Piazza Monte Grappa, 4
00195 Rome – Italy

Press Office
Tel. +39 06 32473313
Fax +39 06 32657170

www.finmeccanica.com
ufficiostampa@finmeccanica.com

PRESS RELEASE

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Finmeccanica: the board of directors approves the 2011 results*

2011 Results

- New orders: EUR 17.434 billion
- Order backlog: EUR 46.005 billion
- Revenues: EUR 17.318 billion
- Adjusted EBITA: EUR -216 million
- Net loss of EUR 2.306 billion, due to "exceptional events" and "non recurring charges" charges of EUR 3.18 billion
- Free operating cash flow: EUR -358 million
- Net debt: EUR 3.443 billion
- Headcount: 70,474
- Investment in research and development: EUR 2.02 billion

2012 forecasts

- New orders: approximately EUR 17.5 billion
- Revenues: EUR 16.9-17.3 billion
- Adjusted EBITA: approximately EUR 1.1 billion
- Free operating cash flow: positive

Chairman and CEO of Finmeccanica, Giuseppe Orsi, said:

"2011 was an extraordinarily difficult year during which we carried out a comprehensive but necessary review of the Group's industrial strategy and business and technological approach. Inevitably the balance sheet we are presenting today reflects this and represents the first important step to setting Finmeccanica on a new trajectory. 2012 will be characterised by an improvement in our key balance sheet indicators and will be a year of calibrated transition towards a new Finmeccanica."

** All financial data is unaudited*

Finmeccanica's board of directors, meeting today under the chairmanship of Giuseppe Orsi, examined and unanimously approved the preliminary financial statements for 2011.

2011 Results

The results reflect the impact of the sale of 45% of Ansaldo Energia on 13 June 2011, date from which Ansaldo Energia group has been consolidated proportionally.

- **New orders** were EUR 17,434 million, compared to EUR 22,453 million in 2010 (-22%). The decline, which incorporated a negative effect on orders from the sale of a 45% stake in Ansaldo Energia, was chiefly focused around the Defence and Security Electronics, Transport and Helicopters sectors.
- The **order backlog** came in at EUR 46,005 million, compared with EUR 48,668 million in 2010 (-5%), and also incorporates the effects of the sale of the 45% stake in Ansaldo Energia. The order backlog represents more than 2.5 years of production.
- **Revenues** totalled EUR 17,318 million, down 7% versus EUR 18,695 million in 2010. The reduction in volumes, which also incorporated the negative effect from the sale of the 45% stake in Ansaldo Energia, chiefly concerned the Defence and Security Electronics, Energy and Transport sectors.
- **Adjusted EBITA** was negative, at EUR -216 million, compared with a positive figure of EUR 1,589 million in 2010. **The figure was affected by exceptional events and related provisions, write-downs and charges, which amounted to EUR 1,094 million. Specifically, these occurred in**: Aeronautics (for the B787 and C27J programmes); Space (for Turkey's Gokturk programme and other minor activities); Defence and Security Electronics (business repositioning and risks related to certain programmes being completed or reviewed); Transport (for risks resulting from organisational problems that had a negative impact on product and process quality); and Defence Systems (owing to negative developments in relations with counterparties in certain contracts).
- EBIT was negative, at EUR -2,386 million, versus a positive EUR 1,232 million in 2010, a reduction of EUR 3,618 million. The result was affected by exceptional charges, which amounted to EUR 2,086 million. These related to: review of business and strategic repositioning, business restructuring, impairments and and related provisions.
- The **net loss** was EUR 2,306 million, versus a net profit of EUR 557 million in 2010. The result reflects a decline in Adjusted EBITA and EBIT as well as financial charges of EUR 66 million that related to the capital gain from the sale of a 45% stake in Ansaldo Energia, equivalent to EUR 407 million (net of taxes and charges attributable to the Holding Company) and the EUR 146 million gain from tax benefits.
- **Free operating cash flow** (FOCF) was negative, at EUR -358 million, versus a positive EUR 443 million in 2010.
- **Net debt** stood at EUR 3,443 million, up 10% from EUR 3,133 million in 2010. The Group has limited short-term refinancing needs and an average term of debt of around 10 years, and is financially sound.
- Investment in **Research and Development** totalled EUR 2,020 million, in line with the figure for 2010, and representing approximately 12% of revenues.
- Headcount was 70,474, compared with 75,197 in 2010 (-6.3%).

Key markets

Finmeccanica's results to 31 December 2011 should be seen in the context of certain internal and external events, which had a significant impact on the Group's performance over the last year.

The recession that has affected the main industrial sectors since 2008 started to touch the Aerospace and Defence sectorand had a substantial impact:

- in the Group's key markets (Italy, the UK and the US), budgets for investment in military and security systems have been cut significantly since 2010, with forecasts of further drastic declines until 2015 and the likely cancellation of some very important programmes;
- the sector registered a substantial shift in demand from developed towards emerging countries. This partly offset the budget cuts announced and implemented by countries in the North Atlantic region, but triggered intense competition between supplier companies, which resulted in significant price pressure;
- in North Africa, a market of particular importance to the Group, the socio-political environment led to the temporary suspension of some large military and civil programmes.

Operational and strategic measures

As a result of the economic downturn , the Group was inevitably affected by a decline in orders and revenues. Finmeccanica therefore launched a restructuring plan to pave the way for a significant and lasting recovery in profits, and to generate cash flow in the short to medium term; this is occuring alongside a reorganisation of the operational portfolio and measures to streamline strategy.

In allocating funds in the 2012-2013 budget, units had to carefully consider the prospect of generating orders. With a view to improving revenues, the Group strengthened its compliance with the terms and conditions of the delivery of contracts, in order to ensure an appropriate composition of portfolio assets, that they are correctly structured, and subsequently result in a satisfactory return on investment.

As part of the restructuring, the most important efficiency measures, designed to resolve critical issues in certain business areas, included:

- a review of the product portfolio to make it more competitive and sustainable in the new market environment (e.g. in the aeronautics sector, which typically emphasizes activities and programmes in the initial phase of their life cycle);
- a review of the order backlog, which has grown in the last few years on the back of an aggressive sales campaign, but which is marked by a number of uncertain orders (e.g. at SELEX Sistemi Integrati and SELEX Elsag);
- offsetting the negative effects of parts of some contracts which face significant programme-organisation challenges (e.g. Alenia Aermacchi's contract from Turkey for ATR 72 ASW, or Anti-Submarine Warfare, aircraft; the Göktürk contracts for Telespazio; the IC2, IC4 and V250 contracts for Danish, Dutch and Belgian trains for AnsaldoBreda);
- gradually abandoning certain products that have become rather uncompetitive in terms of sales and cost/performance.

These factors led to the review of the estimates of the life-cycle of certain programmes, in order to take into account the extra costs necessary for their completion.

The Group also examined problems relating to industrial efficiency and the complexity and costs of company structures. These initiatives led to the allocation of appropriate provisions for related restructuring and reorganisation plans.

On the financial statements, the measures adopted in turn highlighted the need to write-down development costs on certain products, for which either the commercial prospects or competitiveness in terms of cost/performance did not guarantee an adequate return on investment. Finally, the cuts to defence and security budgets, particularly in the Group's key markets, affected the company's growth prospects, and thereby determined a significant decrease in the goodwill recorded for some specific assets.

Two main areas for action were identified from the second half of 2011.The first dealt with significant operational issues, **leading to exceptional and non-recurring charges** of around EUR 3.2 billion, which were necessary to:

- redefine the conditions and returns on some important contracts;
- review the product portfolio to achieve greater sustainability and structural profitability;

- sustain costs relating to reorganisation, restructuring and lay-offs, and bring the valuation of SELEX Sistemi Integrati and DRS into line with the new market reality.

The second area for action concerned initiatives to improve company efficiency, by preparing and launching detailed and in-depth plans to increase competitiveness and efficiency, and implement industrial restructuring at every individual company, which, in 2013, will generate benefits worth more than EUR 440 million at the Group level.

Specifically, in the Aeronautics sector, a restructuring, reorganisation and relaunch plan was approved and signed by all union organisations on 8 November 2011. Actions relating to this plan, in addition to those already launched the previous year, will significantly reduce operating costs, greatly improve efficiency and rationalise the product portfolio.

Furthermore, again in cooperation with the relevant unions, the new management at AnsaldoBreda launched a project that combines efficiency measures, with a new organisation and and enhanced process mangement in order to minimise or eliminate operational quality issues by the end of 2014. This involves re-organising processes so as to identify and mitigate in a timely fashion critical issues as they emerge during a programme's life cycle.

In order to guarantee the launch and implementation of these initiatives, the Group prepared the budget and a system of company incentives for two years (2012-2013).

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The Group is also managing certain strategic issues, which are fundamental to strengthening and sustaining growth. Specifically:

- a strategic repositioning of the Aeronautics sector, which could lead to partnerships in the aerostructures segment and a rationalisation of the Group's presence in regional aircraft;
- the consolidation and strengthening of activity in Defence and Security Electronics, through the merger into a single company of SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati, thereby leading to a significant rationalisation in technology, product lines, industrial facilities and company structures;
- a review of the Group's operations portfolio, concentrating investments on activities and sectors in which technology and production facilities (very often complementary to each other) enable the Group to maximise the capacity to create and extract value.

Forecasts for 2012

For 2012, on a like-for-like basis, the Group forecasts revenues of between EUR 16.9 and 17.3 billion. Adjusted EBITA is expected to be positive in Aeronautics and Transport (while remaining negative in the Vehicles segment), and will grow in Defence and Security Electronics, and Helicopters. This would bring the Group's adjusted EBITA to around EUR 1,100 million. Free operating cash flow will be positive. This will depend on better operational performance which – after covering financial charges, taxes, and part of the restructuring costs provisioned in 2011, will generate a surplus of more than EUR 900m (despite a significant reduction in advances for some important programmes, including Eurofighter. Net of launch aid, linked to Law 808/85, investments will absorb cash of approximately EUR 900m.

Key financial and balance sheet data to 31 December 2011 (*)

N. B. The figures reflect the effect of the sale of a 45% stake in Ansaldo Energia, on 13 June 2011. Since that date, the Ansaldo Energia group has been consolidated proportionally.

	2011	2010	Chg. (absolute)	Chg. %
New orders	17,434	22,453	(5,019)	*(22%)*
Order backlog	46,005	48,668	(2,663)	*(5%)*
Revenues	*17,318*	*18,695*	*(1,377)*	*(7%)*
Adjusted EBITA (**)	(216)	1,589	(1,805)	*n.a.*
Adj. EBITA margin (ROS)*	(1.2%)	8.5%		*(9.7) pp*
EBIT	(2,386)	1,232	(3,618)	*n.a.*
Net profit	(2,306)	557	(2,863)	*n.a.*
Net debt	3,443	3,133	310	*10%*
FOCF	(358)	443	(801)	*n.a.*
ROI	*(2.4%)*	*16.0%*		*(18.4) pp*
EVA	(956)	317	(1,273)	*n.a.*
Research and development	2,020	2,030	(10)	*n.s.*
Headcount	70,474	75,197	(4,723)	*(6.3%)*

(*) In 2011, the euro strengthened against the US dollar, by approximately 5.0% compared to the average valuein 2010, while in terms of the effect of exchange rate fluctuations in the years under review (31 December 2011 and 31 December 2010), the US dollar gained 3% against the euro.

(*) Operating profit before:

- any goodwill impairment

- depreciation of fixed assets valued as part of business combinations

- restructuring costs of major, defined plans;

- other extraordinary income and expenses, i.e. relating to particularly significant events unconnected with the ordinary operations of the company's core businesses.

Analysis of key figures

New orders at 31 December 2011 totalled EUR 17,434 million, compared with EUR 22,453 million in 2010, a fall of EUR 5,019 million (-22%). This performance was attributable to the following sectors: **Helicopters** (due to the postponement to 2012 of some major government contracts, and the fact that in 2010 the business had benefited from the orders for 12 AW101 aircraft from the Indian Air Force and 15 AW101 CSAR from the Italian Air Force, worth a total of approximately EUR 1,500 million); **Defence and Security Electronics** (which had benefited in the first half of 2010 from major acquisitions for the third tranche of the Eurofighter programme and large orders by the US army from DRS Technologies, which was also affected by delays in the approval of the US defence budget); and **Transport** (due to fewer acquisitions vehicle and the fact that in 2010 the business had benefited from a contract to supply 50 high-speed trains to Trenitalia). This reduction was partially offset by growth recorded in the following sectors: Energy, due to a new contract in Turkey (Gebze) for a combined cycle plant, and two contracts in Algeria (Ain Djasser II and Labreg) for two open cycle plants; and Aeronautics, due to increased orders in the civil segment, with ATR aircraft and the B787 and A380 programmes.

The **order backlog** stood at EUR 46,005 million at 31 December 2011, down EUR 2,663 million (5%) on the figure of EUR 48,668 million recorded at 31 December 2010. The net decrease wass due to: the change in the consolidation method for the order backlog of **Ansaldo Energia** (EUR 1,450 million as of the date of consolidation) and the cancellation of orders totalling EUR 1,468 million, particularly in **Defence and Security Electronics** (EUR 974 million), **Aeronautics** (EUR 219 million) and in **Helicopters** (EUR 121 million). The order backlog represented more than 2.5 years of production.

Revenues totalled EUR 17,318 million at 31 December 2011, a decrease of EUR 1,377 million (7%) on EUR 18,695 million recorded in 2010. The decrease was mainly due to a fall in volumes in the following sectors: **Defence and Security Electronics,** owing to the expected decline in production volumes at DRS Technologies, due to the completion of important programmes for the US armed forces, and the lack of contribution from significant contracts that were in progress or being completed in Libya; **Energy**, owing to the contraction in production volumes in the services segment; **Transport** (signalling and transportation solutions segment), owing to the end of some projects in Italy and lack of progress in work on contracts acquired in Libya. The other sectors were broadly stable compared with the previous year.

Adjusted EBITA at 31 December 2011 was affected by events that, while included under subsidiaries' ordinary operations, were "exceptional" in nature. It was negative at EUR -216 million, compared with a positive figure of EUR 1,589 million in 2010, and that represented a decrease of EUR 1,805 million (of which EUR 1,094 million was of an "exceptional" nature). The main "exceptional" events that caused the drop in adjusted EBITA concerned: **Aeronautics**, for provisions relating to the B787 and C27J programmes (totalling EUR 800 million); **Space**, for extra costs in the Turkish Gokturk programme and write-downs relating to some minor areas of activity (totalling EUR 50 million); **Defence and Security Electronics,** owing to the review of growth and positioning assumptions in various areas of activity, for extra costs on some programmes being completed and for provisions due to risks related to some contracts with the client ENAV (totalling EUR 168 million); **Transport** (vehicles segment) for provisions to cover risks resulting from "non quality" costs (totalling EUR 47 million); **Defence Systems – underwater systems segment** – for provisions due to the negative trend in dealings with certain counterparties on contracts for Heavy Torpedoes and for extra costs on a Light Torpedo programme (totalling EUR 29 million).

Stripping out these exceptional events, **adjusted EBITA** was positive at EUR 878 million. On a like-for-like basis, the net fall in adjusted EBITA (EUR 711 million) was due to: **Aeronautics**, for the reduced industrial efficiency of certain production processes, higher costs for the completion of some orders relating to the A380, Falcon ATR, G222 and ATR (special version) programmes, and the different mix of programme activities; **Defence and Security Electronics**, owing to lower revenues for DRS, the lower margin registered in some ICT and security areas, provisions to cover the risks associated with the changed sales outlook in avionics and electro-optical systems, and less activity in value-added services in security applications, following the slowdown in the SISTRI programme; **Energy**, as a result of lower revenues and industrial profitability on some contracts mainly in the plant and service segments; **Transport**, vehicles segment, owing to the analysis of estimates on contracts in progress, which show lower profitability on service activities, Sirio contracts and some mass transit programmes near completion, as well as extra costs on some contracts in the bus segment, and a drop in revenues in the signalling and transportation solutions segment. Adjusted EBITA in **Helicopters** and **Defence Systems** improved.

EBIT was negative, at EUR -2,386 million, versus a positive EUR 1,232 million in 2010, a reduction of EUR 3,618 million. The result was affected by a number of exceptional charges, which amounted to EUR 2,086 million. These related to: **review of business** (total amount of EUR 965 million), which include write-downs and extra costs related to "foreign railway" segment products of AnsaldoBreda and the consequent strategic repositioning of the company, business restructuring costs related to SELEX Elsag and SELEX Sistemi Integrati, provisions for an aeronautics programme for a Turkish client, write-downs and provisions related to the decision to withdraw from certain aeronautics segments; **corporate restructurings** (total amount of EUR 261 million) across all divisions with plans to rescale the workforce, rationalise production facilities and staff areas; **impairments** (total amount of EUR 804 million) referring mainly to **DRS Technologies** as a result of the changing business outlook due to cuts in the US defence budget, the **major integrated defence and security systems** and **command and control systems** segments due to the aforementioned repositioning of the various business areas and the consequent change in their commercial outlook, write-downs for certain contracts of the **SELEX Elsag** group and the severe crisis that has affected AnsaldoBreda's strategic partners, and **other activities** (total of EUR 56 million), mainly as a result of the allocation made in the Energy division for provisions for risks related to legal proceedings.

EUR million

Breakdown of non-recurring costs 2011

	Helicopters	Defence Electronics and Security	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	TOTAL
Business review		101	461				383	20	965
Restructuring costs	4	45	184	4	5		19		261
Impairments		738					61	5	804
Other minor						45		11	56
TOTAL	**4**	**884**	**645**	**4**	**5**	**45**	**463**	**36**	**2,086**

Net finance costs amounted EUR 66 million (EUR 366 million at 31 December 2010) and include the gain (EUR 422 million) on the partial sale of Ansaldo Energia. Excluding that transaction, net finance costs deteriorated EUR 46 million (net finance costs of EUR 398 million compared with EUR 352 million in 2010), largely as a result of exchange rate differences and P&L fair value adjustments, while the writedown of equity investments accounted for with the equity method show a deterioration of EUR 76 million (net writedowns of EUR 90 million in 2011, compared with EUR 14 million in 2010) essentially attributable to the joint stock company Sukhoi Aircraft. Total taxes at 31 December 2011 represented a gain of EUR 146 million versus 2010 when taxes, as is typical, represented a cost of EUR 309 million, for an improvement of EUR 455 million. The effective tax rate was thus a positive 5.96% (versus a negative 35.69% in 2010).

As a consequence at 31 December 2011, the Group posted a **net loss** of EUR 2,306 million, a decline of EUR 2,863 million compared with the net profit of EUR 557 million for 2010.

Free operating cash flow (FOCF) at 31 December 2011 was negative at EUR -358 million, compared with a positive figure of EUR 443 million at 31 December 2011. The decline of EUR 801 million was largely attributable to operations (EUR 886 million) as the higher net financial expenses paid (EUR 27 million) and greater investment activity (EUR 37 million) were offset by lower taxes paid (EUR 149 million). The decline in casf flow from operations, was also due to a significant reduction in revenues, to a delay in receipts from advances from clients in the Helicopters, Aeronautics and Defence Electronics sectors, and advances from Libya. In 2011, investment in product development was concentrated in Aeronautics (around 32%), Defence and Security Electronics (28%) and Helicopters (25%).

Net debt stood at EUR 3,443 million at 31 December 2011, up EUR 310 million (10%) on the EUR 3,133 million recorded at 31 December 2010. The figure includes negative FOCF (cash burn) of EUR 358 million and reflects the following transactions: the payment of EUR 237 million relating to the ordinary dividend paid out by the Parent Company to its shareholders for 2010; the payment of EUR 22 million relating to the minorities' portion of the ordinary dividend paid out by other Group companies (of which EUR 20 million was by Ansaldo STS) to their shareholders for 2010; the positive effect of around EUR 344 million arising from the sale of the 45% stake in Ansaldo Energia to US investment fund First Reserve Corporation and from the resulting proportional consolidation of the Group's energy companies. The figure benefited from the immediate compensation mechanism for companies belonging to the national tax consolidation scheme, resulting in a reduced disbursement in the reporting period (around EUR 152 million).

Research and development costs decreased by EUR 10 million, from EUR 2,030 million in 2010 to EUR 2,020 million at 31 December 2011. R&D was focused in the Group's three strategic pillars of Helicopters (around 23% of the Group total), Defence and Security Electronics (around 41%) and Aeronautics (around 16%).

Headcount at 31 December 2011 was 70,474, compared with 75,197 at 31 December 2010, representing a net reduction of 4,723 people (-6.3%). This was due to the change in the consolidation method [?] for Ansaldo Energia (1,522 people at the date of proportional consolidation) and the industrial reorganisation and restructuring of the Group, especially in the Defence and Security Electronics and Aeronautics sectors. Around 57% of staff are located in Italy and around 43% are located abroad, mainly in the US (15%), the UK (13%) and France.

2011 highlights and significant events since the end of the period

On **9 March 2011**, Finmeccanica signed an agreement with First Reserve Corporation ("First Reserve"), a US investment fund specialising in the energy sector, to sell a shareholding in Ansaldo Energia. The operation was concluded on 13 June 2011 and, together with the capital increase in 2008 and the financial debt restructuring in 2010, completes the initiatives launched by Finmeccanica following the acquisition of DRS Technologies. Finmeccanica effected a partial sale of Ansaldo Energia at a price of EUR 1,072 million to Ansaldo Energia Holding (AEH), a company controlled by First Reserve (45%) and Finmeccanica (55%), and received around EUR 96 million from Ansaldo Energia, for the rights to use the "Ansaldo" brand for 25 years, and a dividend of EUR 65 million.

On **28 March 2011**, the Board of Directors of Finmeccanica gave the go-ahead to the merger of Elsag Datamat and SELEX Communications. This was completed with effect from 1 June 2011 with the incorporation of Elsag Datamat into SELEX Communications and the concurrent change of name to SELEX Elsag. On the same date, the stakes in Seicos (100%) and SELEX Service Management (100%), both held by Finmeccanica and in SELEX Elsag Cyberlabs (49%), held by Finmeccanica Group Services were transferred to SELEX Elsag. From **February 1st 2012** Seicos was incorporated in SELEX Elsag.

The aim of the operation was to create a centre of excellence at the Group level in the Information and Communication Technology (ICT), Security and Automation sectors, a fundamental step towards a reorganisation of the sector which will be completed (by the end of 2012) with the creation of a single European organization comprising the businesses of SELEX Sistemi Integrati, SELEX Galileo and SELEX Elsag. This will provide a unified management of all the business areas, rationalise the industrial structure and investments, and guarantee a single approach to all domestic and international clients. In December 2011, the Board of Directors of Finmeccanica elected to transfer from Finmeccanica to its wholly-owned subsidiary SELEX Electronic Systems SpA (formerly Finmeccanica Consulting Srl) its holdings in SELEX Galileo Ltd., SELEX Galileo SpA, SELEX Elsag SpA and SELEX Sistemi Ingegrati, effective 1 January 2012.

On **1 January 2012**, the merger by incorporation of Alenia Aeronautica SpA with its subsidiaries Alenia Aermacchi SpA and Alenia SIA SpA, took effect. Alenia Aeronautica SpA thus modified its name to Alenia Aermacchi SpA and transferred its legal seat from Pomigliano d'Arco to Venegono Superiore. During the final months of the 2011 fiscal year a plan to relaunch, reorganise and restructure the sector was initiated, aimed at regaining competitiveness by focusing on key products and technologies.

On **29 February 2012**, Finmeccanica – through SELEX Elsag and Vega – and Northrop Grumman were awarded a contract by the NATO agency NC3A to supply cyber security systems at 50 NATO sites in 28 countries.

Financial transactions

The Finmeccanica Group did not launch any new issues in the bond market in 2011. However, during the year, some of the bonds outstanding at 31 December 2010 were repaid early and bought back on the market in the period. More specifically:

- the remainder of bonds that had been placed in the US market by the subsidiary DRS were fully repaid (USD 17 million in total). Most of these bonds had already been repaid in January 2009 following the acquisition of the company by Finmeccanica.

- in the second half of 2011, Finmeccanica Finance bought back in several tranches in the bond market, securities with a nominal value of EUR 185 million, issued in 2008 for a total nominal value of EUR 1,000 million, bearing a coupon of 8.125% and maturing in December 2013. This transaction was conducted using cash, with an average purchase value of 105.7% of the nominal value and an average annual yield of 5.34%. The bond buyback will, ultimately, lead to savings, and confirms Finmeccanica's intention to use the proceeds of the partial sale of Ansaldo Energia to partially pay back early an issue maturing in December 2013, to limit the refinancing needs for those bonds maturing the soonest among those issued by the Group in the last few years. Those bonds covered by the regulations of the Euro Medium Term Notes (EMTN) were cancelled and can therefore no longer be traded. After 31 December 2011 and up to the date of publication of this document, Finmeccanica Finance made no further purchases of these bonds on the market.

The table below shows the bonds outstanding at 31 December 2011 that will mature in the 24 months following the end of 2011 (December 2013).

Issuer	**Year of issue**	**Maturity**	**Nominal value (EUR million)**	**Annual coupon**	**Type of offer**	**IAS value (EUR m)**
Score Finance SA	**2008**	**2013**	**815 (*)**	***8.125%***	**European institutional**	**821**

(*) residual nominal value after repurchase of EUR 185 million in several tranches in the second half of 2011

Finmeccanica has implemented a series of operations to transform various bonds from fixed to variable rates, in some cases relating to the optional mechanisms in place to guard against a rise in variable rates.

All the bond issues conducted by Finmeccanica Finance and Meccanica Holdings USA are irrevocably and unconditionally guaranteed by Finmeccanica, and are awarded medium-term financial credit ratings by the three international ratings agencies Moody’s Investor Service (Moody’s), Standard and Poor’s and Fitch.

As of the publication date of this document, Finmeccanica’s credit ratings were:

- Baa2, with negative outlook from Moody’s (compared with the previous rating of A3, with stable outlook at 31 December 2010);
- BBB-, with negative outlook from Fitch (compared with the previous rating of BBB+, with stable outlook at 31 December 2010);
- BBB-, with negative outlook from Standard and Poor’s (compared with the previous rating of BBB, with negative outlook at 31 December 2010).

The downgrades in the Group’s credit ratings in 2011 were due to the deterioration in the Group’s business and financial performance, as was gradually announced to the market, and, in part, the downgrading of the Republic of Italy. Both Moody’s and Standard & Poor’s apply methods that enable a rating to be attributed to issuers that is different from that they would have had on a stand-alone basis, where there are particular or important connections with the state in which they operate. However, only in the case of Moody’s did this method determine the allocation of a rating (Baa2) that was one notch higher than Finmeccanica’s stand-alone rating (Baa3).

It should also be noted that, following the actions implemented by the various ratings agencies, Finmeccanica maintained its Investment Grade rating, albeit with a negative outlook. The ratings agencies may change their judgements depending on the progress made in the restructuring, reorganisation and sell-off programmes announced by Finmeccanica.

Other operations

During December, the program EMTN was renewed for issuing bonds in the European market. In the program, totaling 3.800 billion Euros, Finmeccanica took the role of co-issuer together with Finmeccanica Finance, as well as guarantor of Finmeccanica Fianance if it become the issuer. As of the date that this document was presented, and as a result of the of the repurchase that has been described, this bond program has a overall nominal value of about 2.870 billion euros.

Finally, it should be remembered that in February and March 2012 Meccanica Holdings USA repurchased, in installments of about $34 million dollars, bonds maturing in July 2019, with a coupon of 6.25%, issued by the company in 2009 and totaling $500 million dollars. The average purchase value was 89.19% of the nominal value, with an average annual return of 8.23%. For these bonds, contrary to the provision in the bonds issued on the European market, it is not necessary to cancel immediately.

Finmeccanica and Internal Auditing

In 2011 an investigation was started and is ongoing, that involves Finmeccanica SpA, certain subsidiary companies and some senior executives from the Group; in this respect they have cooperated fully with the investigating bodies.

In this regard, the Committee for Internal Control and Compliance, together with the Board of Auditors and with the assistance of the company departments involved from Finmeccanica SpA, held discussions on these issues, in response to which the Board of Directors confirmed an assessment of the suitability, effectiveness and effective functioning of the organizational structure, the administrative and accounting structure of the Company and of the main subsidiary companies; however these activities identified specific areas requiring improvement and implementation by the Internal Control System of the Group.

These areas for improvement and implementation shown by the Internal Control System, for which the Group put specific initiatives in place in 2011 and is planning others for 2012, also to formalise and standardise group procedures, with regard to, in particular, internal discipline concerning contracts supporting commercial activities, the adoption of new group directives and procedures for the company, updating of the Organisation, Management and Control Model pursuant to Legislative Decree. 231/01 in order to align the Model as foreseen by Legislative Decree. 121/11 for environmental crimes and integration of an internal control system for financial reporting with a specific component for managing the risk of fraud.

Finally particular attention was paid to reminding all of the companies of the Group to promptly implement all existing policies and procedures.

In particular with regard to the Selex Systems Integration SpA subsidiary, it is recalled that in 2011 an investigation was started by the Public Prosecutor from the Court of Rome with relation to allegations of corruption and tax offenses in the assignment of jobs by ENAV SpA during 2008-2010 and this is still ongoing.

Based on internal activities enacted by the Internal Audit, the Board of Auditors, the Regulatory Body pursuant to Legislative Decree 231/01 and the Board of Directors of the Company, also taking into account the verifications, some still underway, that were performed by an independent third party concerning certain subcontracting reports pertaining to contracts between the company and the ENAV client during this period, Selex Systems Integration:

- took steps to set aside special provisions in the 2011 budget in the amount of 33.8 million euros;
- has implemented certain organizational and disciplinary measures, especially in order to apply the most appropriate sanctions;
- has started an assessment of suitability and the determination of any possible changes by the Organisation, Management and Control Model pursuant to Legislative Decree 231/01; and
- has decided to take action to recover funds unduly paid to suppliers.

Possible further initiatives to defend the interests of Selex Integrated Systems and those of Finmeccanica are being evaluated by the business and legal advisors.

General Meeting of Shareholders

The ordinary shareholders' meeting will be convened on 14 and 15 May 2012 (first and second call). The extraordinary meeting will be convened on 14, 15 and 16 May 2012 (first, second and third call).

The shareholders will be asked to vote on the new addition to the Board of Directors, following the appointment to the position of director Alessandro Pansa by the Board of Directors on 1 December 2011 pursuant to article 2386 of the Italian Civil Code, as well as the appointment of the Board of Statutory Auditors for 2012-2014 and the appointment of the firm to conduct the statutory audit of the accounts for the period 2012-2020.

Shareholders will also be asked to vote, with non-binding resolution pursuant to article 123-*ter,* paragraph 6 of the *Testo Unico della Finanza* law (TUF), on the first section of the Report on Remuneration approved by the Company's Board of Directors.

Changes to articles of association

Finally, the Board of Directors has decided to propose to the Extraordinary Shareholders' Meeting some changes to the articles of association intended to ensure gender balance in the composition of the Board of Directors and the Board of Statutory Auditors, in compliance with the provisions set out in Law 120/2011.

Documentation

Pursuant to the provisions of article 154-*ter*, paragraphs 1 and 1-*ter* of the TUF, the draft annual financial statements and the consolidated financial statements to 31 December 2011, approved by the Board of Directors today, will be made available to the public in the manner and in accordance with the terms and conditions required by current law, accompanied by the Report on Operations, the reports of the external auditors and the board of auditors, the declarations pursuant to article 154-*bis*, paragraph 5 of the TUF, as well as the corporate governance report and ownership structure.

Further documentation required by law relating to the items on the agenda of the Shareholders' Meeting will be made available to the public in accordance with the law.

PERFORMANCE BY SECTOR

(figures in EUR million)

Helicopters

Companies: **AgustaWestland**

Revenues: totaled EUR 3.915 billion, an increase of 271 million (+7.4%) from the EUR 3,644 million recorded in 2010. The increase was due to the diverse mix of revenues where the helicopter is a component that stays in line with the values recorded in the previous fiscal year, while excellent *performances* were also recorded in product support with an increase of activity equal to 18.5%.

Adjusted EBITA: was 417 million, up from EUR 413 million in 2010 (+1%). The improvement was attributed to the aforementioned diverse *mix* of revenues. The **ROS** showed a slight decline (-0.7 %) over the same period last year and stood at 10.7% compared with 11,3% on December 31, 2010.

EBIT was EUR 404 million at 31 December 2011, up 6.6% versus EUR 379 million at 31 December 2010, and includes, inter alia, non-recurring costs of EUR 4 million (EUR 27 million in 2010), relating to the Polish subsidiary PZL – SWIDNIK.

New orders: totaled EUR 3.963 billion, down by EUR 2.019 million from the EUR 5.982 million during the same period last year (-34.0%). 55.4% of the order volume came from helicopters (new and upgrades) and 44.6% came from product support (spare parts and services), engineering activities and industrial production. The decrease in the total volume was attributed to the postponement of some major government contracts from the beginning of 2011 until 2012. It should be noted that the figure during previous fiscal year benefited from some major contracts worth a total of EUR 1.500 billion (12 AW101s for the Indian Air Force, and 15 AW101 CSARs for the Italian Air Force).

Order backlog: stood at EUR 12.121 billion, in line with the December 31, 2010 total (EUR 12.162 billion), which guarantees enough value to ensure the equivalent of about three years of production, 64% of which came from helicopters (new and upgrades), and 36% from product support (spare parts and services) and business development.

Headcount: 13,303 employees, a decrease of 270 compared to the December 31, 2010 level of 13,573, as a result of the completion of the reorganization of the Polish company PZL-SWIDNIK, which was acquired last year, and normal staff *turnover.*

Defence and Security Electronics

Companies: **DRS Technologies, SELEX Elsag, SELEX Galileo, SELEX Sistemi Integrati**

Revenues: totaled EUR 6.035 billion, EUR 1.102 billion lower than on December 31, 2010 (EUR 7,137 billion), due to lower activity in all segments, but mainly the expected decline in production volumes from DRS resulting from the completion of large projects for the U.S. Armed Forces. Revenues for the period have also suffered from large orders that were waiting for final approval by Libyan clients.

Adjusted EBITA: came to EUR 303 million, a decrease of EUR 432 million from the December 31, 2010 total of EUR 735 million (-59%). The decline was due to the significant deterioration in large integrated defense and security systems and command and control systems, in addition to a drop in revenues and a shake-up in activities, as well as exceptional events such as: the review of presumed development and positioning in different activities (finalized at the end of the year) as part of the planning cycle for future years, the allocation of funds as a precautionary measure following the recent resolution of a major contract with the client ENAV, and the risk of several future contracts failing to be activated by the same client. Added to this, were a decline in margins in some areas including information technology and security, the already cited decrease in revenues at DRS, lower production volumes, and provisions for risks associated with the changed sales outlook for the avionics and electro-optical and reduced activity in the value-added services of security applications. The ROS, therefore, was equal to 5% compared to 10.3% on December 31, 2010.

EBIT was a negative EUR -654 million at 31 December 2011 (EUR 566 at 31 December 2010) and reflects the impact of non-recurring costs of EUR 884 million, relating to: impairment in goodwill (EUR 701 million) with respect to DRS' major integrated defence and security systems and command and control systems segments; other non-recurring costs, amounting to EUR 138 million, related to the business rationalisation and corporate concentration process involving the SELEX Elsag group (EUR 92 million) and SELEX Sistemi Integrati (EUR 9 million), as well as write-downs in receivables and contract work in progress given the possible deterioration in certain contractual situations (around EUR 37 million); the allocation of costs totalling EUR 45 million relating to staff lay-offs and the industrial reorganisation called for under the restructuring, reorganisation and revitalisation plan.

New orders: totaled EUR 4.917 billion, a decrease of EUR 1.866 billion compared to the EUR 6.783 billion in new orders from the same period of the previous year (-28%), during which acquisitions were recorded for the third portion of the EFA program as well as relevant DRS orders for the U.S. military. The latter has, however, begun to suffer from the delays in the approval of the U.S. defense budget.

Order backlog: came to EUR 9.591 billion, a decrease of EUR 2.156 billion compared to the December 31, 2010 total of EUR 11.747 billion (-18%). The backlog related to activities that account for about one third of the Avionics and electro-optics sector, and for about a fifth of the large integrated systems and command and control systems sectors, as well as activities in the United States.

Headcount: 27,314 employees, a net decrease of 2,526 people compared to the December 31, 2010 total of 29,840, as a result of the already cited process of rationalization going on in some sectors, especially DRS, avionics and electro-optics systems in the United Kingdom, as well as the transfer of assets to the space sector.

Aeronautics

Companies: **Alenia Aeronautica, Alenia Aermacchi, GIE-ATR (*), Alenia North America, SuperJet International (**)**

(*) Figures for the GIE-ATR consortium are consolidated proportionally, at 50%.

(**) Figures for the SuperJet International joint venture are consolidated proportionally, at 51%.

Revenues: totaled EUR 2.67 billion euros, down EUR139 million (-5,0%) from the December 31, 2010 total (EUR 2.81 billion), as a result of the loss of business from the EFA program and lower revenues from the B787, which were partially offset by growth in ATR, M346, and JSF production.

Adjusted EBITA: was -EUR903 million, representing a decrease of EUR 1.108 billion with respect to the December 31, 2010 level of EUR 205 million, and which was largely generated in the third and fourth quarters of 2011. This deterioration was due to the following: exceptional financial burdens, totaling EUR 800 million, of which EUR 753 million euros related to the B787 program, the negative performance of operations caused by the reduced efficiency of some industrial processes, the higher cost of the completion of some supplies, and the diverse *mix* of programs. The **ROS** in the sector recorded a negative value of 33.8% (against positive 7.3% on December 31, 2010).

EBIT was a negative by EUR -1,548 million at 31 December 2011, a deterioration of EUR 1,691 million compared at 31 December 2010 (EUR 143 million). This poor performance is attributable to non-recurring costs of EUR 583 million, as well as to the reasons cited above (equivalent to EUR 1,108 million). Non-recurring costs at 31 December 2011 relate to: the review of the business areas in which the division operates, resulting in the decision to withdraw from certain segments, mainly aircraft conversions (B767 cargo, B767 tanker, ATR cargo), which led to a write-down; provisions for expenses related to staff lay-offs and the industrial reorganization provided for in the restructuring, reorganisation and revitalisation plan; a risk provision has been established and development costs capitalised in past years have been written down as the result of problems discovered in connection with the order for 10 ATR 72 aircraft in anti-submarine warfare (ASW) configuration from the Turkish Ministry of Defence; other costs and provisions associated mainly with the risk that commitments assumed with respect to the offset will not be met.

New orders: come to EUR 2.919 billion, an increase of EUR 380 million from the December 31, 2010 total of EUR 2.539 billion (+15%), ans was a result of higher orders in the civil segment relative to the

ATR, and to the B787 and A380 programs. The most significant orders acquired in 2011 were: in the **military segment**, the order for logistics support for M-346 aircraft purchased by the Singapore Air Force, the supply of four C-27J aircraft to the Mexican air force, the upgrade of 25 Tornado planes of the Italian air force, and the subsequent tranches of the EFA program; in the **civil segment**, the order for 157 ATR aircraft, two orders for SuperJet in the business jet configuration, and additional tranches for the production of aerostructures.

Order backlog: stood at EUR 8.656 billion (against EUR 8.638 billion on December 31, 2010) with expected growth over the medium to long term. A significant share of the composition of the backlog is in the EFA (39%), B787 (18%), ATR (17%), M346 (5%) and C27J (3%) programs.

Headcount: 11,993 employees, with a net reduction of 611 people compared to the December 31, 2010 number of 12,604 which was largely attributable to efficiency improvements under the reorganization and industrial restructuring plan underway.

Space

Companies: **Telespazio, Thales Alenia Space (*)**

(*) All figures relate to the two joint ventures – Thales Alenia Space and Telespazio – which are consolidated proportionally at 33% and 67% respectively.

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Revenues: totaled EUR 1.001 billion euros, an increase of EUR 76 million from the EUR 925 million total last year (+8%), due to increased production in both of the segments of *manufacturing* and *satellite services*. This production principally relates to the continuation of activities in the following sectors: **commercial telecommunications**, the second generation Globalstar and Iridium NEXT satellite constellations; **military telecommunications**, the Sicral 2 programme; **earth observation**, the Göktürk system; **scientific programs**, the Exomars and Bepi-Colombo projects; **satellite navigation**, Galileo programme activities; and **orbital infrastructure**, the CYGNUS COTS programme.

Adjusted EBITA: was EUR 18 million, down 54% from the total recorded on December 31, 2011 (EUR 39 million). This reduction was due solely to the satellite services segment and exceptional phenomena such as extra costs that are the result of a reassessment of the Göktürk programme, and depreciationof some areas of minor activities. This decline was partially offset by higher production volumes in both segments, and by the increased profitability of the manufacturing segment. Accordingly, the **ROS** was at 1.8%, compared to 4.2% on December 31, 2010.

EBIT at 31 December 2011 came to EUR 14 million, down 62% from 31 December 2010 (EUR 37 million) due to the mentioned deterioration in adjusted EBITA and to the non-recurring costs mainly connected with the allocation of costs of carrying out the restructuring plan for the Milano Vimodrone production facility in the manufacturing segment.

New orders: totaled EUR 919 million, a decrease of EUR 993 million from the EUR 1.912 billion total in 2010 (-52%), which benefited from the significant acquisition of Iridium NEXT contract. Among the most important acquisitions were: the contract to supply payloads for Russian telecommunications satellites, an additional tranche of the order for the O3B constellation, additional tranches for the supply of Athena Fidus satellite and the Sicral 2 programme.

Order backlog: amounted to EUR 2.465 billion, a decrease of 103 million from the December 31, 2010 level of EUR 2.568 million (-4%). 55% of the order backlog on December 31, 2010 came from manufacturing activities and the remaining 45%, from satellite services.

Headcount: stood at 4,139 employees, a net increase of 488 compared with 3,651 people registered on December 31, 2010. The increase was primarily due to the change of scope in *satellite services* following the transfer of activity from the *Defense and Safety Electronics* sector.

Defence Systems

Companies: **OTO Melara, WASS, MBDA (*)**

(*) Figures for the MBDA joint venture are consolidated proportionally at 25%.

Revenues: stood at EUR 1.223 billion, broadly in line with the figure of December 31, 2010 (EUR 1.210 billion). The major activities carried out in the *land, sea and air systems* have largely offset the decline in revenues from *underwater systems*. In the revenue generated from the various segments, there was a particular contribution from the following: **missile systems**, the production activities of surface-to-air Aster and Mistral missiles, the air defense missile system Spada, the air-to-air Mica and anti-ship Exocet missiles, the development activities in the air defense system, the Medium Extended Air Defense System (MEADS), and *customer support* activities; **land, sea and air weapons systems,** the production of VBM armored vehicles and self-propelled PZH2000 for the Italian Army, the kits of Hitfist turrets for Poland, and the 76/62 SR naval cannons for various overseas customers, the activities relating to the FREMM program, the production of SAMPT missile launchers, and logistical activities; **underwater systems**, the activities relating to the Black Shark heavy torpedo, MU90 and A244 lightweight torpedoes, and to the Countermeasures, specifically the activities related to the program FREMM and logistics.

Adjusted EBITA: amounted to EUR 117 million, an increase of EUR 10 million compared with the EUR 107 million total on December 31, 2010 (+9%), as a result of higher production volumes from *land, sea and air systems* and increased contract deliveries relating to *missile systems*. These improvements more than offset the deterioration in revenues in the underwater systems segment, which in the latter part of the year reflected the impact of “exceptional” events related to the deterioration in relationships with certain counterparties, resulting in a revision of the assumptions about the recoverability of certain development projects and the remuneration of activities begun relating to specific heavy torpedo line orders, as well as the recognition of higher costs needed to complete orders for a light torpedo programme. The **ROS**, therefore, came to 9.6%, up from 8.8% on December 31, 2010.

EBIT at 31 December 2011 came to €mil. 110, up over the €mil. 103 reported at 31 December 2010, due to the improvement in adjusted EBITA despite higher non-recurring costs as a result of the start of the restructuring process at the Brescia facility in the land, sea and air weapons systems segment.

New orders: totaled EUR 1.044 billion, down 67 million from the December 31, 2010 total of EUR 1.111 billion (-6%), stemming from the land, sea and air weapon systems, of which there was a major order from the Italian Defense Administration during the past year, and was partially offset by higher purchases of missile systems.

Order backlog: amounted to EUR 3.656 billion, down EUR 141 million compared to the EUR 3.797 billion total on December 31, 2010 (-4%), 60% of which stemmed from *missile systems* activities.

Headcount: stood at 4,066 employees, which was a decrease of 46 compared to the 4,112 total on December 31, 2010.

Energy

Companies: **Ansaldo Energia** (*)

***(*)** On 13 June 2011, Finmeccanica sold a 45% shareholding in the Ansaldo Energia Group to the US investment fund First Reserve Corporation. As a result of this sale, Ansaldo Energia Holding and its subsidiaries were consolidated proportionally from the date of the transaction.*

Revenues: totaled EUR 981 million, a decrease of EUR 432 million from the EUR 1.413 billion the previous year (-31%). Management changes, to conform with uniform values (?) contributed to a decline of millions of euros. EUR 101 million of the decline was primarily due to a contraction in production volumes in the *service* segment, in particular the current division between *solution* (modification parts of the turbine) and *repair* (replacements). Substantially unchanged revenues were seen in the nuclear *installations* and *components* segments, while the growth of renewable energy production revenue imrpoved in the segment due to orders from the previous fiscal year.

Adjusted EBITA: amounted to EUR 91 million euros, down EUR 54 million from the EUR 145 million total on December 31, 2010 (-37%). Using the same basis of accounting, adjusted EBITA fell by €mil. 19, mainly due to lower revenues and the impact of the lower profitability of certain orders in the plant engineering, service and nuclear segments as a result of a different production mix. The **ROS** amounted to 9.3% compared to 10.3% in the same period last year.

EBIT at 31 December 2011 amounted to €mil. 46, down €mil. 69 from 31 December 2010 (€mil. 115). Using a uniform basis of accounting reveals a decrease of €mil. 48 in provision for risks and charges amounting to €mil. 45 (€mil. 82 if consolidated 100%). With regard to this, in September 2011, the Court of Milan in the first instance ordered Ansaldo Energia SpA to pay an administrative fine of €150,000 for violations committed pursuant to Art. 25(3) of Legislative Decree 231/2001, and ordered the confiscation of the equivalent of €mil. 98.7 (amount if consolidated 100%). After the court's decision was published in December 2011, the company, although expressing its complete confidence that the decision would be revised on appeal, established a provision for this liability, estimated based on the likely duration of the remainder of the proceeding. The company filed an appeal on 1 February 2012.

New orders: totaled EUR 1.258 billion, a decrease of EUR 145 million from the EUR 1.403 billion total during the previous year (-10%), and was mainly due to the mentioned change in the consolidation method. Using a uniform basis of accounting, new orders rose by €mil. 318, mainly due to important new orders in the plants and components segment.

Order backlog: amounted to EUR 1.939 billion, a decrease of EUR 1.366 billion from the EUR 3.305 billion total from December 31, 2010. The net decrease was (initially?) reported at EUR 1.450 billion (on the date of the proportional consolidation) and was due to the previously mentioned change in the method of consolidation. 37.3% of the composition of this figure came from *plants* and *components,* 58.6% from *service* (accounting for 73% of LTSA programmed maintenance contracts), 2% from *nuclear* and the remaining 2.1% from *renewable energies*.

Headcount: stood at 1,872 employees, a decrease of 1,546 from the 3,418 total on December 31, 2010. The decrease was mainly due to the previously mentioned method of consolidation.

Transport

Companies: **Ansaldo STS, AnsaldoBreda, BredaMenarinibus**

Revenues: totaled EUR 1.877 billion, a decrease of EUR 85 million from the EUR 1.962 billion total from the previous year. This change was primarily due to lower production volumes in the *signaling and transportation solutions* segment, and in particular to the *signaling* section, due to the termination of some projects in Italy and the lack of work on existing contracts in Libya.

Adjusted EBITA: on December 31, 2011 was a negative EUR 110 million, a reduction of EUR 207 million from the EUR 97 million total from last year, and was primarily due to the *vehicles* segment. In particular, the decline in adjusted EBITA in the *vehicles* segment, amounting to EUR 177 million, included an exceptional prevision to cover the risks related to "non-quality costs." The remaining deterioration in the division's adjusted EBITA mainly reflects the results of the analysis performed on the estimates made for contract work in progress, which revealed losses in the profit margins on services, various Sirio contracts, and certain mass transit programmes nearing completion. The **ROS** in the sector recorded a negative value of 5.9% (positive 4.9% on December 31, 2010).

EBIT at 31 December 2011 was negative by €mil. 573, down €mil. 614 compared with the previous year (€mil. 41), reflecting the mentioned €mil. 207 decline in adjusted EBITA and the €mil. 407 deterioration in non-recurring costs. Specifically, non-recurring costs amounted to €mil. 444 at 31 December 2011 (€mil. 48 at 31 December 2010) and are attributable to AnsaldoBreda (vehicles segment) and incorporate the effects of the strategic repositioning of AnsaldoBreda, substantiated by the lack of medium-term commercial prospects, for which reason the study commissioned of a leading international consulting firm in the latter part of 2011 revealed AnsaldoBreda's objective difficulty in competing with its products in the foreign railway market. Therefore, the development costs of "foreign railway" segment products capitalised in previous years were written down (€mil. 84) since they are not recoverable. As a result, non-recurring costs also include the cost overruns and provisions for contractual obligations recognised in relation to two main line foreign orders, specifically, that for the Danish railways (€mil. 186) and that for the Dutch and Belgian railways (€mil. 113). Finally, non-recurring costs include write-downs of €mil. 61, recognised as a result of the severe crisis that has affected AnsaldoBreda's strategic partners. Restructuring costs at 31 December 2011 amounted to €mil. 19 (€mil. 8 at 31 December 2010), mainly relate to AnsaldoBreda and include the costs connected with the plan implemented in 2010 and those related to the liquidation of AnsaldoBreda France SA.

New orders: totaled EUR 2.723 billion, a reduction of EUR 505 million from the EUR 3.228 billion total from the previous year, and was primarily due to acquisitions in the smaller *vehicles* segment, which had benefited from a contract from a temporary group of companies including Bombardier, to supply 50 High-speed trains to Trenitalia.

Order backlog: totaled EUR 8.317 billion, an increase of EUR 1.014 billion compared to the December 31, 2010 total of EUR 7.303 million (+14%). 65% of the backlog was due to the *signaling* and *transportation solutions* segment, 34.8% was due to the *vehicles* segment, and 0.2% to the *buses* segment.

Headcount: stood at 6,876 employees, a net decrease of 217 compared to the 7,093 total from December 31, 2010.

###

Alessandro Pansa, the director responsible for drawing up the company's accounting statements, hereby declares, pursuant to article 154-*bis*, paragraph 2 of the *Testo Unico della Finanza* law, that the information contained in this press release accurately represents the figures contained in the Group's accounting records.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

€mil.	2011	2010	*Chg. % y/y*
Revenues	**17,318**	**18,695**	*(7%)*
Costs for purchases and personnel	(15,915)	(16,381)	
Depreciation and amortisation	(586)	(578)	
Other net operating revenues (costs)	(1,033)	(147)	
EBITA Adj (*)	**(216)**	**1,589**	
EBITA Adj (*) margin	*(1.2%)*	*8.5%*	
Non-recurring revenues (costs)	(1,124)	(169)	
Restructuring costs	(261)	(103)	
Impairment	(701)	-	
PPA amortisation	(84)	(85)	
EBIT	**(2,386)**	**1,232**	
EBIT margin	*(13.8%)*	*6.6%*	
Net finance income (costs)	(66)	(366)	
Income taxes	146	(309)	
Net profit before discontinued operations	**(2,306)**	**557**	
Profit of discontinued operations	-	-	
Net profit	**(2,306)**	**557**	
Group	*(2,345)*	*493*	
Minorities	*39*	*64*	
EPS (EUR)			
Basic	*(4.061)*	*0.854*	
Diluted	*(4.061)*	*0.853*	
EPS of continuing operations (EUR)			
Basic	*(4.061)*	*0.854*	
Diluted	*(4.061)*	*0.853*	

(*) Operating result before:
-any impairment in goodwill;
-amortisations of intangibles acquired under business combination;
-reorganization 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.

BALANCE SHEET		
€mil.	**31.12.2011**	**31.12.2010**
Non-current assets	13,543	13,641
Non-current liabilities	(4,145)	(2,583)
	9,398	**11,058**
Inventories	4,486	4,426
Trade receivables	8,932	9,242
Trade payables	(13,162)	(12,996)
Working capital	**256**	**672**
Provisions for short-term risks and charges	(932)	(762)
Other current net assets (liabilities)	(676)	(738)
Net working capital	**(1,352)**	**(828)**
Net invested capital	**8,046**	**10,230**
Capital and reserves attributable to equity holders of the Company	4,301	6,814
Minority interests	303	284
Shareholders' equity	**4,604**	**7,098**
Net debt (cash)	3,443	**3,133**
Net liabilities (assets) held for sale	**(1)**	**(1)**

CASH FLOW		
€mil.	**2011**	**2010**
Cash and cash equivalents at 1 January	**1,854**	**2,630**
Gross cash flow from operating activities	1,962	2,361
Paid financial charges	(285)	(258)
Income taxes paid	(186)	(335)
Changes in other operating assets and liabilities	(583)	(355)
Funds From Operations (FFO)	**908**	**1,413**
Changes in working capital	(376)	(117)
Cash flow generated from (used in) operating activities	**532**	**1,296**
Cash flow from ordinary investing activities	(890)	(853)
Free operating cash flow (FOCF)	**(358)**	**443**
Strategic operations	473	(138)
Change in other investing activities	(14)	30
Cash flow generated (used) by investment activities	**(431)**	**(961)**
Capital increase	-	-
Cash flow from financing activities	(352)	(884)
Dividends paid	(259)	(257)
Cash flow generated (used) by financing activities	**(611)**	**(1,141)**
Exchange gains/losses and other movements	(13)	30
Cash and cash equivalents at 31 December	**1,331**	**1,854**

FINANCIAL POSITION		
€mil.	**31.12.2011**	**31.12.2010**
Short-term financial payables	414	456
Medium/long-term financial payable	4,397	4,437
Cash and cash equivalents	(1,331)	(1,854)
BANK DEBT AND BONDS	**3,480**	**3,039**
Securities	(40)	(1)
Financial receivables from Group companies	(184)	(34)
Other financial receivables	(887)	(779)
FINANCIAL RECEIVABLES AND SECURITIES	**(1,111)**	**(814)**
Financial payables to related parties	949	714
Other short-term financial payables	66	88
Other medium/long-term financial payables	59	106
OTHER FINANCIAL PAYABLES	**1,074**	**908**
NET FINANCIAL DEBT (CASH)	**3,443**	**3,133**

SHARE DATA			
	2011	**2010**	***Chg. y/y %***
Average number of shares in period (thousands)	577,488	577,026	*0.1%*
Net result (not including minority interests) (€mil.)	(2,345)	493	
Result of continuing operations (not including minority interests) (€mil.)	(2,345)	493	
BASIC EPS (EUR)	**(4.061)**	**0.854**	
Basic EPS from continuing operations	**(4.061)**	**0.854**	
Average number of shares for the period (in thousands)	577,488	577,685	*0.0%*
Result adjusted (not including minority interests) (€mil.)	(2,345)	493	
Adjusted result of continuing operations (not including minority interests) (€mil.)	(2,345)	493	
DILUTED EPS (EUR)	**(4.061)**	**0.853**	
Diluted EPS from continuing operations	**(4.061)**	**0.853**	

The Board of Directors has voted to propose to the Annual Shareholders Meeting to carry forward the loss of EUR 1,375,550,757.22. This loss is fully covered by the Group's reserves.

The Board of Directors will therefore not propose to the Annual Shareholders Meeting the payment of a dividend for 2011.

Main data of Finmeccanica SpA		
€mln	**2011**	**2010**
Revenues	74	72
Net Income/ (Loss)	(1,376)	237
€mln	**31.12.2011**	**31.12.2010**
Net Invested Capital	7,769	10,165
Net Financial Debt	2,838	3,595

FINMECCANICA

PRESS RELEASE

2011 (EUR million)	Helicopters	Defence Electronics and Security	Aeronautics	Space	Defence Systems	Energy	Transport	Other Activities	Eliminations	Total
Revenues	3,915	6,035	2,670	1,001	1,223	981	1,877	305	(689)	**17,318**
EBITA Adj (*)	**417**	**303**	**(903)**	**18**	**117**	**91**	**(110)**	**(149)**		**(216)**
EBITA Adj (*) margin	*10.7%*	*5.0%*	*-33.8%*	*1.8%*	*9.6%*	*9.3%*	*(5.9%)*	*n.a.*		*(1.2%)*
EBIT	**404**	**(654)**	**(1,548)**	**14**	**110**	**46**	**(573)**	**(185)**		**(2,386)**
Depreciation and amortisation	144	232	121	36	37	20	24	56		**670**
Investment in non-current assets	467	240	263	30	32	23	22	20		**1,097**
Research and development costs	472	823	326	77	247	23	46	6		**2,020**
New orders	3,963	4,917	2,919	919	1,044	1,258	2,723	319	(628)	**17,434**
Order backlog	12,121	9,591	8,656	2,465	3,656	1,939	8,317	256	(996)	**46,005**
Headcount	13,303	27,314	11,993	4,139	4,066	1,872	6,876	911		**70,474**

2010 (EUR million)	Helicopters	Defence Electronics and Security	Aeronautics	Space	Defence Systems	Energy	Transport	Other Activities	Eliminations	Total
Revenues	3,644	7,137	2,809	925	1,210	1,413	1,962	243	(648)	**18,695**
EBITA Adj (*)	**413**	**735**	**205**	**39**	**107**	**145**	**97**	**(152)**		**1,589**
EBITA Adj (*) margin	*11.3%*	*10.3%*	*7.3%*	*4.2%*	*8.8%*	*10.3%*	*4.9%*	*n.a.*		*8.5%*
EBIT	**379**	**566**	**143**	**37**	**103**	**115**	**41**	**(152)**		**1,232**
Depreciation and amortisation	136	230	154	29	43	26	25	20		**663**
Investment in non-current assets	175	258	327	45	40	37	53	24		**959**
Research and development costs	409	810	369	68	260	38	69	7		**2,030**
New orders	5,982	6,783	2,539	1,912	1,111	1,403	3,228	105	(610)	**22,453**
Order backlog	12,162	11,747	8,638	2,568	3,797	3,305	7,303	113	(965)	**48,668**
Headcount	13,573	29,840	12,604	3,651	4,112	3,418	7,093	906		**75,197**

(*) Operating result before:

- any goodwill impairment;
- amortisations of intangibles acquired under business combination;
- restructuring costs of major, defined plans;
- other extraordinary income and expenses, i.e. relating to particularly significant events unconnected with the ordinary operations of the company's core businesses.