTD	INDIA	100,000	100,000	FATA SPA	Voting right ownership
163	FATA LOGISTIC SYSTEMS SpA	ITALY	100,000	100,000	FATA SPA	Voting right ownership
164	FATA SPA	ITALY	100,000			Voting right ownership
165	FILEAS SAS	FRANCE	100,000	100,000	TELESPAZIO SpA	Voting right ownership
166	FINMECCANICA CONSULTING SRL	ITALY	100,000			Voting right ownership
167	FINMECCANICA DO BRASIL LIMITADA	BRAZIL	99,999			Voting right ownership
			0,001			Voting right as per contractual commitments
168	FINMECCANICA FINANCE S.A.	LUXEMBOURG	100,000			Voting right ownership
169	FINMECCANICA GROUP REAL ESTATE SPA	ITALY	100,000			Voting right ownership
170	FINMECCANICA GROUP SERVICES SPA	ITALY	100,000			Voting right ownership
171	FINMECCANICA NORTH AMERICA Inc.	DELAWARE - USA	100,000			Voting right ownership
172	FINMECCANICA UK LIMITED	UNITED KINGDOM	100,000			Voting right ownership
173	FOSCAN srl (in fall)	ITALY	20,000	20,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	Voting right ownership
174	GAF A.G.	GERMANY	100,000	100,000	e - GEOS SPA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
175	GLOBAL MILITARY AIRCRAFT SYSTEMS, LLC	DELAWARE - USA	51,000	51,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
176	GRUPPO AURENSIS SA DE C.V.	MEXICO	100,000	100,000	AURENSIS S.L	Voting right ownership
177	I.M. INTERMETRO SpA (in liquidazione)	ITALY	33,332	16,666	ANSALDOBREDA SpA	Voting right ownership
				16,666	ANSALDO STS SpA	Voting right ownership
178	IAMCO-INTERNATIONAL AEROSPACE MANAGEMENT COMPANY scrl	ITALY	20,000	20,000	ALENIA AERONAUTICA SpA	Voting right ownership
179	ICARUS SCpA	ITALY	49,000	49,000	FINMECCANICA GROUP REAL ESTATE SPA	Voting right ownership
180	IMMOBILIARE CASCINA SRL	ITALY	100,000	100,000	FINMECCANICA GROUP REAL ESTATE SPA	Voting right ownership
181	IMMOBILIARE FONTEVERDE Srl (in liquidazione)	ITALY	60,000	60,000	ELECTRON ITALIA SRL	Voting right ownership
182	INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SpA (in amministrazione straordinaria)	ITALY	30,982			Voting right ownership
183	INFOLOGISTICA SPA (in fallimento)	ITALY	11,111	11,111	SISTEMI & TELEMATICA SPA	Voting right ownership
184	Innovazione e Progetti Societa` Consortile per Azioni	ITALY	15,000	15,000	SELEX Service Management SpA	Voting right ownership
185	INTERNATIONAL METRO SERVICE SRL	ITALY	49,000	49,000	ANSALDO STS SpA	Voting right ownership
186	ITALDATA INGEGNERIA DELL'IDEA SpA	ITALY	51,000	51,000	ELSAG DATAMAT SPA	Voting right ownership
187	ITP srl (in fallimento)	ITALY	13,584			Voting right ownership
188	IVECO - OTO MELARA Societa` Consortile a responsabilita` limitata	ITALY	50,000	50,000	OTO MELARA SpA	Voting right ownership
189	Jiangxi Changhe Agusta Helicopter Co. Ltd	CHINA	40,000	40,000	AGUSTA SpA	Voting right ownership
190	Joint Stock Company SUKHOI CIVIL AIRCRAF	RUSSIAN FEDERATION	25,000	25,000	WORLD` S WING SA	Voting right ownership
191	KAZAKHSTAN TZ-ANSALDOSTS ITALY LLP	KAZAKHSTAN	49,000	49,000	ANSALDO STS SpA	Voting right ownership
192	LARIMART SpA	ITALY	60,000	60,000	SELEX COMMUNICATIONS SpA	Voting right ownership
193	LASERTEL INC.	USA	100,000	100,000	SELEX GALILEO INC.	Voting right ownership
194	LAUREL TECHNOLOGIES PARTNERSHIP	DELAWARE - USA	80,000	80,000	DRS SYSTEMS MANAGEMENT, LLC	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
195	LIBYAN ITALIAN ADVANCED TECHNOLOGY COMPANY	LIBYA	50,000	25,000	AgustaWestland NV	Voting right ownership
196	LMATTS LLC	DELAWARE - USA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
197	Logistica Ricerca e Sviluppo SCARL	ITALY	11,450	5,800	ELSAG DATAMAT SPA	Voting right ownership
				5,650	ORANGEE SRL	Voting right ownership
198	MACCHI HUREL DUBOIS SAS	FRANCE	50,000	50,000	ALENIA AERMACCHI SpA	Voting right ownership
199	MECCANICA HOLDINGS USA, INC.	DELAWARE - USA	100,000			Voting right ownership
200	MECCANICA REINSURANCE S.A.	LUXEMBOURG	100,000	100,000	FINMECCANICA FINANCE S.A.	Voting right ownership
201	METRO 5 Societa' per Azioni	ITALY	31,900	7,300	ANSALDOBREDA SpA	Voting right ownership
				24,600	ANSALDO STS SpA	Voting right ownership
202	METRO C S.C.P.A.	ITALY	14,000	14,000	ANSALDO STS SpA	Voting right ownership
203	MSSC COMPANY	USA	51,000	51,000	DRS TRAINING & CONTROL SYSTEMS, LLC	Voting right ownership
204	MUSINET ENGINEERING SpA	ITALY	49,000	49,000	FATA SPA	Voting right ownership
205	N.H. INDUSTRIES SARL	FRANCE	32,000	32,000	AGUSTA SpA	Voting right ownership
206	N2 IMAGING SYSTEMS, LLC	DELAWARE - USA	30,000	30,000	DRS TECHNOLOGIES, INC.	Voting right ownership
207	NAC scrl	ITALY	81,540	81,540	AERIMPIANTI SpA	Voting right ownership
208	NAHUELSAT SA (in liquidazione)	ARGENTINA	33,332			Voting right ownership
209	NASIF scrl	ITALY	12,000	12,000	AERIMPIANTI SpA	Voting right ownership
210	Net Service SRL	ITALY	70,000	70,000	ELSAG DATAMAT SPA	Voting right ownership
211	NEWCO ENERGY SRL	ITALY	15,000	15,000	ANSALDO ENERGIA SpA	Voting right ownership
212	NGL Prime SPA	ITALY	30,000			Voting right ownership
213	NICCO COMMUNICATIONS SAS	FRANCE	50,000	50,000	SELEX COMMUNICATIONS SpA	Voting right ownership
214	NIGHT VISION SYSTEMS, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
215	NNS - SOCIETE´ DE SERVICE POUR REACTEUR RAPIDE snc	FRANCE	40,000	40,000	ANSALDO NUCLEARE SpA	Voting right ownership
216	NOVACOM SERVICES SA	FRANCE	39,730	39,730	TELESPAZIO SpA	Voting right ownership
217	ORANGEE SRL	ITALY	70,000	70,000	ELSAG DATAMAT SPA	Voting right ownership
218	ORIZZONTE - Sistemi Navali SpA	ITALY	49,000	49,000	SELEX Sistemi Integrati SPA	Voting right ownership
219	OTO MELARA IBERICA SA	SPAIN	100,000	100,000	OTO MELARA SpA	Voting right ownership
220	OTO MELARA NORTH AMERICA INC.	DELAWARE - USA	100,000	100,000	OTO MELARA SpA	Voting right ownership
221	OTO MELARA SpA	ITALY	100,000			Voting right ownership
222	PANAVIA AIRCRAFT Gmbh	GERMANY	15,000	15,000	ALENIA AERONAUTICA SpA	Voting right ownership
223	PCA ELECTRONIC TEST LTD	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES UK LIMITED	Voting right ownership
224	PEGASO-Societa` consortile a responsabilita` limitata	ITALY	46,870	46,870	ANSALDO STS SpA	Voting right ownership
225	PIVOTAL POWER, INC.	CANADA	100,000	100,000	3083683 NOVA SCOTIA LIMITED	Voting right ownership
226	POLARIS SRL	ITALY	49,000	49,000	ANSALDO ENERGIA SpA	Voting right ownership
227	PRZEDSIEBIORSTWO USLUG TRANSPORTOWYCH 'SWIDTRANS' SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POLAND	100,000	100,000	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	Voting right ownership
228	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POLAND	100,000	100,000	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	Voting right ownership
229	QUADRICS LTD (IN LIQUIDAZIONE)	UNITED KINGDOM	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
230	RARTEL SA	ROMANIA	61,061	10,000	TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	Voting right ownership
				50,061	TELESPAZIO SpA	Voting right ownership
				1,000	TELESPAZIO HOLDING SRL	Voting right ownership
231	REGIONALNY PARK PRZEMYSLOWY SWIDNIK SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POLAND	72,059	72,059	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	Voting right ownership
232	ROTORSIM SRL	ITALY	50,000	50,000	AGUSTA SpA	Voting right ownership

List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2010

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
233	S.C. ELETTRA COMMUNICATIONS SA	ROMANIA	50,500	1,500	SELEX Communications Romania SRL	Voting right ownership
				49,000	SELEX COMMUNICATIONS SpA	Voting right ownership
234	SAITECH SpA (in fall)	ITALY	40,000	40,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	Voting right ownership
235	SAPHIRE International Aviation & ATC Engineering Co. Ltd	CHINA	65,000	65,000	ALENIA AERONAUTICA SpA	Voting right ownership
236	SCUOLA ICT SRL (in liquidazione)	ITALY	20,000			Voting right ownership
237	SECBAT-SOC EUROPEENNE DE CONSTRUCTION DE L'AVION BREGUET ATLANTIC SARL	FRANCE	13,550	13,550	ALENIA AERONAUTICA SpA	Voting right ownership
238	SEICOS SPA	ITALY	100,000			Voting right ownership
239	SEL PROC SOCIETA' CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	100,000	30,000	SEICOS SPA	Voting right ownership
				70,000	SELEX Sistemi Integrati SPA	Voting right ownership
240	SELEX Communications do Brasil Ltda	BRAZIL	100,000	0,199	AMTEC SpA	Voting right ownership
				99,801	SELEX COMMUNICATIONS SpA	Voting right ownership
241	SELEX Communications Gmbh	GERMANY	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
242	SELEX Communications Holdings Ltd	UNITED KINGDOM	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
243	SELEX Communications Inc.	USA	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
244	SELEX Communications Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
245	SELEX Communications Romania SRL	ROMANIA	99,976	99,976	SELEX COMMUNICATIONS SpA	Voting right ownership
246	SELEX COMMUNICATIONS SpA	ITALY	100,000			Voting right ownership
247	SELEX GALILEO (PROJECTS) LTD	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	Voting right ownership
248	SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	Voting right ownership
249	SELEX GALILEO INC.	DELAWARE - USA	100,000	100,000	SELEX GALILEO LTD	Voting right ownership
250	SELEX GALILEO INFRARED LTD	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
251	SELEX GALILEO LTD	UNITED KINGDOM	100,000			Voting right ownership
252	SELEX GALILEO SAUDI ARABIA COMPANY LIMITED	SAUDI ARABIA	100,000	95,000	SELEX GALILEO LTD	Voting right ownership
				5,000	SELEX GALILEO (PROJECTS) LTD	Voting right ownership
253	SELEX GALILEO SpA	ITALY	100,000			Voting right ownership
254	SELEX Komunikasyon A.S.	TURKEY	99,999	3,216	SELEX Communications Holdings Ltd	Voting right ownership
				0,001	SELEX Communications Ltd	Voting right ownership
				96,781	SELEX COMMUNICATIONS SpA	Voting right ownership
				0,001	SIRIO PANEL SPA	Voting right ownership
255	SELEX PENSION SCHEME (TRUSTEE) LIMITED	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	Voting right ownership
256	SELEX Service Management SpA	ITALY	100,000			Voting right ownership
257	SELEX Sistemi Integrati de Venezuela SA	VENEZUELA	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
258	SELEX SISTEMI INTEGRATI DO BRASIL LTDA	BRAZIL	99,999	99,999	SELEX Sistemi Integrati SPA	Voting right ownership
259	SELEX Sistemi Integrati SPA	ITALY	100,000			Voting right ownership
260	SELEX Systems Integration GmBH	GERMANY	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
261	SELEX SYSTEMS INTEGRATION INC.	DELAWARE - USA	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
262	SELEX SYSTEMS INTEGRATION LTD	UNITED KINGDOM	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
263	SERVICIOS TECNICOS Y ESPECIALIZADOS Y DE INFORMACION SA DE CV	MEXICO	100,000	100,000	AURENSIS S.L	Voting right ownership
264	SESAMO SECURITY AND SAFETY MOBILITY SCARL	ITALY	19,000	2,000	ANSALDO STS SpA	Voting right ownership
				17,000	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	Voting right ownership
265	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	100,000	10,000	SELEX GALILEO SpA	Voting right ownership
				90,000	SELEX Sistemi Integrati SPA	Voting right ownership

List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2010

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
266	SEVERNYJ AVTOBUS ZAO	RUSSIAN FEDERATION	35,000	35,000	ANSALDOBREDA SpA	Voting right ownership
267	SIIT Societa` Consortile per Azioni	ITALY	16,700	2,300	ANSALDO ENERGIA SpA	Voting right ownership
				2,300	ANSALDO STS SpA	Voting right ownership
				4,700	ELSAG DATAMAT SPA	Voting right ownership
				0,500	SELEX GALILEO SpA	Voting right ownership
				2,300	OTO MELARA SpA	Voting right ownership
				2,300	SELEX COMMUNICATIONS SpA	Voting right ownership
				2,300	SELEX Sistemi Integrati SPA	Voting right ownership
268	SIRIO PANEL SPA	ITALY	93,000	93,000	SELEX COMMUNICATIONS SpA	Voting right ownership
269	SISTEMI & TELEMATICA SPA	ITALY	92,793	92,793	ELSAG DATAMAT SPA	Voting right ownership
270	SISTEMI DINAMICI SPA	ITALY	40,000	40,000	AGUSTA SpA	Voting right ownership
271	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	ITALY	100,000			Voting right ownership
272	SPACE SOFTWARE ITALIA SpA	ITALY	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
273	SPACEOPAL GMBH	GERMANY	50,000	50,000	TELESPAZIO SpA	Voting right ownership
274	SUPERJET INTERNATIONAL SPA	ITALY	51,000	51,000	WING NED BV	Voting right ownership
275	T-S HOLDING CORPORATION	USA	100,000	100,000	TECH-SYM, LLC	Voting right ownership
276	TECH-SYM, LLC	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
277	TECNOSSAN SpA (in fall)	ITALY	12,328	12,328	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	Voting right ownership
278	TELESPAZIO ARGENTINA SA	ARGENTINA	100,000	5,000	TELESPAZIO BRASIL SA	Voting right ownership
				95,000	TELESPAZIO SpA	Voting right ownership
279	TELESPAZIO BRASIL SA	BRAZIL	98,774	98,774	TELESPAZIO SpA	Voting right ownership
280	TELESPAZIO DEUTSCHLAND GMBH	GERMANY	100,000	100,000	TELESPAZIO FRANCE Sas	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
281	TELESPAZIO FRANCE Sas	FRANCE	100,000	100,000	TELESPAZIO HOLDING SRL	Voting right ownership
282	TELESPAZIO HOLDING SRL	ITALY	67,000			Voting right ownership
283	TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	HUNGARY	100,000	99,000	TELESPAZIO SpA	Voting right ownership
				1,000	TELESPAZIO HOLDING SRL	Voting right ownership
284	TELESPAZIO NEDERLAND B.V.	NETHERLANDS	100,000	100,000	TELESPAZIO FRANCE Sas	Voting right ownership
285	TELESPAZIO NORTH AMERICA Inc	DELAWARE - USA	100,000	100,000	TELESPAZIO SpA	Voting right ownership
286	TELESPAZIO SpA	ITALY	100,000	100,000	TELESPAZIO HOLDING SRL	Voting right ownership
287	THALES ALENIA SPACE SAS.	FRANCE	33,000			Voting right ownership
288	TRADE FATA B.V.	NETHERLANDS	100,000	100,000	FATA SPA	Voting right ownership
289	Tradexim SRL (in liquidazione)	ITALY	18,180	18,180	ELSAG DATAMAT SPA	Voting right ownership
290	TRAM DI FIRENZE SpA	ITALY	17,464	13,664	ANSALDOBREDA SpA	Voting right ownership
				3,800	ANSALDO STS SpA	Voting right ownership
291	TRANSIT SAFETY RESEARCH ALLIANCE (No Profit Corporation)	USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
292	TRIMPROBE SPA (in liquidazione)	ITALY	100,000			Voting right ownership
293	TURBOENERGY SRL	ITALY	25,000	25,000	ANSALDO ENERGIA SpA	Voting right ownership
294	U.V.T. (Ultraviolet Technology) SpA (in fall)	ITALY	50,614	50,614	SO.GE.PA.-Societa' Generale di Partecipazioni SPA (in liquidazione)	Voting right ownership
295	UIRNET SPA	ITALY	12,130	7,645	ELSAG DATAMAT SPA	Voting right ownership
				4,485	TELESPAZIO SpA	Voting right ownership
296	UNION SWITCH & SIGNAL INC.	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
297	UNIVERSAL POWER SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
298	VEGA CONSULTING & TECHNOLOGY SL	SPAIN	100,000	100,000	VEGA SPACE Limited	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
299	VEGA CONSULTING SERVICES LTD	UNITED KINGDOM	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	Voting right ownership
300	VEGA DEUTSCHLAND GMBH	GERMANY	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	Voting right ownership
301	VEGA SPACE GmbH	GERMANY	100,000	100,000	VEGA SPACE Limited	Voting right ownership
302	VEGA SPACE Limited	UNITED KINGDOM	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	Voting right ownership
303	VEGA TECHNOLOGIES SAS	FRANCE	100,000	100,000	VEGA SPACE Limited	Voting right ownership
304	WESTERN INVESTORS TECHNOLOGY GROUP Inc	DELAWARE - USA	24,000	24,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
305	WESTERN INVESTORS TECHNOLOGY GROUP Ltd Partnership	DELAWARE - USA	20,000	20,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
306	WESTLAND HELICOPTERS INC	DELAWARE - USA	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
307	WESTLAND HELICOPTERS LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
308	WESTLAND INDUSTRIAL PRODUCTS LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND INDUSTRIES LIMITED	Voting right ownership
309	WESTLAND INDUSTRIES LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
310	WESTLAND SUPPORT SERVICES LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
311	WESTLAND TRANSMISSIONS LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
312	WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	ITALY	100,000			Voting right ownership
313	WIN BLUEWATER SERVICES PRIVATE LIMITED	INDIA	100,000	99,999	WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	Voting right ownership
				0,001	WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	Voting right as per contractual commitments
314	WING NED BV	NETHERLANDS	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
315	WORLD' S WING SA	SWITZERLAND	94,944	94,944	ALENIA AERONAUTICA SpA	Voting right ownership
316	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	POLAND	93,875	93,875	AgustaWestland NV	Voting right ownership
317	XAIT SRL	ITALY	100,000	100,000	SELEX Service Management SpA	Voting right ownership
318	YENI AEN INSAAT ANONIM SIRKETI	TURKEY	99,996	99,996	ANSALDO ENERGIA SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
319	ZAKLAD NARZEDZIOWY W SWIDNIKU SP. Z O.O.	POLAND	51,658	30,716	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Voting right ownership
				20,942	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	Voting right ownership
320	ZAKLAD OBROBKI PLASTYCZNEJ SP. Z O.O.	POLAND	100,000	28,684	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Voting right ownership
				71,316	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	Voting right ownership
321	ZAKLAD REMONTOWY SP. Z O.O.	POLAND	100,000	99,310	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Voting right ownership
				0,690	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	Voting right ownership
322	ZAKLAD UTRZYMANIA RUCHU SP. Z O.O.	POLAND	100,000	100,000	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	Voting right ownership
323	ZAO ARTETRA	RUSSIAN FEDERATION	51,000	51,000	SELEX COMMUNICATIONS SpA	Voting right ownership

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