INTERIM FINANCIAL REPORT

AT 30 SEPTEMBER 2008

FINMECCANICA

Disclaimer

This Interim Financial Report at 30 September 2008 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsintency 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 official document.

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Highlights

€ millions	September 2008	September 2007	change	2007
New orders	**11,579**	**9,861**	**17%**	**17,916**
Order backlog	**40,856**	**36,247**		**39,304**
Revenues	**9,688**	**9,117**	**6%**	**13,429**
Adjusted EBITA (*)	**606**	**552**	**10%**	**1,045**
Net profit	**396**	**294**	**35%**	**521**
Net invested capital	**8,103**	**7,941**		**6,590**
Net debt	**2,706**	**2,485**		**1,158**
FOCF (*)	**-1,542**	**-1,432**	**-8%**	**375**
ROS (*)	***6.3%***	***6.1%***	***0.2 p.p.***	***7.8%***
ROI (*)	***14.8%***	***14.8%***	***0 p.p.***	***18.9%***
ROE (*)	***11.5%***	***13.6%***	***-2.1 p.p.***	***9.7%***
EVA (*)	**11**	**-13**	**n.a.**	**227**
R&D costs	**1,192**	**1,233**	**-3%**	**1,836**
Worforce (no.)	**62,308**	**59,882**		**60,748**

(*):refer to the following section for definitions.

Finmeccanica Group’s consolidated results for the third quarter of 2008 confirm the solid growth seen over the first half of 2008.

Despite this, the results are not entirely representative of the trend for the financial year as a whole since a considerable portion of the Group’s business occurs in the fourth

quarter of the year due to the high concentration of significant sub-supply and co-supply lots in production for the period.
In demonstration of this point, revenues for the third quarter of 2007 amounted to €mil. 9,117, while revenues for the final quarter of 2007 came to €mil. 4,312 and Adjusted EBITA for the fourth quarter of 2007 (€mil. 493) was considerably higher than that reported at 30 September 2007 (€mil. 552).

With regard to the third quarter of 2008, as compared with the same period of the previous year, the primary Group indicators reveal strong commercial performance with an increase in new orders of about 17%, in revenues of 6% and in Adjusted EBITA of 10%. As a result, ROS amounted to 6.3%, a 0.2 percentage point increase over 30 September 2007 (6.1%).

The net profit at 30 September 2008 came to €mil. 396 compared with €mil. 294 for the third quarter of 2007, an increase of €mil. 102 (+35%).

With regard to Group profitability, compared with the same period of last year, return on investment (ROI) stood at 14.8% (14.8% in the third quarter of 2007), EVA came to a positive €mil. 11 (negative €mil. 13 in the third quarter of 2007) and return on equity (ROE) came to 11.5% (13.6% in the third quarter of 2007).

Finally, it should be noted that the figures (comments about which follow), although not revealing any significant lack of homogeneity between the two periods being compared, include, for the figures at 30 September 2008, the British Vega Group under the Defence Electronics and Security division. Vega specialises in providing hi-tech professional services.

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Income Statement		*For the nine months ended 30 September*	
€mil.	*Section*	*2008*	*2007*
Revenue	*(*)*	9,688	9,117
Purchase and personnel costs	*(**)*	(8,733)	(8,284)
Depreciation and amortisation	*(***)*	(319)	(310)
Other net operating income (costs)	*(****)*	(30)	29
Adjusted EBITA		**606**	**552**
Non-recurring income/(costs)		-	-
Restructuring costs	*(*****)*	(28)	(27)
Amortisation of intangible assets purchased during business combinations		(17)	(18)
EBIT		**561**	**507**
Net finance income (costs)	*(******)*	(25)	(58)
Income taxes		(140)	(155)
NET PROFIT (LOSS)		**396**	**294**

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

(*) Includes "revenue" and "revenues from related parties".

(**) Includes "costs from related parties", "purchases and personnel costs" (net of restructuring costs classified among personnel costs).

(***) Includes depreciation of property, plant and equipment and amortisation of intangible assets, net of the portion related to intangible assets acquired during the set-up of business combinations.

(****) Includes "other operating revenues (costs)" net of restructuring costs, "impairments" (included among "depreciation, amortisation and impairment").

(*****) Includes the restructuring costs classified as "purchase and personnel costs" and "other operating revenues (costs)".

(******) Includes finance income and costs from related parties and the effect of measurement of equity investments using the equity method

Contributing to the net profit for the third quarter of 2008 (€mil. 396) was the €mil. 54 capital gain (recognised in the first half), net of the tax effects, from the sale of 2.9% of STM (about 26 million shares) to the French company FT1CI (held by Areva - the nuclear group controlled by the French government.

Excluding the impact of this event (net of the correlated tax effect), the net profit at 30 September 2008 came to roughly €mil. 342, a €mil. 48 increase over the same period of 2007.

The improvement in the Group's net profit is primarily due to: the increase in EBIT for €mil. 54, the €mil. 23 increase in finance costs due, in particular, to higher interest expense and lower dividends, partly offset by an improvement due to lower taxes for the period that resulted in a theoretical tax rate at 30 September 2008 of 34% (effective tax rate of 26.1%) for €mil. 17.

Primary Group indicators by segment

September 2008	New orders	Order backlog	Revenues	Adj. EBITDA	ROS %	R&D	Workforce (no.)
Helicopters	3,398	10,126	2,188	233	10.6%	185	10,176
Defence Electronics and Security	2,684	8,795	2,373	145	6.1%	385	19,490
Aeronautics	1,448	7,920	1,701	117	6.9%	339	13,910
Space	579	1,381	671	27	4.0%	42	3,574
Defence Systems	740	3,979	758	56	7.4%	183	4,056
Energy	1,937	4,327	801	62	7.7%	20	3,225
Transportation	922	4,754	1,227	79	6.4%	35	6,815
Other activities and eliminations	-129	-426	-31	-113	n.a.	3	1,062
	11,579	**40,856**	**9,688**	**606**	**6.3%**	**1,192**	**62,308**

September 2007	New Orders	Order backlog at 31.12.2007	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.) at 31.12.2007
Helicopters	2,084	9,004	2,084	221	10.6%	213	9,556
Defence Electronics and Security	2,336	8,725	2,462	154	6.3%	386	19,589
Aeronautics	1,532	8,248	1,496	112	7.5%	393	13,301
Space	545	1,423	593	26	4.4%	38	3,386
Defence Systems	446	4,099	719	38	5.3%	149	4,149
Energy	1,351	3,177	751	47	6.3%	14	2,980
Transportation	1,329	5,108	1,054	24	2.3%	36	6,669
Other activities and eliminations	238	-480	-42	-70	n.a.	4	1,118
	9,861	**39,304**	**9,117**	**552**	**6.1%**	**1,233**	**60,748**

Change	New orders	Order backlog	Revenues	Adj. EBITDA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	63%	12%	5%	5%	0 p.p.	-13%	6%
Defence Electronics and Security	15%	1%	-4%	-6%	-0.1 p.p.	0%	-1%
Aeronautics	-5%	-4%	14%	4%	-0.6 p.p.	-14%	5%
Space	6%	-3%	13%	4%	-0.4 p.p.	11%	6%
Defence Systems	66%	-3%	5%	47%	2.1 p.p.	23%	-2%
Energy	43%	36%	7%	32%	1.5 p.p.	43%	8%
Transportation	-31%	-7%	16%	229%	4.2 p.p.	-3%	2%
	17%	**4%**	**6%**	**10%**	**0.2 p.p.**	**-3%**	**3%**

The primary changes that marked the Group's performance compared with the same period of the previous year are described below. A deeper analysis can be found in the section covering the trends in each business segment.

From a commercial perspective, the Group ended the third quarter of 2008 with acquisitions on the rise across all business segments, with the exception of the Aeronautics and Transportation divisions. **New orders** at 30 September 2008 stood at €mil. 11,579, an increase of about 17% over the corresponding period of 2007 (€mil. 9,861).
New orders at the end of the third quarter of 2008 were attributable to the Aerospace and Defence segments for 76% and Energy and Transportation for 24%.

In the Aerospace and Defence segment, new orders in the Helicopters division were 63% higher than the same period of 2007, largely due to the ATAK contract for the Turkish Ground Forces Command, and in Defence Systems division, new orders were 66% higher in the third quarter of 2007, thanks to the contribution of all segments.

There was also improvement of 15% in the Defence Electronics and Security division compared with the same period of 2007, thanks in particular to the acquisition of the additional order for the FREMM programme and increased orders for command and control systems and for information technology and security activities.

Finally, in the Space division, new orders rose by 6% over 30 September 2007, due to higher orders related to the In-Orbit Validation (IOV) phase of the Galileo satellite navigation programme and good performance in the commercial telecommunications satellites segment.

In the Aerospace and Defence segments, 61% of new orders for the third quarter of 2008 were attributable to the military market, a 10 percentage point increase over the third quarter of 2007 (51%).

In the more strictly civil segments, the Energy sector once again showed excellent commercial performance, with growth of 43% over the same period of 2007 due to numerous orders for machinery and parts from abroad and to orders for three combined-cycle plants in Turano, San Severo and Bayet.

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The **order backlog** at 30 September 2008 amounted to €mil. 40,856, an increase of €mil. 1,552 over 31 December 2007 (€mil. 39,304), attributable to the acquisition of new orders which exceeded customer billings and that offset the unfavourable exchange rates (euro/dollar and euro/pound).
The order backlog at 30 September 2008 can be broken down into 79% for Aerospace and Defence and 21% for Energy and Transportation.
The order backlog, based on workability, guarantees coverage of around 3 years of production for the Group.

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At 30 September 2008, **revenues** totalled €mil. 9,688 for an increase of €mil. 571, or 6%, over the same period of 2007.
The production increase at the end of the third quarter of 2008 was divided between the Aerospace and Defence segment for 79% and the Energy and Transportation segments for 21%.
The increase in production volumes is mainly attributable to Aeronautics due to the higher contribution of the civil segment (increased production of ATR, B787 and A380 aircraft). There were also higher revenues in other sectors: Space, due to increased production in both segments, particularly manufacturing, and Transportation, due to greater activity in both segments (signalling and systems, vehicles).

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The **adjusted EBITA** at 30 September 2008 amounted to €mil. 606, a 10% increase over 30 September 2007 (€mil. 552).

In the Aerospace and Defence segment, the divisions that contributed the most to the improvement included the Defence Systems segment (up 47% compared with the third quarter of 2007), due to greater activity and improved profitability in underwater

weapons systems and improved profitability in a number of missile systems programmes. There was modest growth in the Aeronautics, Helicopters and Space divisions.
Finally, there was growth in the civil sectors: Energy division (up 32% over the same period of the previous year) due to increased production volumes and the greater industrial profitability of several orders in the plant segment, and in Transportation due mainly to improved industrial profitability in the vehicles segment and to higher production volumes in the signalling and systems segment.

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Research and development costs at 30 September 2008 came to €mil. 1,192, a slight decrease of 3% from 30 September 2007 (€mil. 1,233).
Group R&D represents roughly 12% of consolidated revenues generated at 30 September 2008, with the bulk (95%) going to the Aerospace and Defence segments and the remainder (5%) to Energy and Transportation segments

It should be noted that the R&D costs in the first nine months of 2008 for the Aeronautics division totalled €mil. 339 (28% of the Group's total). This spending reflects the commitment to programmes being developed in the civil and military segments.

The Defence Electronics and Security division was also responsible for a considerable portion, with R&D costs of €mil. 385, or 32% of the Group's total R&D spending. The R&D costs for this segment relate in particular to: new electronic-scan radar systems for both surveillance and combat; continued development of the EFA programme; TETRA technology products and the new switching ALL-IP, software design radio, ad hoc networks and WIMAX product families in the communications segment; continuation of activity on the mobile three-dimensional early-warning radar system, naval command and control systems, the 3D Kronos and MFRA multi-functional active radar surveillance systems, and the upgrading the current SATCAS products.

Finally, as to the Helicopters division, R&D expenditure came to €mil. 185, or 16% of the Group total. This spending mainly regarded the activity to develop technologies primarily for military use (AW149) and to develop multi-role versions of the BA 609 convertiplane for national security.

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The **workforce** at 30 September 2008 came to 62,308, an increase of 1,560 over the 60,748 at 31 December 2007.

This increase is attributable to the positive turnover in almost all sectors, particularly in Helicopters, Aeronautics, Space and Energy.

The geographical distribution of the workforce in the third quarter of 2008 was substantially in line with that at the end of 2007, with about 69% of the workforce in Italy, and 31% in foreign countries (largely the United Kingdom and France).

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Balance sheet	***Section***	***30.09.2008***	***31.12.2007***
€mil.			
Non-current assets		9,907	9,845
Non-current liabilities	*(*)*	(2,440)	(2,562)
		7,467	**7,283**
Inventories		4,092	3,383
Trade receivables	*(**) 19/30*	8,516	7,546
Trade payables	*(***) 26/30*	(10,897)	(10,481)
Provisions for short-term risks and charges		(484)	(545)
Other net current assets (liabilities)	*(****)*	(591)	(596)
Net working capital		**636**	**(693)**
Net invested capital		**8,103**	**6,590**
Capital and reserves attributable to equity holders of the Company		5,268	5,329
Minority interests in equity		129	103
Shareholders' equity		**5,397**	**5,432**
Net debt (cash)		**2,706**	**1,158**

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:

(*) Includes all non-current liabilities except "non-current borrowings".

(**) Includes "trade receivables from related parties" (among "current receivables from related parties").

(***) Includes "trade payables to related parties" (among "current payables to related parties").

(****) Includes: "other current receivables from related parties" (among "current receivables from related parties"), "derivatives", "other assets" (excluding "financial assets at fair value" among "other assets"); net of "income tax payables", "other payables to related parties" (among "current payables to related parties"), "derivatives" and "other liabilities".

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At 30 September 2008 the consolidated **net capital invested** came to €mil. 8,103, compared with €mil. 6,590 at 31 December 2007. This net increase of €mil. 1,513 is due to the €mil. 1,329 increase in **working capital** (positive €mil. 636 at 30 September 2008 compared with negative €mil. 693 at 31 December 2007) as a result of the dynamics of FOCF for the period (described further below), and by the €mil. 184 net increase in **capital assets** (€mil. 7,467 at 30 September 2008 compared with €mil. 7,283 at 31 December 2007). This increase is mainly attributable to increased investment in property, plant and equipment and intangible assets, net of depreciation and amortisation, partly offset by the effect of the sale of the stake in STM.

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Free Operating Cash Flow (FOCF) at 30 September 2008 was negative (use of cash) in the amount of €mil. 1,542 compared with a negative €mil. 1,432 at 30 September 2007.
It should be noted that, in analysing FOCF for the first nine months of the year, seasonal factors have to be taken into account. The balance between trade collections and payments reveals that payments are particularly higher than collections for most of the year, while a significant portion of the Group's collections occurs in the last three months of the year.
Specifically, the deterioration in FOCF of €mil. 110 between the two period compared is correlated with the use of cash in operating activities for €mil. 175, partly offset by lower use of cash in ordinary investing activities for €mil. 65.

In the third quarter of 2008, investment activities, needed for product development, were largely concentrated in the Aeronautics (55%), Defence Electronics and Security (22%) and Helicopters (13%) divisions, with the remaining 10% equally distributed among the other divisions.

€mil.	For the nine months ended 30 September			
	2008		2007	
Cash and cash equivalents at 1 January	**1,607**		**2,003**	
Gross cash flow from operating activities	980		943	
Change in other operating assets and liabilities	(489)		(464)	
Funds From Operations (FFO)		**491**		**479**
Change in working capital	(1,227)		(1,040)	
Cash flow generated from (used in) operating activities	**(736)**		**(561)**	
Cash flow from ordinary investing activities	(806)		(871)	
Free Operating Cash Flow (FOCF)		**(1,542)**		**(1,432)**
Strategic operations	191		(420)	
Change in other financing activities	108		6	
Cash flow generated from (used in) investing activities	**(507)**		**(1,285)**	
Capital increases	2		8	
Net change in borrowings	240		407	
Dividends paid	(187)		(151)	
Cash flow generated from (used in) financing activities	**55**		**264**	
Translation differences	(7)		(17)	
Cash and cash equivalents at 30 September	**412**		**404**	

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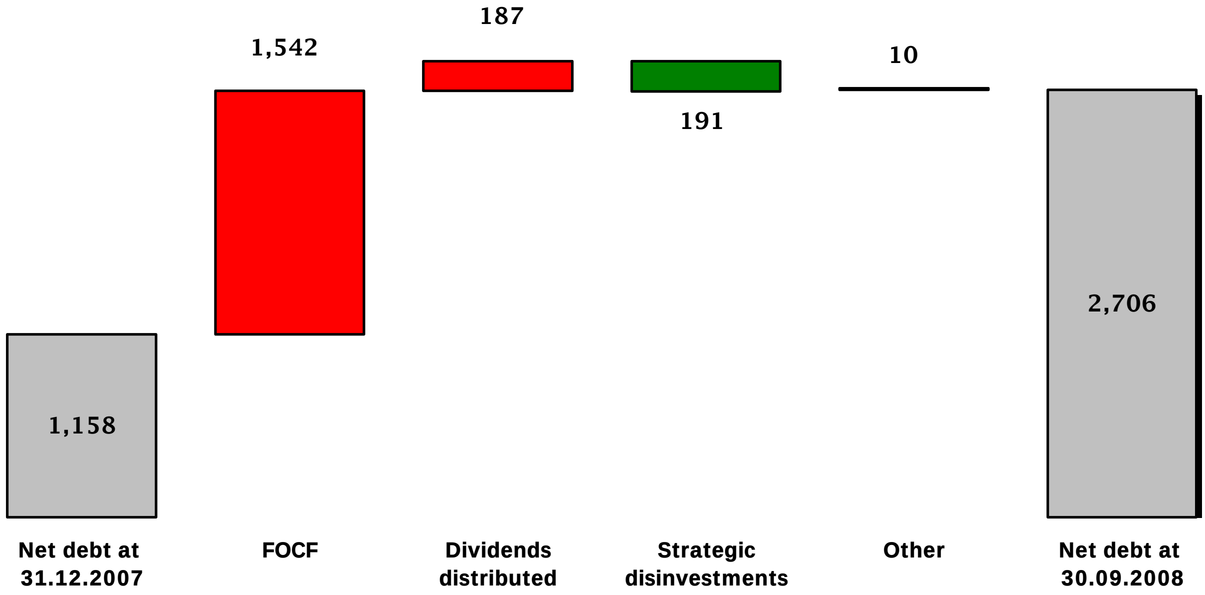
Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 30 September 2008 came to €mil. 2,706 (€mil. 1,158 at 31 December 2007, €mil. 1,928 at 31 March 2008 and €.mil 2,607 at 30 June 2008), for a net increase of €mil. 1,548 from December 2007.

The following graph shows the most significant movements that contributed to the change in net financial debt.

Net financial debt at 30 September 2008 – (millions of euros)



€mil.	***30.09.08***	***31.12.07***
Short-term financial payables	1,101	484
Medium/long-term financial payables	1,559	1,556
Cash and cash equivalents	(412)	(1,607)
BANK DEBT AND BONDS	**2,248**	**433**
Securities	(22)	(13)
Financial receivables from Group companies	(36)	(33)
Other financial receivables	(511)	(573)
FINANCIAL RECEIVABLES AND SECURITIES	**(569)**	**(619)**
Financial payables to related parties	489	560
Other short-term financial payables	426	665
Other medium/long-term financial payables	112	119
OTHER FINANCIAL PAYABLES	**1,027**	**1,344**
NET FINANCIAL DEBT (CASH)	**2,706**	**1,158**

Consistent with the approach adopted in the presentation of the accounts over the last few years, it was decided - in view of the fact that a significant part of these transactions are designed to hedge "underlying" commercial positions - not to recognise as debt the balancing entries resulting from fair value measurement of the derivatives on the date that the accounts were closed. At 30 September 2008 these items showed a positive balance of €mil. 16.

As already mentioned in the section on FOCF, the deterioration from 31 December 2007 confirms the ordinary pattern of cash receipts and outlays, the latter of which resulted in considerable uses of cash in the period. This performance was also affected by investment activities carried out during the period and includes advances received on certain contracts entered into by Group companies for amounts larger than forecast at the end of December 2007.

The debt figure for the first nine months of the year includes, among other things, the effects of certain transactions that are not strictly related to operating activities, specifically:

- the payment of roughly €mil. 63 relating to Finmeccanica's purchase of the entire share capital of the British company Vega Group Plc (a transaction begun last year and described in more detail elsewhere in this report);

- the payment of €mil. 12 for the purchase of an additional 18% stake in Sirio Panel S.p.A. by Selex Communications S.p.A.;

- the payment of €mil. 174 relating to the ordinary dividends paid out by the Group Parent to its shareholders for 2007;

- the payment of €mil. 12 relating to the minority interest portion of the ordinary dividends paid out by Ansaldo STS S.p.A. to its shareholders for 2007;

- the receipt of around €mil. 260 from the sale of 26,034,141 shares of STM to its French partner, equal to about 2.9% of the remaining shares held by Finmeccanica, at the price of €10 each;

- the receipt of €mil. 5 relating to dividends paid by Elettronica (€mil. 3) and STM (€mil. 2) for 2007;

- the receipt of €mil. 26 (principal plus interest) relating to the resolution of the dispute with GKN Holding BV (GKN) that arose with regard to the purchase of 50% of AgustaWestland by Finmeccanica on 30 November 2004. The agreement provided that a portion of the purchase price (GBPmil. 50) would be held in escrow, to be paid to the seller GKN or returned to the purchaser Finmeccanica based on whether or not the AgustaWestland group was awarded a procurement contract by the U.K. Ministry of Defence within a specified period of time. In 2006, an arbitration proceeding was initiated following a disagreement between the parties as to strict observance of the conditions in the purchase agreement. The arbitration concluded August 2008 with a settlement agreement under which the amount in escrow, plus any interest that had accrued in the meantime, was to be equally divided between the parties;

- the receipt of roughly €mil. 151 as a result of the renewal of the euro/dollar exchange rate hedge set to expire on 30 September 2008 and entered into as part of the acquisition of the U.S. company DRS (this transaction is covered in more detail elsewhere in this report). The effect of this transaction was recognised in the Group's shareholders' equity at 30 September 2008 (Section 22).

In May, the relevant Group companies made the first reimbursement payment of €mil. 297 (out of a total of €mil. 389 for financial debts) to the Ministry of Economic Development (MED) as a result of the decisions made concerning the methods for complying with the scheduled repayment plans and the corresponding finance costs related to programmes funded by Law 808/1985.

As with the previous period, the debt figure benefited from the offsetting effect of the consolidated taxation mechanism, with lower outlays for the period of about €mil. 213.

Finally, it should be noted that the Group made assignments of non-recourse receivables totalling €mil. 215 during the first nine months of 2008.

As regards the composition of the debt items, there was a shift in total gross bank borrowings from €mil. 2,040 at 31 December 2007 to €mil. 2,660 at 30 September 2008 essentially due to a change in short-term debt from €mil. 484 at 31 December 2007 to €mil. 1,101 at 30 September 2008. There was a significant decline in cash and cash equivalents from €mil. 1,607 at December 2007 to €mil. 412 at September 2008. This cash was used to finance the ordinary operations and investments mentioned above as well as strategic activities, particularly with regard to the purchase of the shares of Vega Group Plc and the receipt of funds from the partial sale of STM shares (both transactions are described in another part of this report). The cash flow figure is also affected, as stated previously, by the payment of €mil. 297 to the MED.

The item “financial receivables and securities” equal to €mil. 569 (€mil. 619 at 31 December 2007) includes the amount of €mil. 477 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 “financial payables to related parties” includes the debt of €mil. 474 of Group companies in the above joint ventures for the unconsolidated portion.

Finmeccanica pursues a policy aimed at minimizing the average cost of debt (4%) and at extending the average remaining life (currently about 8 years). This contributes to making the Group’s financial structure more sound by making its debt structure and medium and long-term financial returns compatible with the significant investments required to develop products.

It was possible to maintain a stable financial and capital structure through constant control over the companies’ financial needs and proactive dealings with customers and suppliers.

As part of the centralisation of its financial operations, Finmeccanica S.p.A. has credit lines and guarantees to meet the Group needs. Specifically, it holds a medium-term revolving credit line of €mil. 1,200 agreed in 2004 with a pool of domestic and foreign banks (current maturity 2012). At 30 September 2008, this credit line was used in the amount of €mil. 650. Finmeccanica also has additional short-term credit lines for cash amounting to around €mil. 1,050, of which €mil. 900 is unconfirmed and around €mil. 150 is confirmed; at 30 September 2008, these credit lines were used in the amount of €mil. 10. There are also unconfirmed guarantees of around €mil. 1,800.

Finally, as more fully described in the section on financial operations, it should be noted that, within the context of actions taken to fund the acquisition of the U.S. company DRS Technologies Inc. (DRS), Finmeccanica S.p.A. signed an agreement in June for a senior term loan in the amount of €mil. 3,200 with a pool of organiser banks that subsequently syndicated the loan on the euro-market. The highly-successful syndication process was completed in early July, with subscriptions being more than double the amount of the operation. As a result, the amounts allotted to each bank were drastically reduced. At 30 June 2008, the loan was entirely unused.

Moreover, as described in more detail elsewhere in this document, in October the first disbursement of about €bil. 3 was made to coincide with the closing of the acquisition of DRS.

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As to transactions with related parties, it should be noted that transactions between the companies are of a commercial, financial or other nature and relate to the ordinary accounts that govern receivables and payables between Group companies, ordinary loans given/received, and debiting/crediting of the related interest.

These transactions are carried out as part of ordinary management and generally at arms' length. A summary of the income statement and balance sheet items relating to transactions with related parties, as well as the percentage incidence of the respective total figures attributable to these transactions, are found in the section on the "Analysis of the income statement and balance sheet at 30 September 2008".

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CONSOB - Market Regulation, Art. 36.

In accordance with CONSOB provisions contained in the Market Regulation, specifically Art. 36 of Resolution no. 16191/2007, Finmeccanica carried out an assessment of whether this regulatory provision applied to the Group. It found that its subsidiaries at 30 September 2008, established and regulated under the law of non-EU countries, were not deemed material based on the exemption criteria provided under Art. 151 of the Issuers' Regulation adopted through CONSOB Resolution no. 11971/1999.

Results for the third quarter

In the third quarter of 2008 the Finmeccanica Group reported revenues of €mil. 3,261 (+ 7%), compared with €mil. 3,047 for the third quarter of 2007, Adjusted EBITA of €mil. 206 (+2%), compared with €mil. 201 for the third quarter of 2007, and EBIT of €mil.186, substantially in line with the third quarter of 2007 (€mil. 180).

Income Statement		***For the three months ended 30 September***	
€mil.	***Section***	***2008***	***2007***
Revenue	*(*)*	3,261	3,047
Purchase and personnel costs	*(**)*	(2,928)	(2,752)
Depreciation and amortisation	*(***)*	(114)	(107)
Other net operating income (costs)	*(****)*	(13)	13
Adjusted EBITA		**206**	**201**
Non-recurring income/(costs)		-	-
Restructuring costs	*(*****)*	(14)	(15)
Amortisation of intangible assets purchased during business combinations		(6)	(6)
EBIT		**186**	**180**
Net finance income (costs)	*(******)*	(34)	(1)
Income taxes		(52)	(62)
NET PROFIT (LOSS)		**100**	**117**

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

(*) Includes “revenue” and “revenues from related parties”.

(**) Includes “costs from related parties”, “purchases and personnel costs” (net of restructuring costs classified among personnel costs).

(***) Includes depreciation of property, plant and equipment and amortisation of intangible assets, net of the portion related to intangible assets acquired during the set-up of business combinations.

(****) Includes “other operating revenues (costs)” net of restructuring costs, “impairments” (included among “depreciation, amortisation and impairment”).

(*****) Includes the restructuring costs classified as “purchase and personnel costs” and “other operating revenues (costs)”.

(******) Includes finance income and costs from related parties and the effect of measurement of equity investments using the equity method

This positive performance led to a ROS (the ratio between Adjusted EBITA and revenues) of 6.3% in the third quarter of 2008, substantially in line with the 6.6% reported for the third quarter of 2007.

€mil.	1 July – 30 September 2008			1 July – 30 September 2007		
Divisions	Revenues	Adjusted EBITA	EBIT	Revenues	Adjusted EBITA	EBIT
Helicopters	722	75	72	610	67	65
Defence Electronics and Security	750	47	35	857	54	45
Aeronautics	638	47	45	545	44	43
Space	220	12	11	216	11	11
Defence Systems	245	14	12	222	9	7
Energy	289	25	25	274	16	16
Transportation	414	29	29	329	7	1
Other Activities and Eliminations	(17)	(43)	(43)	(6)	(7)	(8)
	3,261	**206**	**186**	**3,047**	**201**	**180**

Compared with the same period of the previous year, the third quarter of 2008 was characterised by a net increase in finance costs of €mil. 33 (€mil. 34 in net costs in 2008 compared with €mil. 1 in net costs for the same period of 2007) due largely to “results at fair value in the income statement”.

Income taxes for the period came to €mil. 52, compared with €mil. 62 for the third quarter of 2007.

The net profit for the period amounted to €mil. 100, compared with €mil. 117 for the third quarter of 2007.

“Non-GAAP” performance indicators

Finmeccanica’s management assesses the Group’s financial performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs.

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 “*effect of the measurement of equity investments using the equity method*”.

- ***Adjusted EBITA***: It is given by EBIT (as defined above) before exceptionals:
  - any impairment in goodwill;
  - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS3;
  - 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.

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, net of investments in STM and Avio.

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

	For the nine months ended 30 September	
	2008	**2007**
€mil.		
Earnings before income taxes, finance net result and share of results of equity accounted investments (EBIT)	561	507
Amortisation of intangible assets acquired as part of business combinations	17	18
Restructuring costs	28	27
Adjusted EBITA	**606**	**552**

- ***Adjusted net profit***: This is given by net profit before exceptionals.

  A reconciliation of net profit and adjusted net profit for the periods concerned is shown below:

	For the nine months ended 30 September		
	2008	**2007**	**Section**
€mil.			
Net profit	396	294	
Gain on disposal of STM shares	(56)	-	5
Adjusted earning before taxes	**340**	**294**	
Tax effect of the adjustments	2	-	5
Adjusted net profit	**342**	**294**	

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 Section 28). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.

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

Performance by division

<u>HELICOPTERS</u>

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	3,398	2,084	1,780	614	3,970
Order backlog	10,126	8,290	n.a	n.a.	9,004
Revenues	2,188	2,084	722	610	2,980
Adjusted EBITA	233	221	75	67	377
R.O.S	10.6%	10.6%	10.4%	11.0%	12.7%
Research and Development	185	213	59	66	322
Workforce (no.)	10,176	9,363	n.a	n.a.	9,556

Finmeccanica is, together with AgustaWestland NV and its subsidiaries, a leader in the extremely restricted circle of systems designers in the world helicopter industry with EADS (Eurocopter) and United Technologies (Sikorsky).

The total volume of **new orders** at 30 September 2008 came to €mil. 3,398, a 63% increase over the same period of 2007 (€mil. 2,084).

The considerable increase is mainly attributable to the contract to supply 50 T-129 attack and tactical recognisance (ATAK) helicopters (a version of the AW129 Mangusta used by the Italian Army), plus an option for an additional 41 for the Turkish Ground Forces Command, which became operational on 3 July. The contract is worth €mil. 1,070 (Q3).

AgustaWestland’s proposal contains significant benefits for the Turkish aerospace firms that will be involved in the programme. Turkish Aerospace Industries (TAI) will be the prime contractor for the ATAK programme, while Aselsan and AgustaWestland will act as sub-contractors. Manufacturing, final assembly and acceptance of the helicopters will take place in Turkey. The programme is expected to last more than 9 year and the first aircraft will be delivered within 5 years.

The most significant other new orders received in the first nine months of 2008 in the military segment included:

- the exercise by the French and German governments of the contractual option to purchase 24 NH90 Tactical Transport Helicopters (TTH). The contract is worth €mil. 54 to AgustaWestland (Q1);
- the contract to supply an additional five EH101 helicopters out of a total of 14 to the Japanese Navy under the agreement signed in 2003 between Kawasaki Heavy Industries and AgustaWestland. The agreement requires AgustaWestland to manufacture the kits, while Kawasaki will carry out the customisation and final assembly in Japan. The contract is worth €mil. 106 (Q1);
- the contract, which became operational in May, for five Light Utility Helicopter (LUH)-version AW109 helicopters for the government of New Zealand. The contract is worth €mil. 34 (Q2).

In the commercial (civil and government) sector, too, AgustaWestland continued to demonstrate excellent performance given the availability of its modern, competitive product portfolio. In the first nine months of 2008, it recorded orders for 263 helicopters (up 80 units compared with 30 September 2007) worth about €mil. 1,500 (30% over 30 September 2007). The following are the most significant acquisitions:

- the contract to supply two EH101 VVIP helicopters, a special configuration of the VIP version featuring high standards of safety and comfort for an important Saudi Arabian customer (Q2);

- orders for an additional 80 AW139 helicopters, totalling €mil. 700, including the contracts for 5 helicopters for an important Asian customer (Q1), 2 helicopters for the Korean government for that country's national coast guard (Q1), and 10 rescue helicopters, with an option for a further 2, for the non-profit Canadian organisation Ornge. The order backlog for the AW139 continues to grow with 156 units ordered and awaiting delivery.

  Within the segment, orders were also obtained for a further 181 helicopters, of which 93 Grand, 5 of which were purchased by the Australian company Heliflite Helicopters (Q1) and 9 by the Aero Toy Store (Q3); 37 AW109 Power, including the contract for an additional 5 helicopters for the Japan National Police Agency (JNPA), under its programme to upgrade the fleet used by police forces (Q2); 5 helicopters for Aerolíneas Ejecutivas, a Mexican operator (Q1); and the AW119 helicopter has also proven successful with contracts for 51 helicopters being signed in the first nine months of 2008 including the contracts with the Spanish operator Helicopteros de Sureste, S.A. and with the Finnish Border Guard for 3 units (Q1) and (Q3).

The **order backlog** at 30 September 2008 came to €mil. 10,126, higher (12%) than the €mil. 9,004 reported at 31 December 2007, despite the considerable negative impact (€mil. 240) of translating the financial statements (in pound sterling and dollars) of the subsidiaries of AgustaWestland NV that fall within the scope of consolidation.
The order backlog at 30 September 2008 breaks down into 74% for helicopters, 24% for support activities, and 2% for engineering activities. The overall amount is sufficient to guarantee coverage of production for an equivalent of 3 years.

Revenues at 30 September 2008 came to €mil. 2,188, up 5% from the figure at 30 September 2007 (€mil. 2,084), despite the considerable negative impact of the translation of financial statements in foreign currencies (€mil. 141). Excluding this factor, revenues grew by €mil. 245, mainly due to the increase in the production rates of the commercial lines.
Of particular significance was the performance of the AW139, which grew by 43%, and the entire AW109 line, which grew by 53%.

Steady growth of about 33% was reported for the NH90 line, for total revenues of roughly €mil. 100.
Production of the EH101 is in line with the performance of the previous period due to the start of 4 new programmes for the Italian Navy (3rd lot), Algeria, Japan and the MK3A for the U.K. government, respectively.

As a result of cutbacks in funding by the U.S. Department of Defense effective in fiscal year 2008, the VH71 programme, the helicopter for the President of the United States, suffered a slowdown in activity in expectation of new funding.

The production volumes for the AW119 grew by 42% over the same period of the previous year.

Product Support business declined by about 15%, compared with 30 September 2007, with the most marked decline in spare parts and servicing (47%) due to the completion of international programmes and the AW129 programme for the Italian Army. However, there was 26% growth in turnkey support (COMP – IMOS), which posted revenues of €mil. 250.

The number of helicopters delivered at 30 September 2008 came to 148 units, up 16% compared with the 128 units delivered during the same period of the previous year.

Adjusted EBITA at 30 September 2008 came to €mil. 233, up 5% over the same period of the previous year (€mil. 221). This result, however, was affected by the negative impact of the translation of financial statements in foreign currencies (€mil. 8).
Excluding the impact of translation, there was a €mil. 20 improvement positively correlated with the increase in production volumes on the commercial lines, particularly the AW139 and AW109, and negatively correlated with the reduced contribution of spare parts and service contracts.
As a result of these factors, **ROS** increased to 10.6%, in line with the figure reported at 30 September 2007.

Research and development costs at 30 September 2008, amounting to €mil. 185 (€mil. 213 at 30 September 2007), primarily concerned:

- the area of pre-competitive research: which includes the development of technologies primarily for military use for a new helicopter of the 6/7-tonne class named the AW149 and development of multi-role versions of the BA 609 convertiplane for national security;
- the area of product improvement research: for the EH101, development of the new tail rotor;
- research and development into variants of base models: in connection with government/military and civil contracts.

The **workforce** at 30 September 2008 came to 10,176, a 620 employee increase over 31 December 2007 (9,556). This increase was necessary in order to meet the technical/production needs related to the increase in business volumes and, for roughly 200 employees, was due to the change in the U.K. employee classification scheme for "apprentices" who, until 31 December 2007, were treated as temporary workers and thus were not included in the workforce figure.

DEFENCE ELECTRONICS AND SECURITY

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	2,684	2,336	733	542	5,240
Order backlog	8,795	7,420	n.a.	n.a.	8,725
Revenues	2,373	2,462	750	857	3,826
Adjusted EBITA	145	154	47	54	427
R.O.S	6.1%	6.3%	6.3%	6.3%	11.2%
Research and Development	385	386	113	120	557
Workforce (no.)	19,490	19,052	n.a.	n.a.	19,589

The division includes activities concerning the realisation of large-scale integrated systems for defence and security based on complex architectures and network-centric techniques and the manufacture of 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.

Finmeccanica has a number of companies that are active in the Defence Electronics and Security industry, including: Selex Sensors and Airborne Systems Ltd; Galileo Avionica S.p.A.; Selex Sistemi Integrati S.p.A.; the Elsag Datamat group; the Selex Communications group; Selex Service Management S.p.A.; Seicos S.p.A and the Vega Group Plc (which was fully consolidated starting in 2007).

New orders at 30 September 2008 totalled €mil. 2,684, an increase (+14.9%) over the orders received during the same period of the prior year (€mil. 2,336), thanks to additional new orders for FREMMs and to increased command and control system, information technology and security orders.

The main new orders received during the nine months in the various segments include the following:

- avionics and electro-optical systems: additional orders for the European EFA programme (Q1-Q2-Q3), relating, in particular, to the second lot for the supply and construction of the simulator, as well as logistics; additional orders for the Saudi Arabian EFA order (Q1-Q2); orders for countermeasures (Q1-Q2-Q3); the order for the SEASPRAY 7500E radar under the programme to revamp the HC-130H for the U.S. Coast Guard (Q1); space programme orders (Q1-Q2-Q3);
- radar and command and control systems: the above-mentioned order for a significant amount for 4 additional ships for the Italian FREMM programme (Q1); the signing of a contract with the Italian Department of Civil Protection to develop, manage and maintain a technologically integrated emergency management system through a joint venture with Seicos (Q3); the order to build a large system for the new Doha, Qatar airport, including the design and integration of all air traffic control and meteorological devices (Q3); the additional order for the new lot of the "Piano Radar" programme as part of ENAV's plan to upgrade Italian radar sites (Q3); and the order to upgrade the software on all systems installed in Romania's major airports and control towers (Q2);
- integrated communication networks and systems: additional orders for EFA communication systems (Q1-Q2-Q3); order to develop and supply avionics systems interface control units and to manufacture the cockpit lighting system for the new Airbus A350 XWB (eXtra Wide Body) (Q1); the contract to develop and supply General Purpose Automatic Test Equipment (GPATE) for the avionics on the NH90 (Q2); the order for communications systems for additional FREMM vessels (Q2);

- information technology and security: the renewal of the contract with Poste Italiane to maintain letter sorting systems and to manage information systems (Q2); the order for the physical security system for Monte dei Paschi di Siena (Q1); integration of the project for INPS's Five-Year Plan to make sensitive applications more secure (Q2); the order to supply Telecom Italia with security logic devices to be installed at post offices (Q2); the order from the Carabinieri to upgrade license plate reading devices and to supply biometrics equipment (Q2); and new orders from Poste Italiane specifically relating to variants of the New Network (Q1);
- value-added services in security applications: the order from the Italian Department of Civil Protection signed as part of a joint venture with Selex Sistemi Integrati (Q3); the contracts to manage e-government applications for the Province of Rome (Q1) and for "Improving the availability of ICT services for industry" for the Region of Abruzzo (Q1).

It should further be noted that the division continued its intensive efforts concerning the provision of large-scale integrated systems based on complex architectures and network-centric techniques.

The **order backlog** came to €mil. 8,759, compared with €mil. 8,725 at 31 December 2007, reflecting the depreciation of the pound sterling with regard to the euro (roughly negative €mil. 240). Half of the order backlog related to the avionics and electro-optical systems segment.

Revenues at 30 September 2008 amounting to €mil. 2,373, are substantially in line with those recorded for the same period of 2007 (€mil. 2,462), excluding the effect of the change in the euro/pound sterling exchange rate, which resulted in €mil. 135 in lower revenues. This was thanks to increased activity in information technology and security, as well as the consolidation of the newly-acquired Vega Group, which offset the drop in production values due particularly to delays in starting activity on several programmes in communications and in command and control systems.

Revenues resulted from the following:

- avionics and electro-optical systems: the continuation of activities relating to DASS production and the production of avionics equipment and radar for the EFA program, electronic battle systems for the Tornado, systems for countermeasures, devices for the helicopter and space programmes, and logistics;
- radar and command and control systems: the continuation of activities relating to air traffic control programmes both in Italy and, above all, abroad (ATC), as well as to contracts for Orizzonte, FREMM and Upgrading, to MEADS international cooperation contracts;
- integrated communication systems and networks: the continuation of activities relating to the construction of the national Tetra network, the development and manufacture of equipment for EFA and the NH90 and the provision of communication systems for the military both in Italy and the U.K.;
- information technology and security: activities relating to postal automation services, especially orders from the Italian and Russian postal services; information technology services and naval systems for the Defence division;
- value-added services: with regard to security applications, activities relating to the Interpol contract and to supplying broadband infrastructures and applications to the Region of Abruzzo for regional monitoring.

Adjusted EBITA reached €mil. 145 at 30 September 2008, lower by €mil. 9 than the figure reported at 30 September 2007 (€mil. 154), mainly due to the negative effect of the change in the euro/pound sterling exchange rate (roughly €mil. 14) The improved productivity of the U.K. component, of the avionics and electro-optical systems segment and the growth in information technology and security activities more than offset the decline in revenues in other business segments. As a result, **ROS** came to 6.1% (6.3% at 30 September 2007).

Research and development costs at 30 September 2008 totalled €mil. 385, in line with the figure reported at 30 September 2007 and relate in particular, in the avionics and electro-optical systems segment, to the continuation of development for the EFA programme, new electronic-scan radar systems for both surveillance and combat and the Falco tactical surveillance unmanned aerial vehicle (UAV); in the communications segment, to the development of TETRA technology products and new product families such as ALL-IP switching, software design radio, ad hoc networks and WIMAX; the command and control systems segment to the continuation of development of the mobile three-dimensional early-warning radar system, naval command and control systems, MFRA multi-functional 3D Kronos active radar surveillance systems and upgrading the current SATCAS products.

The **workforce** at 30 September 2008 totalled 19,490, a decrease of 99 from 31 December 2007 (19,589 employees) due mainly to the effect of the industrial reorganisation plan in the communications segment.

AERONAUTICS

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	1,448	1,532	604	384	3,104
Order backlog	7,920	7,572	n.a.	n.a.	8,248
Revenues	1,701	1,496	638	545	2,306
Adjusted EBITA	117	112	47	44	240
R.O.S	6.9%	7.5%	7.4%	8.1%	10.4%
Research and Development	339	393	94	129	581
Workforce (no.)	13,910	13,000	n.a.	n.a.	13,301

The Aeronautics division includes Alenia Aeronautica S.p.A. (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 S.p.A. (production of military training aircraft and engine nacelles for civil aeronautics); Alenia Aeronavali S.p.A. (cargo aircraft conversions and maintenance); and the GIE-ATR consortium, in which a 50% equity stake is held (marketing and assembly of ATR aircraft) and Alenia North America which operates in the American market through a joint venture.

New orders at 30 September 2008 came to €mil. 1,448, a decline of €mil. 84 from the €mil. 1,532 reported at 30 September 2007, which however benefited from significant orders for ATR and EFA aircraft. New orders in the third quarter of 2008 came to €mil. 604, an increase of €mil. 220 over the €mil. 384 reported for the third quarter of 2007.

The main orders received during the first nine months of 2008 included the following:

- in the military segment: the order for seven C27J aircraft for Romania (Q1) and for four aircraft for the U.S. Army (Q3); orders for logistical support for EFA craft from Saudi Arabia (Q1) and additional development lots (Q2-Q3); the contract to supply the U.S. Air Force with 18 reconditioned G222 transport aircraft (Q3); logistical support for the C130J (Q1) and Tornado craft (Q1-Q2) for the Italian Air Force; the order from the Harbour Office for the third "green" ATR MP aircraft; the first contract signed with Lockheed Martin Inc. for industrial activity for beginning production on portions of the wings of the F-35 Joint Strike Fighter (Q3) and the order to develop the Neuron programme in collaboration with Dassault;
- the civil segment: orders for GIE-ATR, which received orders for 7 aircraft (3 in Q1 and 4 in Q2); orders for aerostructures for the B767 (Q1), the B777 (Q3) and additional lots for the A380, A321 and Falcon programmes and for engine nacelles (Q1-Q2-Q3).

The **order backlog** at 30 September 2008 came to €mil. 7,920, with a significant portion for the EFA (about 48%), B787 (about 17%) and C27J (about 5%) programmes. It is expected to continue expanding over the medium/long term.

Revenues at 30 September 2008 came to €mil. 1,701, an increase of €mil. 205 (+13.7%) over the €mil. 1,496 achieved at 30 September 2007. The growth was mainly due to civil activities with the increase in production of ATR and aerostructures for the B787 and A380 crafts. Growth in the military segment was more limited, with increased production of EFA and training crafts.

The activities in the military segment mainly regarded:

- aircraft: logistics and continuation of development and production for the second lot of the EFA programme and logistics; production of the C27J aircraft, particularly for the Italian Air Force, for Greece, Bulgaria, Romania and Lithuania and for the U.S. Army (to which, in September 2008, the first aircraft was delivered; the second, which is undergoing testing in Italy, will be delivered in

November 2008); the continuation of upgrades to the Tornado aircraft and the ACOL modification and upgrading of the avionics of the AMX;

- trainers: the production of the M339 aircraft with regard to contracts for upgrading 14 aircrafts for the Italian Air Force and for supplying 8 crafts to the Royal Malaysian Air Force; further development and test flights of the new M346 training aircraft as well as works in preparation for the start of production;
- transformation: production for the B767 tanker program; overhaul and logistical support for the B707 tanker and AWACS aircraft.

Projects for the following customers of the civil segment:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft and of components for fuselages and control surfaces for the B767 and B777 aircraft. With regard to the B787, which underwent a slowdown due to delays in the programme announced by Boeing, during the first nine months 4 fuselage sections and 4 horizontal stabilizers were delivered (at 30 September 2008 a total of 10 fuselages and 8 horizontal stabilizers had been delivered).
- 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, in partnership with EADS-ATR: the production of the ATR 42 and 72 turboprops;
- Dassault Aviation: the fuselage section of the Falcon 2000 Extended Range and the engine nacelles for the Falcon 900EX.

For other customers, work also continued on the assembly and sale of ATR craft by GIE-ATR which delivered 37 aircraft (8 in Q1, 14 in Q2 and 15 in Q3) in the first nine months of the year, as well as on the production of engine nacelles and cargo transformations of the B767, MD10 and MD11 aircraft.

Adjusted EBITA came to €mil. 117 at 30 September 2008, €mil. 5 higher than the €mil. 112 reported at 30 September 2007. **ROS** fell slightly to 6.9%, compared with

7.5% at 30 September 2007 due to the different mix of activities and the depreciation of the US dollar.

Research and development costs for the first nine months of 2008 totalled €mil. 339 (€mil. 393 al 30 September 2007). This result reflects the commitment to programmes being developed: C27J, M346, ATR ASW, UAV, A380, and engine nacelles. Research and development into technologies for innovative aerostructures using composite materials and system integration also continued.

Furthermore, a portion of these costs is related to the development of important military programmes (EFA, JSF, Tornado and Neuron) that have been commissioned by customers.

The **workforce** at 30 September 2008 numbered 13,910, an increase of 609 over the 13,301 employees at 31 December 2007 necessary as a result of higher workloads, mainly by Alenia Aeronautica.

SPACE

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	579	545	163	220	979
Order backlog	1,381	1,286	n.a.	n.a.	1,423
Revenues	671	593	220	216	853
Adjusted EBITA	27	26	12	11	61
R.O.S.	4.0%	4.4%	5.5%	5.1%	7.2%
Research and Development	42	38	13	12	62
Workforce (no.)	3,574	3,339	n.a.	n.a.	3,386

Note that all figures refer to the two joint ventures (Thales Alenia Space S.A.S. and Telespazio Holding S.r.l) consolidated on a proportionate basis at 33% and 67%, respectively.

Finmeccanica S.p.A. 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 S.r.l., which is based in Italy and has its main industrial facilities in Italy, France, Germany and Spain and in which Finmeccanica S.p.A. holds 67% and Thales 33%) and to manufacturing (Thales Alenia Space S.A.S., which is based in France and has its main industrial facilities in France, Italy, Belgium and Spain, in which Finmeccanica S.p.A. holds 33% and Thales 67%).

More specifically, **Telespazio Holding S.r.l.** 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 low earth orbit phased (LEOP) services), earth observation (data, thematic maps, operational services) and navigation and infomobility (Galileo, Egnos 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, satellite navigation, orbital infrastructures and transport systems, and equipment and devices.

From a commercial perspective, during the first nine months of 2008, the group acquired **new orders** in the amount of €mil. 579, up €mil. 34 compared with the same period of 2007 (€mil. 545) due to an increase in orders relating to the In-Orbit Validation (IOV) phase of the Galileo programme and the good performance of the commercial telecommunications satellites segment.

The most significant new orders for the period were:

- in the commercial telecommunications segment: the contracts for the provision of the W3B satellite to Eutelsat and of the Egyptian Nilesat 201 (Q1); the first lot in the provision of 16 low-earth orbit (LEO) satellites for the O3B constellation (Q3) and for the Rascom programme (Q2), and additional lots for the Yahsat programme (Q2) and the provision of 48 low-earth orbit (LEO) satellites for the second-generation Globalstar constellation (Q1); contracts to supply the payloads for the Koreasat 6 satellite (Q2), the Israeli Amos 4 satellite (Q2) and Amos 5 satellite (Q3), and for the Chinese Sinosat satellite (Q3); new orders for value-added TV services (Q1-Q2) and telecommunications satellite services (Q1-Q2-Q3);
- in the military and government telecommunications segment: the first lot of the order by TELEDIFE and the Italian Ministry of Defence relating to the Sicral 2 telecommunications satellite (Q1) and further lots for the Syracuse 3 programme (Q2-Q3);
- in the earth observation segment: the order for the first lot of the Sentinel 3 mission (oceanography and territorial vegetation) relating to the Global Monitoring for Environment and Security (GMES-Kopernikus) programme for

territorial control and security (Q1); new monitoring and territorial management services (Q1-Q2-Q3);

- in the navigation and infomobility segment: increased orders relating to the IOV phase of the Galileo Programme (Q1-Q2);
- in the satellite operations segment: new orders for in-orbit satellite management, particularly for the ESA's Artemis satellite (Q1);
- in the science programmes segment: the first lot for the Exomars Programme (Q1) and the additional lot for the Herschel-Planck Programme (Q2);
- in the equipment and devices segment: new orders for onboard equipment (Q1-Q2-Q3).

The **order backlog** at 30 September 2008 came to €mil. 1,381, a decrease of €mil. 42 from the same figure at 31 December 2007 (€mil. 1,423). The backlog at 30 September 2008 is composed of manufacturing activities (56% satellites and payloads, 14% infrastructures and equipment) for 70% and satellite services for the remaining 30%.

Revenues at 30 September 2008 came to €mil. 671, an increase of €mil. 78 over the corresponding period of the previous year (€mil. 593). due to the higher level of production in both segments, particularly manufacturing. The principle sources of production revenues were the continuation of activities relating to:

- in the commercial telecommunications segment:
    - o the Globalstar, W2A and W7 for Eutelsat, Yahsat, Alphabus, Thor 6, Palapa D, Jason-2 (launched on 20 June from the Vandemberg base in California, with a Delta II rocket), Turksat 3A (launched on 12 June from the Kourou site in French Guiana, with an Ariane 5 ECA launcher), Chinasat 9 (launched on 9 June from the Xichang Space Center in China, with a 3B Long-Range rocket) satellites, and those which are expected to be launched this year (StarOne C2, Ciel 2);
    - o development of the payloads for the AMC-21, Arabsat 4R and 5A/5B satellites, the Express AM33/34 and Express MD 1&2, Loutch 5A/5B, and Kompsat satellites;

- the provision of telecommunications satellite services and the resale of satellite capacity;

- in the civil and governmental telecommunications segment: the 2nd and 3rd generation Meteosat programmes;
- in the military telecommunications segment: the Sicral 1B, Satcom BW and Syracuse III programmes;
- in the earth observation segment: the Cosmo-SkyMed programme (the third of four satellites of the constellation was successfully launched on 24 October from the Vandemberg base, in California, using a Delta II rocket from Boeing), the satellites for the Sentinel 1 and 3 missions as part of the GMES programme, the GOCE satellite (which will be launched in early 2009 from the Plesetsk base in Russia with a Rockot rocket), and the provision of environmental monitoring products and services;
- in the science programmes segment: the Herschel- Plank and Alma programmes;
- in the satellite navigation segment: the IOV phase of the Galileo programme and the Egnos programme;
- in the orbital infrastructure segment: programmes connected with the International Space Station (ATV Programme);
- in the equipment and devices segment: the development of onboard equipment.

Adjusted EBITA at 30 September 2008 came to €mil. 27, slightly above (€mil. 1) the figure posted at 30 September 2007 (€mil. 26), mainly due to higher production volumes excluding lower profitability in certain programmes. As a result of this latter point, **ROS** came to 4.0%, down from the figure reported in September 2007 (4.4%).

Research and development costs at 30 September 2008 came to €mil. 42, an increase of €mil. 4 over the figure posted for the same period of 2007 (€mil. 38).

Activities in this area included the development of:

- systems and solutions for security and emergency management (GMES), for navigation/infomobility services (Galileo) and logistics;

- GIS platforms (Geodatabase) and algorithms and processors for the production of earth observation data (Cosmo);
- platforms for LEO and GEO applications;
- production technologies for band Ka mobile TV and/or broadband applications and for radar (band C/Ku flexible payloads) and optical instrumentation;

The **workforce** at 30 September 2008 came to 3,574, for an increase of 188 employees over the 3,386 at 31 December 2007, due to the inclusion of the Spanish company Aurensis (of which Telespazio acquired control on 1 April 2008) within the scope of consolidation and higher production in both segments.

DEFENCE SYSTEMS

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	740	446	234	180	981
Order backlog	3,979	4,030	n.a.	n.a.	4,099
Revenues	758	719	245	222	1,130
Adjusted EBITA	56	38	14	9	125
R.O.S	7.4%	5.3%	5.7%	4.1%	11.1%
Research and Development	183	149	61	39	241
Workforce (no.)	4,056	4,164	n.a.	n.a.	4,149

Note that the figures relating to the MBDA joint venture are consolidated on a proportionate basis at 25%.

Defence Systems 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 (which, from 1 January 2008, includes the fully consolidated subsidiary Oto Melara North America Inc.) in land, naval and air weapons systems, and WASS S.p.A. in underwater weapons (torpedoes and counter-measures) and sonar systems.

New orders in the first nine months of 2008 came to €mil 740, a significant increase of €mil. 294 over the figure for the same period of 2007 (€mil 446) thanks to the contributions of all segments. The most important new orders for the quarter, in the various segments, include:

- in missile systems: order for the Spada air defence system for the Pakistani Air Force (Q1), the contract from the U.K. Ministry of Defence for through-life support for Seawolf air defence naval systems (Q2); orders from the U.K. Ministry of Defence for the Defence Industrial Strategy programme (Q2) and the additional lot for the provision of missile systems for the FREMM frigates (Q1);

- in land, sea and air weapons systems: orders for six 120 mm for the Centauro from Oman (Q1), a 76/62 SR cannon and PFF shells from France (Q2), two 76/62 SR cannons from Mexico (Q2), further orders for the Italian FREMM programme including the provision of seven 76/62 SR cannons, one 127/64 cannon and 7 Davide kits (Q3), three 76/62 cannons for Morocco (Q3), machine gunner for the Netherlands (Q3) and various logistics orders (Q1-Q2-Q3) including the Indian order (Q1);

- in underwater systems: orders for an additional lot for the FREMM programme (Q1-Q3), 6 counter-measure launch systems for Singapore (Q1), business for faster-than-light (FTL) torpedoes for France (Q2-Q3), launch systems for Schede ships for Morocco (Q2), 4 counter-measure launch systems for India (Q3) and A244 light torpedoes for Indonesia (Q1).

The **order backlog** at 30 September 2008 came to €mil. 3,979 substantially in line with the figure reported at 31 December 2007 (€mil. 4,099), of which 70% related to missile systems.

Revenues at 30 September 2008 came to €mil 758, an increase of 5% compared with 30 September 2007 (€mil. 719), thanks in particular to increased activity recorded in the underwater systems and land, sea and air weapons systems segments.

Revenues were the result of the following activities:

- missile systems: activities relating to the production of MICA air-to-air missiles for Greece and France, of long-range air-to-surface SCALP missiles, of Aster missiles for PAAMS surface-to-air systems; activities relating to the development of the air defence system in connection with the tri-national Medium Extended Air Defense System (MEADS) programme in which the U.S, Germany and Italy participate, as well as customer support activities;

- land, sea and air weapons systems: the production of the PZH 2000 howitzers, medium armoured vehicles (MAV) and business related to the Siccona programme for the Italian Army; the production of Hitfist turrets kits for Poland, 76/62 SR cannons for various foreign customers; development of guided munitions, the production of SampT missile launchers for MBDA Italia and logistics;
- underwater systems: activities relating to the Black Shark heavy torpedo, the MU90 light torpedo and to countermeasures for India.

Adjusted EBITA at 30 September 2008 totalled €mil. 56, an increase of €mil. 18 over the same period of the previous year (€mil. 38), thanks to increased business and improved profitability in underwater systems and the improved profitability of numerous missile systems programmes. As a result, **ROS** amounted to 7.4% at 30 September 2008 compared to 5.3% for the same period of 2007.

Research and development spending at 30 September 2008 came to €mil. 183, a 23% increase over the same period of 2007 (€mil. 149). Some of the key activities included those for the MEADS air-defence programme mentioned above and the continuation of the development of the Meteor air-to-air missile; guided munitions programmes, the SampT missile launcher and the development of the 127/64 LW cannon in the land, sea and air weapons segment; and those relating to the Black Shark heavy torpedo and the upgrading of the A244 light torpedo in the underwater systems segment.

The **workforce** at 30 September 2008 came to 4,056, a decrease of 93 from 31 December 2007 (4,149 employees) due primarily to the industrial restructuring and reorganisation in land, sea and air weapons systems segment.

ENERGY

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	1,937	1,351	874	752	1,801
Order backlog	4,327	3,062	n.a.	n.a.	3,177
Revenues	801	751	289	274	1,049
Adjusted EBITA	62	47	25	16	93
R.O.S	7.7%	6.3%	8.7%	5.8%	8.9%
Research and Development	20	14	8	6	20
Workforce (no.)	3,225	2,929	n.a.	n.a.	2,980

During the first quarter of 2008, as part of a process of growth and development of renewable energy, Ansaldo Energia S.p.A. acquired 78.43% of Ansaldo Fuel Cells S.p.A. (a company specialising in the production of fuel cells), from So.Ge.Pa S.p.A., a company wholly-owned by Finmeccanica.

As a result of this acquisition, the scope of the companies that are directly controlled by Ansaldo Energia S.p.A. includes: Ansaldo Nucleare S.p.A., Ansaldo Ricerche S.p.A., Ansaldo Fuel Cells S.p.A., Asia Power Projects Private Ltd, Energy Service Group GmbH and Ansaldo Thomassen BV.

At the end of the third quarter of 2008, **new orders** totalled €mil. 1,937, up 43%, from the same period of the previous year (€mil. 1,351).

The most significant new orders for the period were:

- in the New Unit segment*:*

- Congo: supply of two V94.2 turbo groups (Q1);
- Chile: a steam turbo group for the Nueva Ventanas site (Q1), two steam turbo groups for the Angamos site (Q1);
- Hungary: a V94.3A steam turbo group for Dunamenti (Q2);
- Russia: four V64.3A steam turbo groups for the Pervomaiskaya plant (Q2);
- Israel: a steam turbo group for Tzafit (Q2);
- Italy: an 800 MW combined-cycle plant at Turano (Q2), a 400 MW combined-cycle plant at San Severo (Q3);
- Greece: a V94.3A steam turbo group for the Thisvi site (Q3);
- Belgium: a V94.3A4 steam turbo group for the Marcinelle site (Q3);
- France: a 400 MW combined-cycle plant at Bayet (Q3);

- in the services segment: acquisition of the spare parts contract for the Dunamenti site in Hungary (Q1), the solution contract (changes to parts of the turbine) with Enel for the Brindisi site (Q1), and acquisition of the long-term service agreements (LTSA) for the Turano (Q2), Bayet (Q3) and San Severo (Q3) sites.

- in the nuclear segment: with regard to plants, the new order from China as a result of the agreement reached with Westinghouse at the end of 2007 (Q1), new engineering contracts for the completion of the Mohovce plant in Slovakia (Q2-Q3); with regard to service, assistance contracts for the Superphoenix reactor for the Creyes Malville plant (Q2-Q3) and for the Embalse plant in Argentina (Q3).

The **order backlog** at 30 September 2008 came to €mil. 4,327, compared with €mil. 3,177 at 31 December 2007.
The composition of the backlog at 30 September 2008 has remained fairly stable since 31 December 2007 and is attributable for 56% to plant and manufacturing-related activities, 43% to service activities (largely constituted of scheduled maintenance contracts), and the remaining 1% to nuclear work processes.

Revenues at 30 September 2008 amounted to €mil. 801, a 7% increase over the same period of the previous year (€mil. 751). The growth in production volumes was due to work on orders for plants (specifically the orders for Larbaa, Batna, M’Sila and the Naples Levante orders).

Adjusted EBITA during the third quarter of 2008 came to €mil. 62, compared with €mil 47 at 30 September 2007. The €mil. 15 increase is due to the higher production volumes and industrial productivity of several plant orders.

R.O.S. at 30 September 2008 came to 7.7%, an improvement of 1.4 percentage points over the third quarter of 2007 (6.3%).

Research and development costs for the third quarter of 2008 came to €mil. 20, up €mil 6 from 30 September 2007 (€mil. 14). Research and development mainly included large-size gas and steam turbine development projects and continued development of the new air-cooled generator model.

The **workface** at 30 September 2008 came to 3,225, compared with 2,980 at 31 December 2007. The increase of 245 was due to normal turnover and the entry of 56 employees as a result of the acquisition of Ansaldo Fuel Cells S.p.A.

TRANSPORTATION

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	922	1,329	358	734	1,786
Order backlog	4,754	4,928	n.a.	n.a.	5,108
Revenues	1,227	1,054	414	329	1,356
Adjusted EBITA	79	24	29	7	(110)
R.O.S	6.4%	2.3%	7.0%	2.1%	(8.1%)
Research and Development	35	36	9	9	47
Workforce (no.)	6,815	6,924	n.a.	n.a.	6,669

The transportation division includes the Ansaldo STS group (Systems and Signalling) and AnsaldoBreda S.p.A. and its subsidiaries (Vehicles).

New orders at 30 September 2008 came to €mil. 922, a decrease of €mil. 407 from 30 September 2007 (€mil. 1,329), due to fewer new orders in the Signalling and Systems division as a result of a decline in Systems which benefited during the corresponding period of the previous year from a significant order relating to the Naples Line 6 metro project. New orders for the period include:

- Signalling and Systems:
  - Signalling: the order for onboard equipment from the French railway agency; the contract from Tunisia for the provision of signalling systems and command and control systems for the railway network in the Banlieue sud de Tunis area (Q1); the order for the Level 2 onboard and wayside European Rail Traffic Management System (ERTMS) signalling systems for the Zhengzhou-Xi'an high-speed line in China (Q2); the contract to supply ERTMS railway signalling systems in Sweden (Q2); the order from Trenitalia for the 6th

implementing contract for onboard SCMT equipment (Q2); two contracts for the extension of line 2 of the Shanghai metro (Q2); the contract for the Sao Paulo Lines 7 and 12 metro in Brazil (Q3); the order to design, supply and install a new signalling system along the tracks for the South Yonge area of the Yonge-University-Spadina (YUS) line of the Toronto metro (Q3); orders under the agreement signed with Australian Rail Track Corporation (ARTC) in Australia and various orders for components;
    - Systems: orders regarding the Rome Line C metro (Q1-Q2); the order for the new railway line connecting Ipoh to Padang Besar in northern Malaysia (Q3) and changes to the Alifana programme (Q1-Q3);
- Vehicles: the Sirio tram for the city of Samsun in Turkey (Q3) and service orders.

At 30 September 2008 the **order backlog** came to €mil. 4,754, down €mil. 354 from 31 December 2007 (€mil. 5,108). The order backlog at 30 September 2008 breaks down as follows: 62% for Systems and Signalling and 38% for Vehicles.

Revenues at 30 September 2008 were equal to €mil. 1,227, up €mil. 173 compared to the same period of 2007 (€mil. 1,054), due to increased activity in Signalling and Systems in both areas and in Vehicles, primarily relating to regional service trains for Ferrovie Nord Milano, the Milan metro and the Circumvesuviana. Noteworthy orders in the Transportation division include:

- Signalling and Systems:
    - Signalling: high-speed train orders for the Milan-Bologna line and for the automated train control systems (SCMT) orders, both wayside and on-board, for Italy; orders under the agreement signed with the Australian Rail Track Corporation (ARTC) and with the Fortescue Metals Group in Australia; the Cambrian Line in the U.K.; the order for the Shitai line in China; the order for the Union Pacific Railroad project; the order for the Ghaziabad-Kanpur line in India and orders for components;
    - Systems: the metro systems of Copenhagen, Genoa, Rome Line C, Naples Line 6 and Brescia; the Alifana regional line; and high-speed rail orders in Italy;

- Vehicles: trains for regional service for Ferrovie Nord Milano; trains for the Dutch and Belgian railways; the Circumvesuviana; trains for the Milan and Madrid metros; high-volume passenger trains for Morocco; trams for the city of Los Angeles; trains for the Danish railways; E403 locomotives for Trenitalia; various Sirio orders; and service activities.

Adjusted EBITA at 30 September 2008 came to €mil. 79, an improvement of €mil. 55 compared to the same period of 2007 (€mil. 24), due mainly to increased industrial profitability in the Vehicles division which, despite profitability being slightly negative, represented a considerable improvement over the same period of 2007. There was also marked improvement in the Signalling and Systems division essentially due to the increase in production volumes. **ROS** for the sector rose as a result, reaching 6.4% compared with 2.3% for the same period of 2007.

Research and development costs at 30 September 2008 were equal to €mil. 35, down €mil. 1 from the figure reported at 30 September 2007 (€mil. 36). Activities mainly involved the Signalling and Systems division, particularly Signalling, including:

- railway signalling market: projects related to systems based on European standards for traffic management, aimed at guaranteeing the interoperability of lines (ERTMS - European Rail Traffic Management System);
- mass transit market: a project related to the development of a CBTC (Communications Based Train Control) system, based on radio communications system for metro-type applications.

The **workforce** at 30 September 2008 stood at 6,815, representing an increase of 146 compared to 31 December 2007 (6,669), mainly attributable to the increase in Vehicles division employees due to the plan for optimising and developing human resources.

OTHER ACTIVITIES

€ millions	30.09.2008	30.09.2007	3rd Q 2008	3rd Q 2007	31.12.2007
New orders	73	453	32	37	557
Order backlog	421	665	n.a	n.a.	597
Revenues	280	214	107	79	345
Adjusted EBITA	(113)	(70)	(43)	(7)	(168)
R.O.S	n.s.	n.s.	n.s.	n.s.	n.s.
Research and Development	3	4	1	1	6
Workforce (no.)	1,062	1,111	n.a	n.a.	1,118

The division includes: the Elsacom N.V. group, which manages satellite telephony services; Finmeccanica Group Services S.p.A., the Group service management company; Finmeccanica Finance S.A. and Aeromeccanica S.A., which provide financial support to the Group; and So.Ge.Pa. - Società Generale di Partecipazioni S.p.A., which is responsible for centrally managing the pre-winding-up/winding-up and rationalization processes of companies falling outside the business sectors through transfer/repositioning transactions.

The division also includes the Fata S.p.A. group which operates in the area of plants for processing aluminium and steel flat rolled products and engineering design in the electricity generation area for engineering, procurement and construction (EPC) activities.

With regard to Fata S.p.A., from a commercial standpoint, the company received **new orders** totalling €mil. 45 at 30 September 2008, down €mil. 381 from the same period of 2007 (€mil. 426). This decline is traceable to the receipt of the order for the Qatar plan in the first half of 2007.

Among the most important acquisitions in the third quarter of 2008 were the Zargan project (Iran) involving preparations for the construction of large-scale plants in partnership with Ansaldo Energia for an advance of €mil. 8 (Q1) (Power line). There were several changes to the Qatalum (Qatar) contract for the Smelter line. For the Hunter line, there were two orders from Baosteel (China) (Q2) and Tianjin Tiantie (Q3) for a steel processing line worth €mil 7 and €mil. 9, respectively.

Revenues at 30 September 2008 came to €mil. 206, up €mil. 88 over the same period of the previous year (€mil. 118), mainly due to increased production on the Smelter line. Progress was made in the third quarter of 2008 on the Hormozal, Hormozal Phase 2 and Qatalum contracts (Smelter line), on the Chinese, Korean and Romanian contracts (Hunter line) and on the Moncalieri order (Power line).

In addition to the growth in production volumes, logistics activities carried out by Fata Logistic Systems S.p.A. primarily for Finmeccanica Group companies contributed to these results. Its **workforce** at 30 September 2008 totalled 275 employees.

The division also includes BredaMenarinibus S.p.A., which manufactures urban and interurban buses and offers related services. At 30 September 2008, BredaMenarinibus S.p.A. acquired **new orders** amounting to €mil. 29, in line with the same period of 2007. Of these orders, €mil. 18 related to the bus business segment corresponding to 79 units (-11% compared with the same period of 2007), and €mil. 11 related to post-sales services (+28% compared with the same period of 2007). **Revenues** at 30 September 2008 came to €mil. 32, down €mil. 23 compared with 30 September 2007 (€mil. 55), attributable largely to the decline in the bus business segment. Of these revenues, 67% was due to the bus business segment and 33% to post-sales services. The **workforce** at 30 September 2008 came to 295.

This division’s figures also include those of Finmeccanica S.p.A., 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, which is not yet complete, received a boost during the preceding fiscal year with a commitment from management to press on with a series of actions concerning industrial, technological and commercial integration. The Group will then be able to benefit from an additional impetus in improving its own productivity through processes to increase efficiency and rationalization.

The efficiency of policy and coordination activities in the Parent Company was further strengthened in its goal of reaching the above-cited objectives over the medium term with a broad-based management-by-objectives (MBO) policy, which involved top management and key resources from all Group companies. The correct application and monitoring of the promotion of these objectives will represent one of the principal ways of achieving its goals.

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

Industrial transactions

In the ***Helicopters*** division, on 16 May 2008, **AgustaWestland** and the Russian company **Oboronprom Corporation,** based on a Letter of Intent signed in 2007 to promote cooperation between the two companies, announced the beginning of a long-term, large-scale collaboration in the civil helicopter field. The collaboration consists of a distribution agreement for a series of helicopters (such as the AW119Ke, AW109 Power, the Grand and the AW139) for a variety of applications (i.e., VIP Corporate, medical transport, support for energy and oil operations) in Russia and CIS countries, and the joint establishment by AgustaWestland and Oboronprom Corporation of a network of maintenance centres for AgustaWestland helicopters in Russia, for both the domestic and international markets. The parties also plan to collaborate in the joint production of AgustaWestland civil helicopters in Russia. Therefore, on 6 November 2008, AgustaWestland and Oboronprom Corporation signed an agreement to form a 50/50 joint venture (subject to the approval of the Russian government) to set up an assembly line for the AW139 civil helicopter in Russia.

In the ***Defence Electronics and Security*** division, on 30 November 2007, **Finmeccanica** acquired on the market a 28.2% stake in **Vega Group Plc** (Vega), a UK firm listed on the London Stock Exchange and active in the defence, aerospace, and government services sectors, following the announcement on 29 November 2007 of a public tender offer (PTO) for the cash acquisition of Vega. On 16 January 2008, given that a level of participation of 65.1% in Vega capital had been reached, which, together with the shares purchased previously, brought Finmeccanica’s total share to 93.3%, the tender offer was deemed to be irrevocable, and payment of the purchase price was made. Furthermore, given that the level required by law had been reached and in accordance with the tender document, Finmeccanica began the process of delisting the shares from the London Stock Exchange, as well as the squeeze-out of the remaining shares not acquired as part of the buyout. Vega’s shares were taken off of the London Stock Exchange on 13 February 2008, and the squeeze-out was completed in March 2008.

Starting 1 January 2008, Selex Sensors and Airborne Systems S.p.A., Galileo Avionica S.p.A. and Selex Sensors and Airborne Systems Ltd began operating under the name **Selex Galileo** to offer products, benefiting from the combined reputations of the two companies, in the fields of sensors, electro-optics, electronic warfare and tactical Unmanned Aerial Vehicles. This new name will allow the companies to present themselves as leaders in integrated solutions for airborne sensors, surveillance and protection systems, radar and imaging.

On 17 March 2008, with regard to **postal automation**, **Poste Italiane** and **Egypt Post** signed an agreement for the technological development and expansion of the Egyptian postal service with **Elsag Datamat** chosen to act as the project's technological partner. The goal is to provide solutions to improve the postal service's organisation, automation and the distribution of correspondence and deliveries, security systems, applications for the peripheral network of Egyptian post offices, ICT innovation and training of personnel.

On 27 April 2008, **Selex Communications** completed the purchase of 18% of **Sirio Panel,** a company that designs and produces cockpits and panels for aeronautic platforms, to add to its existing 75% stake. The agreement gives Selex Communications the option of purchasing the remaining 7% starting from 2011.

On 12 May 2008, the Board of Directors of **Finmeccanica** decided to enter the shareholding of **Eurotech**, an Italian company listed on the Milan Stock Exchange and a leader in research, development, production and sale of miniaturised computers and high performance computing computers. Finmeccanica purchased an 11.1% stake (3,936,461 shares) from a number of the company's founders at a price of €4.60 per share. The purchase agreement was signed on 26 May 2008, along with a shareholders' agreement with the management of Eurotech (which hold around 10.7% of the share capital of the company) and the transaction completed on 5 November

2008. The entrance into the share capital reinforces the strategic partnership initiated in July 2006 through an agreement for commercial and scientific cooperation.

On 12 May 2008, **Finmeccanica** and **DRS Technologies (DRS)**, a U.S. company listed on the New York Stock Exchange and a leader in the integrated Defence Electronics products and services industry, signed an agreement for the cash purchase of 100% of DRS for US$81 per share. The acquisition, completed on 22 October 2008, was carried out using a reverse triangular merger, whereby DRS was merged with a U.S. special-purpose entity formed by Finmeccanica. As a result of this merger, DRS's shareholders received a payment of US$81 per share and the US company was delisted from the New York Stock Exchange (NYSE). Finmeccanica, as part of the transaction, also formed another U.S. company named Meccanica Holdings USA Inc. which became owner of the entire share capital of DRS following the merger. To complete the transaction, the Group paid out roughly US$bil. 3.6 in purchase price and transaction costs, and assumed DRS's financial debt (roughly US$bil. 1.6). DRS will operate in accordance with agreements with the U.S. Department of Defense designed to regulate the influence and control over DRS by a non-U.S. company.
This transaction will permit Finmeccanica to consolidate its role as the international leader in integrated Defence and Security systems and to achieve the top position in the US market in this area, too. It also provides DRS with new, significant growth prospects in the US and abroad.
The financial structure of the operation is described in more detail in the next section.

With regard to the ***Aeronautics*** division, on 29 February 2008, **Finmeccanica** presented its "**Progetto Corso Marche**". This initiative provides for the transfer of **Alenia Aeronautica**'s project design activities from Corso Marche to Turin Caselle (the production, integration, engineering and flight test site), as well as the future redevelopment and upgrading of the empty site.

Additionally, on 27 March 2008, **Alenia Aermacchi**, a leader in the military trainer aircraft market, and **ENAER** (Empresa Nacional de Aeronautica de Chile) signed a Memorandum of Understanding that sets out the terms of partnership for programmes relating to the M-346 (advanced new-generation trainer) and M-311 (basic-advanced trainer) aircraft. The agreement provides for the joint manufacture and sale of M-346 and M-311 aircraft in Latin America to effectively meet the diverse needs of the region's Air Forces for basic, advance and Lead-In-Fighter training and in the operational role of Close Air Support.

On 7 April 2008, L–3 Communications Integrated Systems sold to **Alenia North America** a stake equal to 1% of the 50/50 joint venture Global Military Aircraft Systems (GMAS), created in 2005 and active in the Joint Cargo Aircraft (JCA) programme for the U.S. Army and Air Force through the provision of the C27J tactical transport aircraft. As a result of this sale, Alenia North America now holds a 51% stake in the joint venture.

On 20 October 2008, **Finmeccanica** and **Mubadala Development Company** (Mubadala), an Abu Dhabi-based investment and business development company, announced the signing of an agreement for a hi-tech industrial partnership. Finmeccanica and Mubadala will work together to manufacture composite components for civil aircrafts at the new Abu Dhabi plant. Alenia Aeronautica will provide technology, technical assistance and specialised training and will transfer composite aerostructure manufacturing business to the new plant. Alenia Aeronautica will also provide support to develop the manufacturing processes needed to obtain international industrial certifications. Activities will begin this year and are expected to reach full capacity by 2011.

On 6 November 2008, **Finmeccanica** and **Russian Technologies State Corporation** signed a partnership agreement in the carbon fibre components business.

In the ***Space*** division, on 2 April 2008, **Telespazio** (67% Finmeccanica; 33% Thales) acquired 100% of the Spanish company **Aurensis**, which specialises in technologies for territorial applications and satellite and aerial Earth observation services. With this acquisition, Telespazio continues its international expansion and consolidation of its position as European leader in the Earth observation sector.

On 16 July 2008, **E-GEOS**, a joint venture set up by the **Italian Space Agency** (ASI) and **Telespazio**, began internationally marketing products from its earth observation satellite system COSMO-SkyMed. The company aims to become a global leader in the geospatial information sector, with an integrated range of application solutions, content and services, based on synthetic aperture radar (SAR) and very high resolution (VHR) optical data.

On 31 July 2008, **Telespazio** signed the agreement to purchase 100% of the Italian company **ISAF**, specializing in the geographical technologies information systems sector. ISAF participates in a consortium of companies that was awarded the contract tendered by Agenzia per le Erogazioni in Agricoltura (AGEA) for the development and management of the national agriculture information system.

On 27 August 2008, **Telespazio** acquired an approximately 40% stake in **Novacom Services**, a French company owned 60.27% by Collecte Localisation Satellites (CLS) which develops, manages, consults on, distributes and sells long-distance messaging and localisation services and products using satellite and ground-based systems.

More generally, in terms of leveraging its civil activities, on 17 March 2008, **AnsaldoBreda** and **Bombardier Transportation** signed an agreement to jointly develop, market and manufacture a new high-speed train capable of reaching speeds of over 300 km/h, which overcomes existing concepts and takes into account important aspects such as efficiency, safety, enhanced seating capacity and compliance with the latest European interoperability standards. The parties signed the final partnership agreements on 16 September 2008.

On 20 June 2008, the Board of Directors of **Ansaldo STS** approved the merger of the subsidiaries **Ansaldo Trasporti – Sistemi Ferroviari S.p.A.** and **Ansaldo Segnalamento Ferroviario S.p.A.** into Ansaldo STS. This decision represents a further step in the rationalisation and simplification of Ansaldo STS launched at the end of 2007, which also includes the dissolution of the Dutch sub-holding company **Ansaldo Signal N.V.**, as a result of which some of the foreign operating companies, such as **Ansaldo STS France** and the U.S. company **Union Switch & Signal**, will be directly controlled by the group parent.

On 6 November 2008, **Finmeccanica** and the **Russian Railways** (RZD) signed a partnership agreement in the railway sector for a multi-year programme. The agreement calls for the installation of equipment and signalling systems for the control and safety of rail traffic. It also provides for the use of satellite remote sensing systems, TETRA telecommunications systems and the use of Internet on board trains.

On 27 February 2008, **Ansaldo Fuel Cells** and **Enel** signed a partnership agreement to develop, build and test a molten carbonate fuel cells generation plant. The agreement marks the start of an important collaboration in the development of such technology.

Financial transactions

<u>Financing for acquisition of DRS</u>

The acquisition was financed through Senior Term Loan Facilities, totalling €3,200,000,000, obtained by Finmeccanica from four banks serving as bookrunners (Goldman Sachs Int'l, Intesa SanPaolo S.p.A, Mediobanca-Banca di Credito Finanziario S.p.A and Unicredit Group through Bayerische Hypo-Und VereinsBank AG).

The transaction is divided into three tranches (A, B and C):

- tranche A: €1,000,000,000 with a maturity of 364 days and a spread of the 0.70 percentage points per year on the applicable Euribor;
- tranche B: €1,500,000,000 and an initial maturity of 364 days, renewable at Finmeccanica's discretion for a further 364 days and with a spread of 0.70 percentage points (plus an extension fee of 0.15 points);
- tranche C: €700,000,000 with a maximum maturity of three years and a spread of 0.85 percentage points per year.

The term of maturity of each tranche starts from the date of signing of the agreement. The spreads are subject to adjustment in the event Finmeccanica's current debt rating improves or worsens.

The agreement includes the usual terms found in syndicated loans offered on the European market and found in previous Finmeccanica contracts (e.g., representations, warranties, undertakings, negative pledge, events of default, etc.), as well as several special clauses described below.

Due to its nature as bridge financing, the agreement contains a clause under which the proceeds from the Finmeccanica capital increase, the divestment of non-strategic assets, IPOs of Group companies, and assumptions of new debt, including bond issues, must be used to repay the Senior Term Loan until the amount outstanding falls below 20% of the initial loan amount.

The agreement requires that an initial repayment of €mil. 800 be made by 31 March 2009 out of the proceeds from the Finmeccanica capital increase and the divestment of assets.

The agreement also contains financial covenants under which the debtor, during the life of the loan, must comply with the following ratios:

Net debt// EBITDA < = 3

EBITDA/Net interest = > 5

These indicators will be checked annually based on the Group's consolidated accounts.

Finally, the agreement provides that the Group may make new strategic investments funded through debt in addition to ordinary investments up to a total amount of about €mil. 1,000 spread over the life of the loan. This restriction does not apply to listed Group companies nor to the joint ventures Thales Alenia Space and MBDA.

These restrictions (mandatory prepayment, financial covenants and limit on strategic investments) will cease to apply once the amount of the Senior Term Loan falls below the threshold of 20% of the initial loan amount provided that, at that time, the expected

Finmeccanica capital increase has been performed and Finmeccanica has been able to maintain its investment grade rating.

Over the life of the loan, all the borrowing and guarantee activities relating to the Group's ordinary business will continue to be carried out using existing lines of credit.

Projections that the Group's total net debt will increase as a result of the acquisition of DRS and the related operations have prompted the ratings agencies S&P and Moody's to place Finmeccanica on a negative credit watch, although Fitch has not done so. The credit watch should be lifted once the aforementioned debt reduction measures have been successfully completed.

The loan was syndicated among domestic and international banks, which were invited to lend amounts equal to €mil. 250, €mil. 150 and €mil. 75 based on the role assigned, divided proportionally into three tranches. The syndication process was successfully completed on July 14. A wide spectrum of domestic and foreign banks took part for a total subscription of about €mil. 7,000, which was much higher than the transaction amount. As a result, average allotments were reduced by more than 50%.

The loan was entirely unused at 30 September 2008. The first disbursement was made at the closing of the purchase of DRS on 22 October 2008 for a total of roughly €bil. 3 which, in the dollar equivalent, allowed the Company to pay the full purchase price agreed and the transaction costs, in addition to refinance a portion of DRS's debt.

In connection with the DRS acquisition, Finmeccanica hedged the exchange rate risk associated with the fact that the acquisition cost was denominated in US dollars. On 30 September 2008, hedging transactions totalling US$bil. 3.5 (at an approximate average exchange rate of 1.54 dollars to the euro, equal to roughly €bil. 2.3) were carried out.

As described above, to repay the Senior Term Loan Facilities, the Company plans to use the proceeds from the capital increase, the divestment of non-strategic assets, any IPOs of Group companies, and assumptions of new medium/long-term debt.

Therefore, the following information on recent events concerning the capital increase is provided.

Capital increase

At the date of this report, the Company is in the process of carrying out the capital increase authorised by the Board of Directors on 15 October 2008. The Board has determined the final terms and conditions of the capital increase by way of rights offered to Finmeccanica shareholders, pursuant to the decisions taken by it on 8 September 2008 and executing the mandate conferred to it by the Extraordinary Shareholders' Meeting of 1 August 2008. On 15 October, CONSOB authorised the publication (which occurred on the following day) of the prospectus relating to the rights offering and to the listing of the ordinary shares resulting from the capital increase. The prospectus, which contains information deemed material for disclosure purposes pursuant to Art. 71 of the Issuers' Regulation, was published pursuant to current legislation and was made available for public consultation at the Company's registered office, at the offices of Borsa Italiana S.p.A. and on the Company's website.
The capital increase, consisting of an issuance of 152,921,430 ordinary shares with a nominal value of €4.40 per share, with full dividend rights and the same characteristics as current outstanding shares, are offered by way of rights to Finmeccanica shareholders at a ratio of 9 ordinary shares for every 25 shares held, and envisions an issue price for each newly issued ordinary share of €8.00, including a share premium of €3.60 per share. On 7 November 2008, the option period, which began on 20 October, ended with the exercise of 417,369,675 option rights, corresponding to 150,253,083 shares, or 98.26% of the shares offered, for a total value received of €1,202,024,664. In line with the provisions of Art. 59 of Decree-law 112/08, the Italian Ministry for the Economy and Finance subscribed 31,249,998 ordinary new shares of the Company, for a total of roughly €mil. 250, by partially exercising its option rights. Therefore, upon completion of the transaction, the Ministry will hold roughly 30.2% of the share capital of Finmeccanica. Before the end of the month following the conclusion of the rights offering, Finmeccanica will offer on the stock market any residual rights not exercised, pursuant to Art. 2441, paragraph 3 of the

Italian Civil Code. Pursuant to the underwriting contract signed on 15 October 2008, the share not optioned at the end of the this period will be subscribed by a consortium of banks composed of Goldman Sachs and Mediobanca, as Joint Global Coordinators and Bookrunners, Banca IMI, BNP Paribas, Credit Suisse, Deutsche Bank, Morgan Stanley and UniCredit Group, as Joint Bookrunners, and BBVA, Euromobiliare, Nomura International and Société Genéralé, as Co-Managers. The rights and the new shares have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

Upon completion of the transaction, the total value of the issue, including the share premium, will be equal to €1,223,371,440.

Other financial transactions

During the period, Finmeccanica did not carry out new bond issues. As a result, there was no substantial change in the structure of medium to long-term debt, particularly with regard to bonds, which stood at around €mil. 1,792. The average term of maturity is approximately 8 years.

Below is a list of bonds outstanding at 30 September 2008, including the transactions placed on the market by Finmeccanica S.p.A. and by Finmeccanica Finance S.A.:

Issuer		**Year of issue**	**Maturity**	**Nominal Amount (€mil)**	**Annual coupon**	**Type of offer**	**IAS recog. amts €mil. (5)**
Finmeccanica Finance S.A.	(1)	2002	30-Dec-08	297	Floating	Italian retail	300
Finmeccanica Finance S.A.	(2)	2003	8-Aug-10	501	0.375%	European institutional	465
Finmeccanica Finance S.A.	(3)	2003	12-Dec-18	500	5.75%	European institutional	519
Finmeccanica S.p.A.	(4)	2005	24-Mar-25	500	4.875%	European institutional	508

(1) Bonds exclusively offered to the public in Italy and listed on the TLX market, which is managed by Trading Lab Banca S.p.A. - Unicredito Italiano Group. Issued as part of the Euro Medium

Term Notes (EMTN) programmes for a maximum €bil. 2.5, the bonds are governed by a specific Italian regulation. Transaction authorised pursuant to Article 129 of Legislative Decree 385/93. Prospectus filed with CONSOB on 4 December 2002 (authorisation notified with note no. 2079342/3.12.02);

(2) Exchangeable bonds with a maximum number of 20,000,000 shares in STMicroelectronics N.V. (STM) at a conversion price of €25.07 per share. Starting from the third anniversary of the issue, Finmeccanica Finance can ask for the loan to be converted if the average price recorded during the 30 working days prior to the date of notice to bond-holders exceeds 125% of the conversion price. At the maturity date Finmeccanica Finance can repay in cash or, upon prior notice to be given with at least 15 working days, through a combination of STM shares valued at the average prices recorded in the prior 5 working days. Transaction authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds are listed on the Luxembourg Stock Exchange.

(3) Bonds issued as part of the EMTN programmes for a maximum of €bil. 2.5 The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of the loan. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange.

Rate derivative transactions were made on these bonds and led to benefit 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 5.8%.

(4) Bonds issued as part of the EMTN programmes for a maximum of €bil. 2.5 The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange. Some rate transactions were made to optimise collection costs.

(5) The difference between the face value of bonds and book value is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt. Furthermore, as regards the issue of exchangeable bonds in (2) above, IAS 39 provides for the separation of the financial debt component and the call option sold. The debt component is measured by applying the market interest rate at the issue date in place of the nominal interest rate, while the option component, excluded from the financial position, is subject to periodic measurement at fair value. At 30 September 2008, this valuation method led to posting a debt €mil. 36 less than the face value of the bond. This differential will gradually come down as the maturity date draws near.

All the bond issues of Finmeccanica Finance S.A. are irrevocably and unconditionally secured by Finmeccanica S.p.A.

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

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

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

All Finmeccanica S.p.A. and Finmeccanica Finance S.A. bonds were given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service, Standard and Poor's and Fitch. More specifically, at the reporting date these credit ratings were A3 (Moody's) and BBB (Fitch and Standard and Poor's). As previously explained, Moody's and S&P placed Finmeccanica on a negative credit watch following the announcement of the acquisition of DRS, although Fitch did not take analogous steps. The credit watch could be lifted upon the successful conclusion of the debt reduction measures described above.

Finally, we note that in July 2008 there was the extension for a further twelve months of the EMTN programme for new bond issues amounting to €bil. 2.5.

Other operations

As already described in the 2007 financial statements, on 16 January 2008 the Shareholders' Meeting of **Finmeccanica** S.p.A approved the share buy back programme proposed by the Board of Directors on 21 November 2007 up to a maximum of about 8% of the share capital of the Company (a maximum of 34 million ordinary shares) with the goal of using them for industrial projects or extraordinary financial operations, if any.

On 28 February 2008, in order to initiate the programme and to complete it within the appropriate time frame, Finmeccanica's Board of Directors, exercising the mandate granted by the Shareholders' Meeting, confirmed the powers granted to the Chairman and Chief Executive Officer for the execution of the Shareholders' resolution.

Since the start of the programme through 30 September 2008, Finmeccanica has arranged to acquire a total of 1,225,000 ordinary shares (equal to roughly 0.288% of the share capital, for an overall value of €21,446,357.50), and holds a total of 1,568,777 treasury shares, equal to approximately 0.369% of the share capital. On 1 October 2008, the number of treasury shares came to 447,209 upon the delivery of the final tranche of shares provided by the Stock Grant Plan 2005-2007 to Group employees and consultants.

The daily volume of shares purchased did not exceed 20% of the average daily volume of Finmeccanica shares traded on the market.

Along with signing the agreement to purchase DRS Technologies, Finmeccanica's Board of Directors suspended the resolution authorising the buy back programme, except for shares purchased to service the Group's employee incentive plans.

Moreover, on 26 February 2008, Finmeccanica**,** Cassa Depositi e Prestiti and FT1CI (a company owned by Areva), as shareholders of STMicroelectronics Holding NV (STH), the Dutch company which owns 27.54% of the share capital of **STMicroelectronics NV** (STM), signed an agreement amending the existing shareholders' agreement concerning the joint Italian-French governance of STH.
Under the agreement, the Italian and French parties agreed to rebalance their respective stakes in STM, indirectly held through STH. Specifically, Finmeccanica, as shareholder of STH, agreed to sell to FT1CI the equivalent of 26,034,141 shares of

STM at the price of €10 per share, plus an earn-out equal to 40% of any positive price differential of STM stock between the base price of €10 and the average market price calculated over a three-month period starting nine months from the date of signing of the agreement, up to €4 per share. Upon completion of the operation, Finmeccanica received approximately €mil. 260.

Additionally, the agreement establishes that the Italian and French parties will continue to share governance of STH equally subject to certain conditions.

Outlook

Performance in the first nine months of 2008 improved with respect to that in the same period of the previous year, in line with the forecasts made at that time. In the light of developments to date, there would appear to be no circumstances that would alter the forecasts made during the preparation of the 2007 annual report.

The size of the orders backlog at 30 September 2008, defined based on its workability, is such as to guarantee 92% coverage of expected production for the current year, thus making it likely that the financial targets set will be reached.

As a result, during 2008 Finmeccanica maintains its forecasts, already developed and communicated, for overall growth in Group revenues of between 6% and 11% with an increase in Adjusted EBITA of between 12% and 19% over 2007.

We also expect Group Free Operating Cash Flow (FOCF) to generate cash surpluses relatively comparable to the levels achieved in 2007, given the significant investments in the development of products necessary to sustain growth that, as in 2007, will focus especially on the Aeronautics, Helicopters and Defence Electronics and Security divisions.

Analysis of the balance sheet and income statement at 30 September 2008

Income Statement

(€mil.)	Section	For the nine months ended 30 September 2008	2007		For the three months ended 30 September 2008	2007	
Revenue		8,753	8,339		2,956	2,765	
Revenues from related parties	30	935	778		305	282	
Purchase and personnel costs	9	(8,689)	(8,251)	(*)	(2,906)	(2,748)	(*)
Costs from related parties	30	(66)	(56)		(35)	(18)	
Amortisation, depreciation and impairment	10	(343)	(345)		(123)	(114)	
Other operating income (costs)	11	(29)	42		(11)	13	
		561	**507**		**186**	**180**	
Finance income (costs)	12	(20)	(54)	(*)	(31)	3	(*)
Finance income (costs) from related parties	30	(19)	(13)		(7)	(5)	
Share of profit (loss) of equity accounted investments		14	9		4	1	
Profit before taxes and the effect of discontinued operations		**536**	**449**		**152**	**179**	
Income taxes	13	(140)	(155)		(52)	(62)	
Net profit		**396**	**294**		**100**	**117**	
. equity holders of the Company		*365*	*269*		*88*	*110*	
. minority interests		*31*	*25*		*12*	*7*	
Earnings per share	29						
Basic		*0.861*	*0.634*		*0.208*	*0.260*	
Diluted		*0.859*	*0.633*		*0.207*	*0.260*	
Earnings per share net of discontinued operations	29						
Basic		*0.861*	*0.634*		*0.208*	*0.260*	
Diluted		*0.859*	*0.633*		*0.207*	*0.260*	

(*) Items changed due to the retrospective change in the treatment of defined-benefit plans and the severance pay provision (Section 4).

Balance Sheet

(€mil.)	*Section*	***30.09.08***	***31.12.07***
Non-current assets			
Intangible assets	*14*	5,406	5,266
Property, plant and equipment	*15*	2,951	2,855
Financial assets at fair value	*17*	237	589
Non-current receivables from related parties	*30*	15	11
Deferred taxes		458	450
Other non-current assets	*18*	840	674
		9.907	**9,845**
Current assets			
Inventories		4,092	3,383
Current receivables from related parties	*30*	576	486
Trade receivables	*19*	7,996	7,095
Financial receivables		511	586
Derivatives	*20*	132	162
Other current assets	*21*	912	884
Cash and cash equivalents		412	1,607
		14,631	**14,203**
Total assets		**24,538**	**24,048**
Shareholders' equity			
Share capital	*22*	1,843	1,864
Other reserves	*22*	3,425	3,465
Capital and reserves attributable to equity holders of the Company		**5,268**	**5,329**
Minority interests in equity	*22*	129	103
Total shareholders' equity		**5,397**	**5,432**
Non-current liabilities			
Borrowings	*25*	1,671	1,675
Employee liabilities	*23*	940	946
Provisions for risks and charges	*24*	314	353
Deferred taxes		369	442
Other liabilities	*27*	817	821
		4,111	**4,237**
Current liabilities			
Current payables from related parties	*30*	591	666
Trade payables	*26*	10,830	10,400
Borrowings	*25*	1,527	1,149
Income tax payables		98	68
Provisions for risks and charges	*24*	484	545
Derivatives	*20*	116	109
Other liabilities	*27*	1,384	1,442
		15,030	**14,379**
Total liabilities		**19,141**	**18,616**
Total liabilities and shareholders' equity		**24,538**	**24,048**

Cash Flow Statement

(€mil.)	*Section*	***For the nine months ended 30 September***				
		2008	***of which related parties***	***2007***	***of which related parties***	
Cash flow from operating activities:						
Gross cash flow from operating activities	*28*	980		943		*(*)*
Changes in working capital	*28*	(1,227)	*(84)*	(1,040)	*(13)*	
Changes in other operating assets and liabilities		(315)	*4*	(244)	*2*	*(*)*
Finance costs paid		(55)	*(18)*	(61)	*(13)*	
Taxes paid		(119)		(159)		
Net cash flow generated from (used in) operating activities		**(736)**		**(561)**		
Cash flow from investing activities:						
Acquisitions of subsidiaries, net of cash acquired	*16*	(82)		(423)		
Proceeds from sale of STM shares	*5*	260		-		
Purchase of property, plant and equipment and intangible assets		(844)		(922)		
Proceeds from sale of property, plant and equipment and intangible assets		22		24		
Other investing activities		137	*(10)*	36	*(2)*	
Net cash generated from (used in) investing activities		**(507)**		**(1,285)**		
Cash flow from financing activities:						
Capital increases	*22*	2		8		
Net change in borrowings		240	*(81)*	407	*(52)*	
Dividends paid to Group Parent's shareholders	*22*	(174)		(149)		
Dividends paid to minority interests	*22*	(13)		(2)		
Net cash generated from (used in) financing activities		**55**		**264**		
Net increase (decrease) in cash and cash equivalents		(1,188)		(1,582)		
Exchange losses on cash and cash equivalents		(7)		(17)		
Cash and cash equivalents at 1 January		1,607		2,003		
Cash and cash equivalents at 30 September		**412**		**404**		

(*) Items changed due to the retrospective change in the treatment of defined-benefit plans and the severance pay provision (Section 4).

Statement of Recognised Income and Expenses

(€mil.)	*For the nine months ended 30 September* 2008	2007
Reserves of income (expense) recognised in equity		
- Changes in available-for-sale financial assets	(150)	(136)
- Actuarial gains (losses) on defined-benefit plans	(89)	203
- Changes in cash-flow hedges	108	58
- Exchange gains/losses	(153)	(76)
Tax on expense/(income) recognised in equity	36	(84)
Income/(expense) recognised in equity	(248)	(35)
Profit (loss) for the period	396	294
Total income and expense for the period	**148**	**259**
Attributable to:		
- equity holders of the Company	114	236
- minority interests	34	23

1. GENERAL INFORMATION

Finmeccanica is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Milan stock market (S&P/MIB).

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

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 30 September 2008 was prepared in accordance with Art. 154 ter par. 5 of Legislative Decree 58/98 - Consolidated Finance Act (T.U.F., *Testo Unico della Finanza*) - as subsequently changed and modified, and with IAS 34 “Interim Financial Statements” issued by the International Accounting Standard Board (IASB).

In accordance with IAS 34, these notes are presented in a condensed form and do not include all the information required to be disclosed in the annual financial statements, because they relate only to those items whose amount, breakdown or changes are key to the understanding of the financial condition of the Group. Therefore, this report must be read in conjunction with the 2007 consolidated financial statements.

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

The accounting principles and basis of accounting that have been used in the preparation of this quarterly report are the same that were used in the preparation of the consolidated financial statements at 31 December 2007 and in the quarterly report at 30

September 2007, except for Section 4, to which the reader should refer for an analysis of the adjustments made to the individual items of the comparative statements presented.

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

This consolidated interim financial report was not subject to an audit.

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

Treatment of income taxes

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

Cash flows relating to operations

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

4. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

The amendment to IAS 39 (reclassification of financial assets) issued by the IASB in October, which permits companies to reclassify financial assets other than derivative instruments measured at fair value in the income statement, was not applied in the financial statements at 30 September 2008.

Recognition of defined-benefit plans with the adoption of the equity option

Until the 2006 consolidated financial statements, the Finmeccanica Group applied the corridor approach in recognising actuarial gains and losses relating to "defined-benefit plans", under which effects of changes in the valuation parameters were diluted over several years, amortising these items only when certain quantitative parameters were exceeded over a period equal to the remaining useful life of plan participants. These items, together with the unwinding of the discount of the liability and the effects on the financial assets connected with the pensions plans, were reported as "personnel costs".

From the consolidated financial statements at 31 December 2007, the Group has adopted the equity option method for recognising actuarial gains and losses under IAS 19 as revised in 2006. Therefore, the liability is now reported at the amount resulting from the valuation performed by external actuaries. Actuarial gains and losses are fully and directly recognised against a specific equity reserve ("reserve for actuarial gains(losses) to equity") in the period in which they occur, with the following benefits:

- the amount of the liability recognised is now in line with that resulting from actuarial valuations, and there is no deferred recognition of the effects of the changes in demographic, actuarial and financial estimates and parameters;
- the entire amount of these effects is directly and fully recognised when they occur against equity, with no effects on the income statement;
- the income statement no longer includes actuarial items, which were not correlated to the estimated amount of the liability.

Interest costs and expected results on plan assets, which are particularly significant with regard to the pension plans for the Group's U.K. employees, are now more properly reported as finance income and costs.

As envisaged by IAS 8 "*Accounting policies, changes in accounting estimates and errors*", the Group adopted the new standards retrospectively, and also changed the comparative figures presented: therefore, the comparative balance sheet and income statement have been changed to reflect the effects of adopting the new standard.

The effects on the comparative income statement at 30 September 2007 were as follows:

(€mil.)	**30 September 2007**	**Effect of changes**	**30 September 2007 restated**
Revenue	8,339		8,339
Revenues from related parties	778		778
Purchase and personnel costs	(8,274)	23	(8,251)
Costs to related parties	(56)		(56)
Amortisation, depreciation and impairment	(345)		(345)
Other operating income (costs)	42		42
	484	**23**	**507**
Finance income (costs)	(31)	(23)	(54)
Finance income (costs) from related parties	(13)		(13)
Share of profit (loss) of equity accounted investments	9		9
Profit before taxes and the effect of discontinued operations	**449**	**-**	**449**
Income taxes	(155)		(155)
Net profit	**294**	**-**	**294**

The effects on the comparative balance sheet at 30 September 2007 were as follows:

(€mil.)	**30 September 2007**	**Effect of changes**	**30 September 2007 restated**
Non-current assets			
Intangible assets	5,691		5,691
Property, plant and equipment	2,829		2,829
Investment properties	1		1
Equity investments	143		143
Financial assets at fair value	704		704
Non-current receivables from related parties	12		12
Receivables	416		416
Deferred taxes	480	4	484
Other assets	6		6
	10,282	**4**	**10,286**
Current assets	**13,038**		**13,038**
Total assets	**23,320**	**4**	**23,324**
Shareholders' equity			
Share capital	1,856		1,856
Other reserves	3,403	98	3,501
Capital and reserves attributable to equity holders of the Company	**5,259**	**98**	**5,357**
Minority interests in equity	99		99
Total shareholders' equity	**5,358**	**98**	**5,456**
Non-current liabilities			
Borrowings	1,964		1,964
Severance pay and other employee liabilities	1,199	(146)	1,053
Provisions for risks and charges	398		398
Deferred taxes	379	52	431
Other liabilities	1,227		1,227
	5,167	**(94)**	**5,073**
Current liabilities	**12,795**		**12,795**
Total liabilities	**17,962**	**(94)**	**17,868**
Total liabilities and shareholders' equity	**23,320**	**4**	**23,324**

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

On 26 February 2008 **Finmeccanica**, **Cassa Depositi e Prestiti** and **FT1CI** (a company owned by Areva), as shareholders of **STMicroelectronics Holding** NV ("STH"), a Dutch company holding 27.54% of **STMicroelectronics** NV ("STM") share capital, executed a change in the shareholders' agreement governing the Italian-French controlling company of STH.

Based on this change, the Italian and the French parties agreed to align their respective shares in STM indirectly held through STH. Specifically, Finmeccanica as shareholder of STH has agreed to sell to FT1CI 26,034,141 STM shares at the price of €10 per share, plus an earn-out equal to 40% of the increase in value of the STM shares, if any, between the basic price of €10 and the market average calculated over a period of three months from the ninth month after the date of the agreement, with a cap of €4 per share. As the transaction was completed, Finmeccanica had collected some €mil. 260.

This agreement also provides that the Italian and the French parties maintain joint control of STH based on specific terms and conditions.

Below is a summary of the effects of the transactions:

	€mil.
Proceeds from sale	260
Gain	56
Tax expense	(2)

The share held indirectly in STM after the partial sale is 3.7% of the share capital.

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Following up on the loans granted under **Law 808/1985** described in the 2007 financial statements, on 11 March 2008 the European Commission decided on the individual aids granted by Italy for R&D projects in the aeronautics sector under Article 3(a) of Law 808/1985.

This decision declares these aids to be compatible with the common market, under Article 87 of the EC Treaty, on the condition that the Italian Government has them reimbursed, including the related finance costs, within two months of the decision date. In May, payment was made on the reimbursements due in 2007, including finance costs, in line with the allocation of €mil. 297 made in the Group's financial statements.

Finally, it should be noted that the Commission, with the decision described more fully above, retained the right to request further information on two helicopter projects before taking a final decision on the matter. The Group believes it has proved the full compatibility of these projects with EC rules, as they are national security programmes. Further exchanges of information between the Commission and the Italian Government are currently under way.

6. SCOPE OF CONSOLIDATION

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

Company Name	*Registered Office*	*% owned by the Group* Directly	*% owned by the Group* Indirectly	*% owned by the Group*
ABS TECHNOLOGY SPA	Florence		60	60
AEROMECCANICA S.A.	Luxembourg	99.967		100
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.A.S. S.A.	Grace Hollogne (Belgium)		98	98
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (AUSTRALIA)		100	100
AGUSTAWESTLAND BELL LLC	Wilmington, Delaware (USA)		51	51
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Farnborough (U.K.)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil Somerset (U.K.)		100	100
AGUSTAWESTLAND INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	100
AGUSTAWESTLAND NORTH AMERICA INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (the Natherlands)	100		100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil Somerset (U.K.)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Va)		99.998	99.998
ALENIA AERONAUTICA SPA	Pomigliano (Naples)	100		100
ALENIA AERONAVALI SPA	Tessera (Venice)		100	100
ALENIA COMPOSITE SPA	Grottaglie (Taranto)		97	97
ALENIA IMPROVEMENT SPA	Pomigliano D'Arco (Naples)		98	98
ALENIA NORTH AMERICA-CANADA CO	Halifax (Canada)		100	88.409
ALENIA NORTH AMERICA INC.	New Castle, Delaware (USA)		88.409	88.409
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANITE DEUTSCHLAND LOGISTIK GMBH	Cologne (Germany)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO FUEL CELLS SPA	Genova		88.08	88.08
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO RICERCHE SPA	Genoa		100	100
ANSALDO SEGNALAM. FERROVIARIO SPA	Tito (Potenza)		100	40.0655
ANSALDO STS AUSTRALIA PTY LTD	Sidney (Australia)		100	40.0655
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0524
ANSALDO STS DEUTSCHLAND GMBH	Berlin (Germany)		100	40.0655
ANSALDO STS ESPANA S.A.U.	Madrid (Spain)		100	40.0655
ANSALDO STS FINLAND O.Y.	Helsingfors (Finland)		100	40.0655
ANSALDO STS FRANCE SA	Les Ulis (France)		100	40.0655
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0655
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0655
ANSALDO SIGNAL NV (IN LIQ.)	Amsterdam (the netherlands)		100	40.0655
ANSALDO STS IRELAND LTD	CO. KERRY (Ireland)		100	40.0655
ANSALDO STS SWEDEN AB	Spanga (Sweden)		100	40.0655
ANSALDO STS TRASP. SYST. INDIA PRIV. LTD ex UNION SWIT. & SIGN. PRIV. LTD	Bangalore (India)		100	40.0655
ANSALDO STS UK LTD	London (U.K.)		100	40.0655
ANSALDO STS SPA	Genoa	40.0655		40.0655
ANSALDO THOMASSEN BV ex THOMASSEN TURBINE SYSTEMS BV	Rheden (the Netherlands)		100	100
ANSALDO TRASPORTI - SIST. FERROV. SPA	Napales		100	40.0655
ANSALDOBREDA ESPANA S.L.U.	Madrid (Spain)		100	100
ANSALDOBREDA INC.	New York (USA)		100	100
ANSALDOBREDA SPA	Napales	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SA	Les Ulis (France)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
CREW GROUP LTD	Hertfordshire (UK)		100	100
DATASPAZIO-TELESPAZIO e DATAMAT PER L'INGEGNERIA DEI SISTEMI SPA	Rome		100	100
DAVIES INDUSTRIAL COMMUNICATIONS LTD	Coventry (U.K.)		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SPA	Rome		100	100
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG NORTH AMERICA LLC ex REMINGTON ELSAG LAW ENFORCEMENT SYST.	Madison (USA)		100	100
ENERGY SERVICE GROUP AG	Wurenlingen (Switzerland)		100	100
E-SECURITY SRL	Montesilvano (Pescara)		79.688	79.688
FATA ENGINEERING SPA	Pianezza (Turin)		100	100
FATA GROUP SPA (IN LIQ.)	Pianezza (Turin)		100	100
FATA HUNTER INC.	Riverside (USA)		100	100
FATA SPA	Pianezza (Turin)	100		100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)		100	100

List of companies consolidated on a line-by-line basis (continued)

Company Name	*Registered Office*	*% owned by the Group*		*% owned by the Group*
		Directly	*Indirectly*	
FINMECCANICA FINANCE SA	Luxembourg	73.6395	26.3575	99.997
FINMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FINMECCANICA GROUP SERVICES SPA	Rome	100		100
GALILEO AVIONICA SPA	Campi Bisenzio (Florence)		100	100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	45.0886
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
MECFINT (JERSEY) S.A.	Luxembourg		99.999	99.996
NET SERVICE SRL	Bologna		70	70
OTE MOBILE TECHNOLOGIES LIMITED	Warwckshire (U.K.)		100	100
OTO MELARA IBERICA SA	Valencia (Spain)		100	100
OTO MELARA SPA	La Spezia	100		100
OTO MELARA NORTH AMERICA INC.	Dover, Delaware (USA)		100	100
QUADRICS LTD	Bristol (U.K.)		100	100
SEICOS SPA	Rome	100		100
SELENIA MARINE CO. LTD (IN LIQ.)	Coventry (U.K.)		100	100
SELENIA MOBILE SPA	Chieti Scalo (Chieti)		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 (U.K.)		100	100
SELEX COMMUNICATIONS INC	Mountain View (USA)		100	100
SELEX COMMUNICATIONS INTERNATIONAL LTD	Coventry (U.K.)		100	100
SELEX COMMUNICATIONS LTD	Coventry (U.K.)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucarest (Romania)		99.976	99.976
SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX COMMUNICATIONS SECURE SYSTEMS LTD	Coventry (U.K.)		100	100
SELEX KOMUNIKASYON AS	GOLBASI (Turkey)		99.999	99.999
SELEX SENSORS AND AIRBORNE SYSTEMS SPA	Campi Bisenzio (Florence)	100		100
SELEX SENSORS AND AIRBORNE SYSTEMS LTD	Basildon, Essex (U.K.)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS (US) INC	Wilmington, Delaware (USA)		100	100
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI GMBH	Neuss (Germany)		100	100
SELEX SISTEMI INTEGRATI INC.	Delaware (USA)		100	100
SELEX SISTEMI INTEGRATI LTD	Portsmouth Hampshire (U.K.)		100	100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SC ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Genoa		92.793	92.793
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
SUPERJET INTERNATIONAL S.P.A.	Venice		51	51
TECNOSIS SPA	Genoa		100	100
THOMASSEN SERVICE GULF LLC	Abu Dhabi, Arab Emirates		48.667	100
TRANSCONTROL CORPORATION	Wilmington, Delaware (USA)		100	40.0655
UNION SWITCH & SIGNAL INC. (USA)	Dover ,Delaware (USA)		100	40.0655
UNION SWITCH & SIGNAL INC. (CAN)	Burlington, Ontario (Canada)		100	40.0655
UNION SWITCH & SIGNAL INT. CO.	Wilmington, Delaware (USA)		100	40.0655
UNION SWITCH & SIGNAL INT. PROJECTS CO.	Dover, Delaware (USA)		100	40.0655
VEDECON GMBH ex ANITE TRAVEL SYSTEMS GMBH	Cologne (Germany)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA DEUTSCHLAND GMBH & CO KG ex ANITE DEUTSCHLAND GMBH & CO KG	Cologne (Germany)		100	100
VEGA GROUP PLC	Hertfordshire (UK)	100		100
VEGA DEUTSCHLAND HOLDING GMBH ex ANITE DEUTSCHLAND MANAG. GMBH	Cologne (Germany)		100	100
VEGA DEUTSCHLAND MANAGEMENT GMBH ex ANITE DEUTSCHL. HOLD. GMBH	Cologne (Germany)		100	100
VEGA SPACE SYSTEMS ENGINEERING LTD	Hertfordshire (UK)		100	100
VEGA TECHNOLOGIES SAS	Tolosa (Fance)		100	100
WESTLAND HELICOPTERS INC.	Wilmington, Delaware (USA)		100	100
WESTLAND HELICOPTERS LTD	Yeovil, Somerset(U.K.)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (U.K.)		100	100
WHITEHEAD ALENIA SIST.SUBACQUEI SPA	Genoa	100		100
WING NED B.V.	Rotterdam (the Netherlands)		100	100

List of companies consolidated using the proportionate method

Company Name	***Registered Office***	***% owned by the Group***		***% owned by the Group***
		Directly	***Indirectly***	
THALES ALENIA SPACE SAS	Paris (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
FORMALEC SA	Paris (France)		100	33
MARILEC SA	Paris (France)		100	33
VANELEC SAS	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
TELESPAZIO FRANCE SAS	Tolouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E-GEOS SPA	Matera		75	49.593
EURIMAGE SPA	Rome		51	34.17
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.534	66.018
TELESPAZIO NORTH AMERICA INC.	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SAT. TELEC. LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucarest (Romania)		61.061	40.912
TELESPAZIO ARGENTINA S.A.	Buenos Aires (Argentina)		100	66.95
MARS SRL	Naples		100	67
FILEAS S.A.	Paris (France)		85	56.95
AURENSIS S.L.	Barcelona (Spain)		100	67
GAF AG	Munich (Germany)		100	67
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	67
ISAF - INIZIATIVE PER I SISTEMI AVANZATI E FORNITURE S.R.L.	Rome		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (U.K.)		100	25
MBDA FRANCE SAS	Paris (France)		100	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		100	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		100	25
MARCONI UAE LTD ex MARCONI OVERSEAS LTD	London (U.K.)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		100	25
MBDA SERVICES SA	Paris (France)		99.76	24.94
LFK-LENKFLUGKORPERSYSTEME GMBH	UnterschleiBheim(Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (U.K.)		50	50
CONSORZIO ATR GIE e S.P.E.	Tolouse (France)		50	50
GLOBAL AERONAUTICA LLC	Delaware (USA)		50	44.2045
LMATTS LLC	Georgia (USA)		50	44.2045

List of companies consolidated using the equity method

Company Name	*Registered Office*	*% owned by the Group*		*% owned by the Group*
		Directly	*Indirectly*	
ABRUZZO ENGINEERING SCPA	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (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
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.9933	99.9933
ANSALDO ELECTRIC DRIVES SPA	Genoa		100	100
ANSALDO – E.M.I.T. SCRL	Genoa		50	50
ANSALDO ENERGY INC.	Wilmington, Delaware(USA)		100	100
ANSERV SRL	Bucarest (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 (U.K.)		100	100
CARDPRIZE TWO LIMITED	Basildon, Essex (U.K.)		100	100
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		40	40
CONTACT SRL	Naples		30	30
DATAMAT (SUISSE) SA (IN LIQ.)	Lugano (Switzerland)		100	100
DIGINT S.R.L.	Milano		49	49
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
ECOSEN SA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM BULGARIA AD (IN LIQ.)	Sofia (Bulgaria)		90	90
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)		49	49
ELSAG EASTERN EUROPE SRL (IN LIQ.)	Bucarest (Romania)		100	100
ENERGEKO GAS ITALIA SRL	Brindisi		20.99	20.99
EURISS NV	Leiden (the Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERN. LTD	London (U.K.)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EUROPEA MICROFUSIONI AEROSPAZIALI SPA	Morra De Sanctis (Avellino)	49		49
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.94	25.1892
EUROSATELLITE FRANCE SA	France		99.76	32.92
EURO PATROL AIRCRAFT GMBH	Munich (Germany)		50	50
EUROSYSNAV SAS	Paris (France)	50		50
FATA DTS SPA (IN LIQ.)	Pianezza (Turin)		100	100
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FEDER PETROLI GREEN ENERGY S.R.L.	Rome		20	20
FINMECCANICA CONSULTING S.R.L.	Rome	100		100
FINMECCANICA NORTH AMERICA INC.	Dover, Delaware (USA)	100		100
FINMECCANICA UK LTD	London (U.K.)	100		100
GALILEO INDUSTRIES SA	Brussels (Belgium)	18.939	18.939	25.189
GROUPEMENT IMMOBILIER AERONAUTIQUE G.I.A. S.A.	Blagnac (France)		20	20
GRUPO AURENSIS S.A. DE C.V.	Bosque de Duraznos (Mexico)		100	67
HR GEST SPA	Genoa		30	30
IAMCO SCRL	Mestre (Venice)		20	20
ICARUS SCPA	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)		100	100
IMMOBILIARE FONTEVERDE SRL	Rome		60	48
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL LAND SYSTEMS INC.	Wilmington, Delaware (USA)		28.365	19.005
INTERNATIONAL METRO SERVICE S.R.L.	Milano		49	19.63
IRIDIUM ITALIA SPA (IN LIQ.)	Rome		35	35
I.M. INTERMETRO SPA	Rome		33.332	23.343
IVECO FIAT - OTO MELARA SCRL	Rome		50	50
JIANGXI CHANGE AGUSTA HELICOPTER CO. LTD	Zone Jiangxi Province (China)		40	40
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Lybia)	25	25	50
MACCHI HUREL DUBOIS S.A.S.	Meudon La Foret (France)		50	49.99
MEDESSAT SAS	Tolouse (France)		28.801	19.296
METRO 5 SPA	Milano		31.9	17.156
MUSI NET ENGINEERING SPA	Turin		49	49
NAHUELSAT S.A.	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

List of companies consolidated using the equity method (continued)

Company Name	*Registered Office*	*% owned by the Group*		*% owned by the Group*
		Directly	*Indirectly*	
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE S.N.C.	Lyon (France)		40	40
NOVACOM SERVICES S.A.	Tolouse (France)		39.73	26.62
ORIZZONTE – SISTEMI NAVALI SPA	Genoa	49		49
OTE M	Moscow (Russia)		100	100
PEGASO SCRL	Rome		46.87	18.748
POLARIS SRL	Genoa		50	50
PT DAYALISTRIK PRATAMA (IN LIQ.)	Jakarta (Indonesia)		45	45
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAN GIORGIO SA (IN LIQ.)	Paris (France)		99.969	99.969
SAPHIRE INTERNAT. ATC ENGINEERING CO. LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SCUOLA ICT SRL	L'Aquila	20		20
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon (UK)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS (PROJECTS) LTD	Basildon, Essex (U.K.)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA S.A.	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. S.A. DE C.V.	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	Saint Petersburg (Russia)		35	35
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
SOGELI – SOCIETA' DI GESTIONE DI LIQ. SPA	Rome		100	100
SOSTAR GMBH (IN LIQ.)	Immerstad (Germany)		28.2	28.2
TELBIOS SPA	Milan		32.86	22.02
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
THOMASSEN SERVICE AUSTRALIA PTY LTD	Canning Vale (Australia)		100	100
TRADE FATA B.V.	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (U.K.)		100	100
WITG L.P. INC.	Dover, Delaware (USA)		24	21.22
WITG L.P. LTD	Dover, Delaware (USA)		20	17.68
WORLD'S WING SA	Geneva (Switzerland)		100	100
XAIT SRL	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russia)		51	51

List of companies valued at fair value

Company Name	*Registered Office*	*% owned by the Group*		*% owned by the Group*
		Directly	*Indirectly*	
BCV INVESTMENTS S.C.A.	Luxembourg		15	15
BCV MANAGEMENT S.A.	Luxembourg		14.999	14.999
STMICROELECTRONICS HOLDING NV (*)	Amsterdam (the Netherlands)	20		20

(*) Valutata come "attività disponibile per la vendita"

List of subsidiaries and associates valued at cost

Company Name	*Registered Office*	*% owned by the Group*		*% owned by the Group*
		Directly	*Indirectly*	
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	88.409
ANSALDO STS INFRADEV SOUTH AFRICA (PTY) LTD	Johannesburg (ZA) - South Africa		50.7	20.31
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana) - Africa		100	40.0655
CCRT SISTEMI SPA (IN FALL.)	Milan		30.34	30.34
DRAGON MERGER SUB INC.	Wilmington, Delaware (USA)	100		100
FOSCAN SRL (IN FALL.)	Anagni (Frosinone)		20	20
IND.AER.E MECC.R.PIAGGIO SPA(AMM.STR.)	Genoa	30.982		30.982
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - S.C.R.L.	Giugliano in Campania (Naples)		100	100
SAITECH SPA (IN FALL.)	Passignano (Perugia)		40	40
UNION SWITCH & SIGNAL (CHILE) LTDA	Santiago (Chile)		68	27.244
U.V.T. SPA (IN FALL.)	San Giorgio Jonico (Taranto)		50.614	50.614
U.V.T. ARGENTINA S.A.	Buenos Aires (Argentina)		60	30.368

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

- the group Vega Group, which was purchased in 2007, was fully consolidated since that date on a line-by-line basis;
- Global Military Aircraft LLC, previously consolidated proportionally (50%) through the 2007 financial statements, has been consolidated on a line-by-line basis since 1 January 2008;
- Selex Sensors and Airborne Systems Inc., previously consolidated using the equity method through the 2007 financial statements, is now consolidated on a line-by-line basis;
- Oto Melara North America Inc, which was previously consolidated using the equity method, has been fully consolidated on a line-by-line basis since 1 January 2008;
- Superjet International S.p.A., which was incorporated on 1 August 2007 and was previously consolidated using the proportional method (51%), has been fully consolidated on a line-by-line basis since 1 January 2008;
- ABS Technology S.p.A., which was purchased on 27 December 2007, has been fully consolidated on a line-by-line basis since 1 January 2008;
- Thomassen Service Gulf LLC, which was previously consolidated using the equity method, has been fully consolidated on a line-by-line basis since financial statements 2007;
- Trimprobe S.p.A. which was fully consolidated on a line-by-line basis until the financial statements 2007, following the initiation of the liquidation process has been consolidated using the equity method since 1 January 2008;
- Fata DTS S.p.A., following the initiation of the liquidation process, has been consolidated using the equity method since 1 January 2008;
- Aurensis S.L., acquired by Telespazio S.p.A. on 1 April 2008, has been consolidated on a proportional basis (67%) from that date;
- Avion de Trasport Regional Ireland Ltd, consolidated until the 2007 financial statements at equity, has been deconsolidated upon its winding-up;

- ISAF Iniziative per i Sistemi Avanzati S.r.l., acquired by Telespazio S.p.A. on 31 July 2008, is consolidated on a proportional basis (67%) beginning from such date;
- Fileas S.A., acquired by Telespazio S.p.A. on 4 October 2007, is consolidated on a proportional basis (67%) beginning from such date.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Always with reference to data comparability, the first nine months of 2008 have been marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 30 September 2008 and the average exchange rates for the period showed, for the main currencies, these changes from 2007: final exchange rates for the period (euro/US dollar - 2.84% and euro/sterling pound + 7.77%); average exchange rates for the period (euro/US dollar + 13.20% and euro/sterling pound + 15.57%).

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

	At 30 September 2008		At 31 December 2007	At 30 September 2007	
	average exchange rate for the period	closing exchange rate for the period	closing exchange rate for the year	average exchange rate for the period	closing exchange rate for the period
US Dollar	1.52186	1.43030	1.47210	1.34439	1.41790
Pound Sterling	0.78186	0.79030	0.73335	0.67654	0.69680

8. SEGMENT INFORMATION

Primary basis

The Group operates in a variety of industry segments: helicopters, defence electronics and security, 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 results for each segment at 30 September 2008, as compared with those of the same period of the previous year, are as follows:

30 September 2008

	Helicopters	Defence Electroics and Security	Aero-nautics	Space	Defence Systems	Energy	Transpor tation	Other activities	Elimin-ations	Total
Revenue from external customers	2,125	1,934	1,209	657	651	801	1,138	238	-	8,753
Revenue from other segments	63	439	492	14	107	-	89	42	(311)	935
Result before tax and finance income and costs	226	119	115	26	48	62	78	(113)	-	561
Finance income and costs - net										(39)
Share of result of associates		1	6	1	1			5		14
Tax expense										(140)
Profit (loss) from discontinued operations										-
Profit for the period										396
Group share of net result										365
Minority share										31
Investments	91	130	366	22	39	39	25	8	-	720

30 September 2007

	Helicopters	Defence Electronics and Securty	Aero-nautics	Space	Defence Systems	Energy	Transport ation	Other activities	Elimin-ations	Total
Revenue from external customers	2,066	2,086	1,077	553	611	749	1,017	180	-	8,339
Revenue from other segments	18	376	419	40	108	2	37	34	(256)	778
Result before tax and Finance income and costs	215	129	112	24	31	47	17	(68)	-	507
Finance income and costs net										(67)
Share of result of associates	1	1	8		(1)					9
Tax expense										(155)
Profit (loss) from discontinued operations										-
Profit for the period										294
Group share of net result										269
Minority share										25
Investments	115	159	573	18	34	13	17	15	-	944

The assets and liabilities attributable to the segments at 30 September 2008 and at 31 December 2007 are as follows:

30 September 2008

	Helicopters	Defence Electronics and Security	Aero-nautics	Space	Defence Systems	Energy	Transpor-tation	Other activities	Elimi-nations	Total
Assets	5,852	6,650	5,198	1,183	2,327	1,521	1,954	4,481	(4,628)	24,538
Liabilities	3,722	4,366	4,908	697	1,639	1,452	1,726	5,399	(4,768)	19,141

31 December 2007

	Helicopters	Defence Electronics and Security	Aero-nautics	Space	Defence Systems	Energy	Transpor-tation	Other activities	Elimina-tions	Total
Assets	5,394	6,827	5,129	1,049	2,444	1,269	1,866	4,360	(4,290)	24,048
Liabilities	3,151	3,985	4,821	555	1,743	1,196	1,650	5,950	(4,435)	18,616

9. PURCHASE AND PERSONNEL COSTS

The break down of this item is as follows:

		30 September 2008		*30 September 2007*
Purchase costs		3,430		3,653
Cost of services		3,220		2,610
Personnel costs		2,803		2,685
Wages and salaries	*2,590*		*2,453*	
Costs of stock grant plans	*19*		*29*	
Costs of defined-benefit plans	*46*		*73*	
Costs of defined-contribution plans	*83*		*67*	
Reorganisation costs	*21*		*22*	
Other personnel costs	*44*		*41*	
Changes in inventories of work in progress, semi-finished and finished goods		(270)		(96)
Work performed by the Group and capitalised		(494)		(601)
Total purchase and personnel costs		**8,689**		**8,251**

With regard to personnel, the average workforce increased from 58,476 in the third quarter of 2007 to 60,807 for the same period of 2008. The net increase was particularly significant in the Group's foreign operations, largely attributable to the acquisitions of the Vega Group, Fileas and Aurensis and to the positive turnover in certain sectors, including through the use of new contractual forms, such as Helicopters, Energy, Space and Aeronautics. The total workforce at 30 September 2008 came to 62,308 compared with 60,748 at 31 December 2007. The net change in "personnel costs" (€mil. 2,590 at 30 September 2008 compared with €mil. 2,453 for the same period of 2007) largely reflects the increase in the workforce.

It should be noted that the changes in the "costs of defined-benefits plans" and the "costs of defined-contribution plans" are the result of the reform of the national severance pay system (Section 23). The decrease in the costs of stock grant plans is the result of the difference in the percentages of stocks awarded under the final tranche of the 2005-2007 Plan (equal to 50%) compared with those allocated under the first tranche of the 2008-2010 Plan (equal to 25%) in addition to the different reference values for the stock.

"Reorganisation costs" include the costs of the corporate reorganisation involving the Defence Electronics and Security and the Defence Systems divisions in particular.

Total personnel costs for the third quarter of 2008 came to €mil. 893, compared with €mil. 865 for the third quarter of 2007.

"Costs for services" includes, among other things, the costs for the acquisition of satellite capacity for the JV Telespazio joint venture (offset by revenues from sales) amounting to €mil. 57 (€mil. 55 at 30 September 2007), the costs of leasing airplanes for GIE ATR (€mil. 7 compared with €mil. 8 at 30 September 2007) and the costs of rents, operating leases and rental fees (€mil. 119 compared with €mil. 115 at 30 September 2007).

The costs of purchases and services for the third quarter of 2008 amounted to €mil. 2,013, compared with €mil. 1,883 in the third quarter of 2007.

10. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	30 September 2008		30 September 2007	
Amortisation (Section 14)		119		111
Development costs	*30*		*23*	
Non-recurring costs	*26*		*28*	
Intangible assets acquired through a business combination	*17*		*18*	
Other	*46*		*42*	
Depreciation		217		217
Impairment of receivables		7		17
Total amortisation, depreciation and impairment		**343**		**345**

Amortisation and depreciation in the third quarter came to €mil. 120 (amortisation of €mil. 45 and depreciation of €mil. 75) compared with €mil. 116 for the same period of 2007. Impairment amounted to €mil. 3, compared with €mil. 1 for the third quarter of 2007.

11. OTHER OPERATING INCOME (COSTS)

These regard:

	30 September 2008			30 September 2007		
	Income	Costs	Net	Income	Costs	Net
Grants for research and development costs and training	31	-	31	27	-	27
Exchange rate difference on operating items	176	(185)	(9)	88	(82)	6
Indirect taxes	-	(30)	(30)	-	(29)	(29)
Gains/(losses) on sales of assets	3	-	3	8	(4)	4
Insurance reimbursements	15	-	15	5	-	5
Reversal of impairment of receivables	2	-	2	11	-	11
Gains/(losses) on operating receivables	-	(5)	(5)	-	(8)	(8)
Restructuring costs	-	(7)	(7)	11	(4)	7
Reversals of/(Accruals to) provisions for risks	65	(77)	(12)	83	(79)	4
Other operating income (costs)	60	(77)	(17)	99	(84)	15
Total	**352**	**(381)**	**(29)**	**332**	**(290)**	**42**

Other operating income (costs) for the third quarter of 2008 came to €mil. 11 in net costs (€mil. 135 in income and €mil. 146 in costs) compared with net income of €mil. 13 (€mil. 107 in income and €mil. 94 in costs) recognised in the third quarter of 2007.

12. FINANCE INCOME (COSTS)

The breakdown of finance income and costs is as follows:

	30 September 2008			***30 September 2007***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Gain from sale of STM	56	-	56	-	-	-
Dividends	5	-	5	22	-	22
Gains on investments and securities	3	-	3	1	-	1
Discounting of receivables, liabilities and provisions	4	(5)	(1)	7	(4)	3
Interest income/expense	74	(163)	(89)	64	(139)	(75)
Commission income/expense (including commissions on non-recourse items)	-	(10)	(10)	-	(11)	(11)
Fair value adjustments through profit or loss	63	(37)	26	76	(43)	33
Premiums paid/received on forwards	13	(10)	3	15	(26)	(11)
Exchange rate differences	292	(282)	10	162	(164)	(2)
Value adjustments to equity investments	2	(9)	(7)	-	(12)	(12)
Interest cost on defined-benefit plans (less expected returns on plan assets)	-	(16)	(16)	-	(23)	(23)
Other finance income and costs	15	(15)	-	33	(12)	21
	527	**(547)**	**(20)**	**380**	**(434)**	**(54)**

Finance income and costs were negative in the amount of €mil. 20 at 30 September 2008 (negative in the amount of €mil. 54 at 30 September 2007). A comparison with the same period of 2007 is strongly affected by the capital gain realised in the first half of 2008 from the sale of roughly 26 million shares of STM for €mil. 56 (Section 5), partly offset by the lower receipt of dividends during the period for €mil. 17.

“Interest” includes the Group cash flow operations, including received/paid on interest rate hedges (IRS). The deterioration at 30 September 2008 compared with the same period of the previous year is due to the increase in the average debt for 2008 and to the rise in the related interest rates.

Net income from measurement of fair value through profit or loss is as follows:

	30 September 2008			*30 September 2007*		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Swaps	3	(8)	(5)	14	(5)	9
Forex options	3	(19)	(16)	-	-	-
Interest rate swaps	10	-	10	18	(15)	3
Options on STM	10	-	10	12	(15)	(3)
Ineffective component of hedging swap	36	(9)	27	21	-	21
Option embedded in the exchangeable bond	1	(1)	-	8	(8)	-
Other equity derivatives	-	-	-	3	-	3
	63	**(37)**	**26**	**76**	**(43)**	**33**

Income from "options on STM" relates to the decrease in the value of the underlying position. Additionally, further transactions were completed during the period involving 20 million shares of STM, generating income of €mil. 8, included among "other finance income".

"Exchange rate differences", which is usually not a significant factor due to the Group's policy that substantially hedges foreign currency exposures, was a positive €mil. 10 at 30 September 2008 due to a time lag between the asset and liability components of commercial agreements negotiated in the same foreign currency since these are not covered by exchange rate risk.

"Interest costs" include the cost of interest deriving from the expected date of maturity of the defined-benefit plan liability drawing near, less the expected results on the financial assets of the plan. As described in more detail in Section 4, the comparative figures for 2007 were adjusted to reflect the effects of the different recognition of these costs starting from the consolidated financial statements at 31 December 2007.

With regard to the third quarter of 2008, the Group saw a net increase of €mil. 34 in finance cost compared with the third quarter of 2007 (€mil. 31 in net costs for 2008 compared with €mil. 3 in net income for 2007). This is mainly attributable to the application of the fair value method, which was strongly affected by the significant appreciation in the dollar against euro in the third quarter of 2008, partly offset by higher premiums received on forwards during the quarter.

13. INCOME TAXES

Income tax expense as reported in the income statement can be broken down as follows:

	30 September 2008	***30 September 2007***
Corporate income tax (IRES)	128	135
Regional tax on productive activities (IRAP)	73	84
Benefit under consolidated tax mechanism	(105)	(110)
Other income taxes	79	42
Provisions for tax disputes	4	4
Deferred tax liabilities (assets)- net	(39)	-
	140	**155**

“Other income taxes” include €mil. 28 for the discharge of the temporary differences deducted in past periods under the 2008 Finance Act.

Income taxes for the third quarter of 2008 came to €mil. 52, compared with €mil. 62 for the same period of 2007.

14. INTANGIBLE ASSETS

Intangible assets break down as follows:

	30 September 2008	***31 December 2007***
Goodwill	3,391	3,434
Development costs	433	332
Non-recurring costs	813	684
Patents and similar rights	6	6
Concessions, licenses and trademarks	90	93
Other	673	717
Total intangible assets	**5,406**	**5,266**

More specifically, the most significant changes involved the following:

- goodwill fell by €mil. 43 due to translation differences generated by shares of goodwill relating to assets denominated in pound sterling, only partially offset by the acquisition of Aurensis S.L. (€mil. 3) and ISAF S.r.l. (€mil. 2) in the Space division and Sirio Panel S.p.A. (€mil. 8) and the remaining stake in the Vega Group (€mil. 66) in the Defence Electronics and Security division;
- amortisation came to €mil. 119 (Section 10). No impairment was recognised during the period;
- total investments amounted to €mil. 351, broken down thusly:

	30 September 2008	*30 September 2007*
Development costs	126	120
Non-recurring costs	172	328
Patents and similar rights	1	1
Concessions, licenses and trademarks	8	11
Other	44	43
Total intangible assets	**351**	**503**

Additionally, there are commitments to purchase intangible assets amounting to €mil. 9.

15. PROPERTY, PLANT AND EQUIPMENT

	30 September 2008	*31 December 2007*
Land and buildings	965	987
Plant and machinery	514	478
Equipment	585	539
Other	887	851
Total property, plant and equipment	**2,951**	**2,855**

More specifically, the most significant changes related to:

- depreciation amounting to €mil. 217 (Section 10). No impairment was recognised during the period;
- disposals amounting to €mil. 19;
- total investments came to €mil. 369, broken down as follows:

	30 September 2008	*30 September 2007*
Land and buildings	9	6
Plant and machinery	42	36
Equipment	94	150
Other	224	249
Total property, plant and equipment	**369**	**441**

Property, plant and equipment includes €mil. 27 (€mil. 28 at 31 December 2007) of assets held under contracts that can be qualified as finance leases. “Other” includes helicopters for €mil. 22 owned by the AgustaWestland group (€mil. 9 at 31 December 2007) and aircraft owned by the GIE ATR group, as well as aircraft that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, for recognition of the operation, despite the fact that sales contracts have been concluded with external customers for €mil. 156 (€mil. 169 at 31 December 2007).

Additionally, there are commitments to purchase property, plant and equipment amounting to €mil. 69 (€mil. 135 at 31 December 2007).

16. BUSINESS COMBINATIONS

The following summarises the business combinations that took place during the periods presented. With regard to the first nine months of 2008, Group net cash outlays totalled €mil. 82 (€mil. 423 in the corresponding period of 2007.

Acquisition of Aurensis S.L. and of ISAF S.r.l.

On 1 April, the Telespazio joint venture (consolidated proportionally at 67%) purchased 100% of Aurensis S.L., a Spanish company specialising in technologies for territorial applications as well as aerial, satellite and earth observation services. On 31 July 2008, Telespazio entered into an agreement to purchase 100% of ISAF S.r.l., an Italian company specialising in geographical information system technologies. ISAF participates in a consortium of companies that was awarded the contract tendered by Agenzia per le Erogazioni in Agricoltura (AGEA) for the development and management of the national agriculture information system.
These operations resulted in the recognition of total goodwill amounting €mil. 5 with the following effects on the Group's balance sheet:

	Aurensis	ISAF
Cash and cash equivalents	-	-
Receivables	1	3
Inventories and contract work in progress	1	-
Equity Investment	-	4
Borrowings	-	(5)
Other liabilities	(1)	(1)
Net assets acquired	1	1
Price paid	4	3
Transactions costs	-	-
Total cost of the acquisition	4	3
Goodwill resulting from the acquisition	3	2
Cash acquired	-	-
Net cash outlays	4	3

Transactions with minority shareholders

In the first nine months of 2008, the Group entered into transactions with minority shareholders. In this regard, it should be noted that IFRS 3 applies solely to transactions that involve the acquisition of control by the acquiring entity over the assets of the acquired company. Therefore, acquisitions of additional shares after control has already been achieved are not specifically governed by the IFRSs. Under the current doctrine, these transactions may be recognised as equity transactions (with the difference between the acquisition cost and the carrying value of the minority stakes acquired being directly attributed to the Group's shareholders' equity) or, in accordance with the parent company approach (which treats minority shareholders as third parties), allocating the difference between the acquisition cost and the carrying value of the minority stakes acquired to goodwill.

Consistent with its approach to the sale of shares that do not lead to the loss of control, the Group treats such transactions using the "parent company approach", which presently complies with the current version of IAS 27, recognising the difference as goodwill.

The details of these transactions are as follows:

- *Vega Group*. On 29 November 2007 Finmeccanica announced the launch of a Public Offer on the shares of the Vega Group Plc, a company listed on the London Stock Exchange, at a price per share of 280 pence, to be completed in the period 7 December 2007 - 28 December 2007, with an extension to 16 January 2008. On 30 November Finmeccanica performed the acquisition of 28.2% of Vega Plc, with a total outlay of €mil. 23. In 2008, following the successful completion of the Public Offer, Finmeccanica began the squeeze-out process and the delisting of the shares, bringing its total stake to 100% with a total outlay in 2008, including transaction costs, of €mil. 63;
- *Sirio Panel.* In 2008, the Group, which already held 75% of Sirio Panel, purchased a further 18% stake for a price of €mil. 12. Based on the put & call options on the remaining 7% held by third parties, the Group has recognised the value of these rights among borrowings and consolidates the company without recognising any minority interests.

The total effects of these transactions on the performance and financial position of the Group were as follows:

	Vega Group	**Sirio Panel**	**Total**
Cash paid	61	12	73
Transactions costs	2	-	2
Deferred payments	-	4	4
	63	16	79
Minority interests acquired	(3)	8	5
Goodwill resulting from the acquisition	**66**	**8**	**74**

17. FINANCIAL ASSETS AT FAIR VALUE

The item relates to the indirectly-owned interest in STMicroelectronics (STM), amounting to 3.7% of the share capital, classified entirely as “assets available for sale”.

Below are the changes for the periods being compared:

	2008	***2007***
1 January	589	840
Purchases for the period	-	-
Disposals for the period	(257)	-
Fair value adjustment	(95)	(251)
Period end	**237**	**589**

The decrease in the fair value adjustment was offset by a specific equity reserve named “reserve for assets available for sale”. At 30 September 2008, this reserve was negative in the amount of €mil. 19 (including the translation reserve which was negative in the amount of €mil. 7 relating to prior years) due to the tensions reported in the financial markets in September which pushed the value of the stock below the carrying value in the last days of September. The strategy for hedging the STM instrument is designed to limit the negative effects of a partial depreciation of the security. The Group, on the contrary, is exposed in the event the coverage limits are exceeded.

18. OTHER NON-CURRENT ASSETS

	30 September 2008	*31 December 2007*
Third-party financing	56	39
Security deposits	21	19
Receivables for finance leases	5	10
Deferred receivables under Law 808/85	59	51
Other	30	39
Non-current receivables	**171**	**158**
Investment properties	1	1
Equity investments	168	148
Non-recurring costs awaiting interventions under Law 808/1985	497	362
Other non-current assets	3	5
Non-current assets	**669**	**516**
Total other non-current assets	**840**	**674**

Receivables for finance leases relate to transactions qualifying as finance leases 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 of 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. 20, compared with €mil. 39 at 31 December 2007) is classified among other current assets (Section 21). Non-recurring costs awaiting interventions under Law 808 include the portion of non-recurring costs paid on programmes that benefit from the provisions of Law 808/1985, 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 plan). 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.

19. TRADE RECEIVABLES

	30 September 2008	*31 December 2007*
Receivables	4,180	4,037
Impairment	(163)	(169)
	4,017	3,868
Work in progress (gross)	8,333	6,426
Advances from customers	(4,354)	(3,199)
Work in progress (net)	3,979	3,227
Total trade receivables	**7,996**	**7,095**

20. DERIVATIVES

The table below provides a breakdown of the equity items related to derivative instruments:

	30 September 2008		*31 December 2007*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	98	79	115	80
Forex options	3	22	-	3
Interest rate swaps	3	15	3	25
Options on STM	28	-	43	-
Exchangeable bond option	-	-	1	1
	132	**116**	**162**	**109**

Interest rate swaps totalled €mil. 530 (notional amount) and hedge medium/long-term financial transactions in the amount of €mil. 1,798 (nominal amount).

At 30 September 2008 the Group held 33.7 million shares of STMicroelectronics NV ("STM"), classified as "available for sale", with a fair value of €mil. 237 (Section 17). In the last few years the Group has had derivatives to hedge most of its portfolio against the risk of fluctuations in the market price of the STM shares. These hedges are classified as trading operations and therefore the fair value is recognised in the income statement (Section 12). At 30 September 2008, the Group held options on 20 million STM shares.

The table below provides the fair values of the different derivative instruments:

		Fair Value at 30 September 2008	***Fair Value at 31 December 2007***
Assets			
Interest rate swap			
	Trading	2	2
	Fair value hedge	-	-
	Cash flow hedge	1	1
Currency forward/swap/option			
	Trading	3	-
	Fair value hedge	-	-
	Cash flow hedge	98	115
Equity instruments (trading)		28	43
Embedded derivatives (trading)		-	1
Liabilities			
Interest rate swaps			
	Trading	13	23
	Fair value hedge	-	-
	Cash flow hedge	2	2
Currency forward/swap/option			
	Trading	22	3
	Fair value hedge	-	-
	Cash flow hedge	79	80
Equity instruments (trading)		-	-
Embedded derivatives (trading)		-	1

21. OTHER CURRENT ASSETS

	30 September 2008		31 December 2007	
Income tax receivables		266		277
Assets available for sale		22		13
Other current assets:		624		594
Accrued income - current portion	*111*		*82*	
Receivables for contributions	*61*		*69*	
Receivables from employees and social security	*38*		*40*	
Indirect tax receivables	*199*		*161*	
Deferred receivables under Law 808/85	*20*		*39*	
Other assets	*195*		*203*	
Total other current assets		**912**		**884**

Income tax receivables include IRPEG (corporate income tax) receivables of €mil. 106 assigned without recourse maintained as Group assets, even though they have been sold to third parties, because this transaction does not meet the requirements of IAS 39 on derecognition. A financial payable of the same amount is recognised against these tax receivables.

The item “deferred receivables under Law 808/85” includes the receivables from the Ministry for Economic Development relating to interventions pursuant to Law 808/85 in national security and similar projects for which collection is expected within 12 months. Portions with later collection dates are classified among other non-current assets (Section 18).

22. SHAREHOLDERS' EQUITY

Share capital

	Number of ordinary shares	Par value €mil.	Treasury shares €mil.	Total €mil.
Outstanding shares	425,135,260	1,870	-	1,870
Treasury shares	(343,777)	-	(6)	(6)
31 December 2007	424,791,483	1,870	(6)	1,864
Shares subscribed during the period	83,705	1	-	1
Repurchase of treasury shares, less shares sold	(1,225,000)	-	(22)	(22)
30 September 2008	423,650,188	1,871	(28)	1,843
broken down as follows:				
Outstanding shares	425,218,965	1,871	-	1,871
Treasury shares	(1,568,777)	-	(28)	(28)
	423,650,188	1,871	(28)	1,843

The Parent Company's share capital fully subscribed and paid-up is divided into 425,218,965 ordinary shares with a par value of €4.40 each, including 1,568,777 treasury shares.

At 30 September 2008 the Ministry for the Economy and Finance held about 33.718%, Fidelity International Ltd held 2.127%, the New Perspective Fund Inc. held 2.129% and Barclays Global Investors UK Holding Ltd held 2.018% of the shares.

Other reserves and minority interests

	Retained earnings and consolidation reserve	Reserve for assets available for sale	Cash-flow hedge reserve	Reserve for stock-option and stock-grant plans	Reserve for actuarial profits (losses) posted to shareholders' equity	Translation reserve	Total other Group reserves	Minority interests
1 January 2007	2,933	372	58	20	(37)	35	3,381	81
Dividends paid	(149)						(149)	(2)
Capital increases	5						5	-
Total income and costs	269	(136)	44		135	(76)	236	23
Stock option/grant plans:								
- *value of services rendered*				24			24	1
Other changes	4						4	(4)
30 September 2007	3,062	236	102	44	98	(41)	3,501	99
1 January 2008	3,224	121	71	32	167	(150)	3,465	103
Dividends paid	(174)						(174)	(13)
Capital increases	1						1	8
Total income and costs	365	(150)	119		(66)	(154)	114	34
Stock option/grant plans:								
- *value of services rendered*				15			15	1
Other changes	1	10				(7)	4	(4)
30 September 2008	3,417	(19)	190	47	101	(311)	3,425	129

Specifically, the change during the period in the "cash flow hedge reserve" includes the positive impact of exchange rate gains realised on hedges entered into as part of the acquisition of the U.S. company DRS.

23. EMPLOYEE LIABILITIES

	30 September 2008	***31 December 2007***
Severance obligations	678	736
Defined-benefit retirement plans	198	152
Share of joint venture pension obligation	44	41
Defined-contribution plans	20	17
	940	**946**

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

	30 September 2008	***31 December 2007***	***31 December 2006***	***31 December 2005***	***31 December 2004***
Present value of obligations	1,026	1,038	1,126	1,025	709
Fair value of the plan's assets	(828)	(886)	(796)	(641)	(474)
Plan excess (deficit)	(198)	(152)	(330)	(384)	(235)

Total net deficit mainly relates to the AgustaWestland plan (€mil. 95) and the Selex Sensors and Airborne Systems Ltd plan (€mil. 24). The deficit increase is largely due to the decreased return on plan assets.

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

	30 September 2008	***30 September 2007***
Costs of current service	46	73
Costs recognised as "personnel costs"	46	73
Interest expense	60	65
Expected return on plan assets	(44)	(42)
Costs recognised as "finance costs"	16	23
	62	**96**

The decrease in "costs of current service" is mainly due to the accounting effects of the changes to severance pay legislation made by the 2007 Finance Law. Up until the entry into force of the new law, the severance pay provision was treated as a defined-benefit plan, and the related allocations were included among the costs for current services related to defined-benefit plans. Due to the legislative changes, the severance pay provision (for companies with more than 50 employees) accrued subsequent to the date for the option is now treated as a defined-contribution plan. Therefore, the cost is now recognised in connection with these plans (Section 9). By contrast, the severance pay maintained with the company accrued up until the date for the option between the complementary funds or the INPS funds is recognised as a defined-benefit plan.

24. PROVISIONS FOR RISKS AND CHARGES

	30 September 2008		*31 December 2007*	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	31	16	36	16
Restructuring	13	19	16	23
Penalties	47	23	34	20
Product guarantees	103	75	110	91
Other	120	351	157	395
	314	**484**	**353**	**545**

"Other provisions for risks and charges" came to a total of €mil. 471 (€mil. 552 at 31 December 2007) and specifically include:

- the provision for risks on the business of G.I.E./ATR in the amount of €mil. 68 (unchanged from 31 December 2007);

- the provision for risks and contractual charges in the amount of €mil. 53 (€mil. 74 at 31 December 2007) related, in particular, to business in the Defence Electronics and Security, Space, Defence Systems and Other Activities segments;

- the provision for risks on equity investments in the amount of €mil. 18 (€mil. 25 at 31 December 2007), which includes allocations for losses exceeding the carrying value of the equity investments, decreased mainly as a result of the exit of C.P.G. S.r.l. (in liquidation) from the Group;

- the provision for taxes in the amount of €mil. 51 (€mil. 49 at 31 December 2007);

- the provision for disputes with employees and former employees in the amount of €mil. 37 (€mil. 41 at 31 December 2007);

- the provision for pending litigation in the amount of €mil. 78 (€mil. 96 at 31 December 2007);

- other provisions in the amount of €mil. 166 (€mil. 199 at 31 December 2007).

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.

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, mentioned here for the purposes of full disclosure, underwent change as reported in the financial statements for 2007, to which the reader should refer for more information:

- with regard to the litigation commenced by Reid in 2001 against Finmeccanica and Alenia Spazio (now So.Ge.Pa. S.p.A.) before the Court of Texas to object against alleged breaches by the former Finmeccanica-Space Division of agreements for the project for the implementation of the Gorizont satellite programme. The litigation had a favourable outcome, after more than five years, due to the lack of jurisdiction of the Court of Texas. 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 makes the same claims for compensation that were demanded in the prior Texas lawsuit, without specifying an amount for the damage incurred.

On 29 June 2007 Finmeccanica filed a Motion to Dismiss objecting to the time-barring of and the statute of limitations on the action and the lack of jurisdiction of the Court of Delaware. These objections were argued at the hearing held on 29 October 2007. On 27 March 2008, the Court denied the plaintiff's motion, finding the action to be time-barred. This decision has been challenged by the opposing party before the Supreme Court of Delaware, which is expected to render a decision following the hearing held on 17 September 2008;

- 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 then 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, 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 hearing on the matter is scheduled for 22 July 2010;

- in May 2007 Finmeccanica voluntarily intervened in a suit brought by Calyon S.p.A. 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 S.p.A. (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. The next hearing is scheduled for 28 October 2009;

- the dispute initiated by Telespazio S.p.A 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 S.p.A. 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 S.p.A. 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 case is currently pending before tax court of first instance and no provision has been made in the financial statements since, in the Company's opinion, it can prove that the transaction was accounted for properly. In February 2008 the Company received a request for the provisional payment of some €mil. 8.3 for additional tax accrued plus interest, as envisaged by the current provisions pending the sentence of the court of first instance. The Company requested and obtained suspension of this payment until November 2008. The hearing was held in May 2008. The hearing was held in May 2008. The Provincial Tax Commission upheld Telespazio's dispute in its ruling filed on 25 September 2008;

- the dispute initiated by Telespazio S.p.A. against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment for the purposes of direct income taxation (IIDD) and regional business taxation (IRAP) for the year 2001 containing an adjustment of about €mil. 9.7 in taxable income at the time the tax statement was prepared. Considering that the adjustment, for IIDD purposes, results in a reduction by an amount equal to the final tax loss in 2001 and that this loss was fully used by the Company in 2006, the total amount owed to the Tax Authority would be about €mil. 7 plus additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2003 in which the Tax Authority challenged Telespazio S.p.A.'s decision to reserve tax treatment until the completion of the Astrolink contract. Specifically, in November 2001, the customer Astrolink at its discretion terminated a long-term contract, triggering Telespazio's right to compensation under the contract equal to the costs (plus 20% and in any event "to be agreed" with the customer) that Telespazio would incur as a result of the early termination. Since it was not possible in 2001 to determine and agree upon the total amount of these costs (and the corresponding compensation revenues), the Company prudentially allocated €mil 48.5 in the 2001 financial statements to a provision for risks and charges, as it deemed that amount to not be tax deductible. The auditors, starting, instead, with the assumption that Telespazio could have calculated the amount of compensation due from the counterparty as early as 2001 since the costs that it would have incurred as a result of the early termination of the contract were determinable, challenged the failure to account for revenues in the amount of €mil. 58.2 and also gave full tax effect to the amount of €mil. 48.5 in the provision for risks and charges which Telespazio instead treated as fully taxed. As a result, the Tax Authority determined that Telespazio had €mil. 9.7 more in taxable income in 2001 for direct income taxation and regional business taxation purposes. No provision has been made in the financial statements since, in the Company's opinion, it can prove that the transaction was accounted for properly. The hearing was held in May 2008. The Provincial Tax Commission upheld Telespazio's dispute in its ruling filed on 25 September 2008.

Beyond the merits, it should be pointed out that it is currently impossible to estimate the substantive costs to be borne by the Finmeccanica Group considering that the liability, if it should be found to exist, would be neutralised by the guarantees issued by Telecom Italia within the scope of the contract selling its shares of Telespazio in November 2002;

- the dispute initiated by So.Ge.Pa. S.p.A. against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2001, which contained a demand for a total of about €mil. 18 consisting of additional taxes, penalties and interest. The tax claim, served on 27 December 2006, traces back to a tax audit completed in 2004 against ALS S.p.A., a Finmeccanica Group company absorbed by So.Ge.Pa. in 2006, in which the tax inspectors - without including any formal comments - merely notified the tax office responsible for the assessment of possible violations in applying the regulations concerning the tax appraisal of work in progress inventories within the context of the long-term contract for the provision and launching of the Atlantic Bird1 satellite obtained in 2000. Specifically, the warning originates from the fact the company had, over the years, accounted for these inventories based on the percentage completed (calculated using the cost-to-cost method), thereby rendering the settlement and payments received over the medium-term upon the achievement of various milestones irrelevant since they are not, under the contract, final settlements and therefore recognising as revenues (and therefore taxable) the entire amount of the inventories only when ownership of the satellite was transferred in 2002 upon acceptance in orbit of the satellite by the customer as contractually agreed. By contrast, the tax inspectors asked the competent tax office to assess whether, in reality, under the contract, the various milestones could have been treated using the Work Status (WS) process, so as to include in the tax assessment of work-in-progress inventories the payments received based on the achievement of the WS objectives, regardless of the amounts recognised in the financial statements, on the assumption that the object of the contract could be divided into individual, “autonomous” lots for which each payment represents a final settlement of payments owed.

The tax officials, receiving the auditors' report and without carrying out any further analysis of the matter although it involves a rather complex contractual relationship, issued the notice of assessment against the company. The case is currently pending before tax court of first instance and no provision has been made in the financial statements since, in the Company's opinion, it can prove that the transaction was accounted for properly.

In April 2008, the Company received the request for the provisional payment of €mil. 5.2 for additional tax accrued plus interest, as envisaged by the current provisions pending the decision of the court of first instance, payment of which the Company did not request suspension since a hearing was held in May 2008 to argue the case before the provincial tax commission; we are still awaiting the court's decision.

25. BORROWINGS

	30 September 2008	*31 December 2007*
Bonds	1,792	1,758
Bank borrowings	869	282
Finance leases	17	20
Payable for non-recourse factoring	109	109
Other borrowings	411	655
Total borrowings	**3,198**	**2,824**
of which:		
current	1,527	1,149
non-current	1,671	1,675

"Other borrowings" fell significantly (€mil. 244) attributable largely to the payment of €mil. 297 (out of a total of €mil. 389) to the Ministry of Economic Development (MED) as a result of the decisions made concerning the methods for complying with the scheduled repayment plans and the corresponding finance costs related to programmes funded by Law 808/1985 (Section 5). The increase in bank borrowings is related to the use of lines of credit due to the cash flow for the period.

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

	30.09.2008	***31.12.2007***
Cash	(6)	(3)
Bank deposits	(406)	(1,604)
Securities held for trading	(22)	(13)
LIQUIDITY	**(434)**	**(1,620)**
CURRENT FINANCIAL RECEIVABLES	**(547)**	**(606)**
Current bank borrowings	746	133
Current portion of non-current borrowings	359	356
Other current borrowings	911	1,220
CURRENT NET DEBT	**2,016**	**1,709**
CURRENT NET DEBT (CASH)	**1,035**	**(517)**
Non-current bank borrowings	123	149
Bonds issued	1,436	1,407
Other non-current borrowings	112	119
NON-CURRENT NET DEBT	**1,671**	**1,675**
NET DEBT	**2,706**	**1,158**

26. TRADE PAYABLES

	30 September 2008	***31 December 2007***
Trade payables	3,966	3,923
Advances from customers (gross)	16,240	15,457
Work in progress	(9,376)	(8,980)
Advances from customers (net)	6,864	6,477
Total trade payables	**10,830**	**10,400**

27. OTHER LIABILITIES

	Non-current		Current	
	30 September 2008	***31 December 2007***	***30 September 2008***	***31 December 2007***
Employee obligations	54	50	363	333
Deferred income	52	89	116	100
Social security payable	3	3	248	294
Payable to Min. of Econ. Dev. Law 808/1985	290	288	8	8
Payable to Min. of Econ. Dev. for monopoly rights Law 808/1985	70	56	21	17
Other liabilities Law 808/1985	252	258	-	-
Indirect tax payables	12	-	158	192
Other payables	84	77	470	498
	817	**821**	**1,384**	**1,442**

The payables to the Ministry for Economic Development (MED) relate to the payables for royalties accrued pursuant to Law 808/1985 for “national security” and similar projects, in addition to payables for disbursements received from the Ministry for Economic Development 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 incurral of finance costs.

The item “Other liabilities Law 808/1985” includes the difference between the subsidies received or to be received pursuant to Law 808/1985, relating to programmes qualifying as programmes “of European interest”, with regard to the share of the subsidised costs classified among non-recurring costs, as well as 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 amount of €mil. 49 (€mil. 48 at 31 December 2007) among non-current liabilities due to the “BAAC reorganisation”, which involved the acquisition of

100% of the construction and marketing rights for the AW 139 helicopter, of which 25% was previously owned by Bell Helicopters;

- the amount of €mil. 16 (€mil. 10 at 31 December 2007) due to EADS NV from GIE/ATR (consortium owned by Alenia Aeronautica S.p.A. and EADS NV);
- the amount of €mil. 36 (€mil. 32 at 31 December 2007) for customer deposits;
- the amount of €mil. 29 (€mil. 24 at 31 December 2007) in respect of contractual penalties;
- the amount of €mil. 24 (€mil. 36 at 31 December 2007) due to the repurchase of a G222 aircraft;
- commissions due in the amount of €mil. 23 (€mil. 35 at 31 December 2007);
- royalties due in the amount of €mil. 23 (€mil. 22 at 31 December 2007).

28. CASH FLOW FROM OPERATING ACTIVITIES

	For the nine months ended 30 September	
Cash flow from operating activities	***2008***	***2007***
Net profit	396	294
Amortisation, depreciation and impairment	343	345
Effect of the measurement of equity investments using the equity method	(14)	(9)
Income taxes	140	155
Costs of pension and stock grant plans	66	104
Net finance income (costs)	39	67
Other non-monetary items	10	(13)
	980	**943**

The 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 those relating to the stock grant plan.

The changes in working capital, net of the effects of the acquisition and disposal of consolidated companies and translation differences, are as follows:

	For the nine months ended 30 September	
	2008	***2007***
Inventories	(747)	(502)
Contract work in progress and advances received	(228)	(408)
Trade receivables and payables	(252)	(130)
Changes in working capital	**(1,227)**	**(1,040)**

29. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

Basic EPS	***30 September 2008***	***30 September 2007***
Average number of shares for the period (in thousands)	424,598	424,373
Net result (not including minority interests) (€mil.)	365	269
Result of continuing operations (not including minority interests) (€mil.)	365	263
Basic EPS	0.861	0.634
Basic EPS from continuing operations	0.861	0.634

Diluted EPS	***30 September 2008***	***30 September 2007***
Average number of shares for the period (in thousands)	425,279	425,254
Adjusted result (not including minority interests) (€mil.)	365	269
Adjusted result of continuing operations (not including minority interests) (€mil.)	365	269
Diluted EPS	0.859	0.633
Diluted EPS from continuing operations	0.859	0.633

30. TRANSACTIONS WITH RELATED PARTIES

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

(millions of euros) ***RECEIVABLES AT 30 September 2008***	**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			13	3	1	17
Associates						
Eurofighter Jagdflugzeug GmbH				113		113
Orizzonte - Sistemi Navali S.p.A.				44		44
NH Industries S.a.r.l.				44		44
Iveco Fiat/Oto Melara S.c.a.r.l.				38		38
Abruzzo Engineering S.c.p.a.				20		20
Macchi Hurel Dubois SAS				15		15
Metro 5 S.p.A.				11		11
Euromids SAS				5		5
Other companies with unit amount lower than €mil. 5	2		1	23		26
J.V.(*)						
MBDA SAS				96		96
Thales Alenia Space SAS	5		6	29		40
GIE ATR					16	16
Aviation Training International Ltd	8		1	1		10
Telespazio S.p.A.			10	1	2	13
Other companies with unit amount lower than €mil. 5				3		3
Consortiums (**)						
Saturno				35		35
Trevi - Treno Veloce Italiano				13		13
C.I.S. DEG				9		9
Other consortiums with unit amount lower than €mil. 5			5	17	1	23
Total	**15**	**-**	**36**	**520**	**20**	**591**
% incidence on the total for the period	***19.7***		***6.6***	***11.5***	***3.1***	

(millions of euros) ***PAYABLES AT 30 September 2008***	**Non-current financial payables**	**Other non-current payables**	**Current financial payables**	**Trade payables**	**Other current payables**	**Total**
<u>Subsidiaries</u>						
Other companies with unit amount lower than €mil. 5			1	10		11
<u>Associates</u>						
Iveco Fiat/Oto Melara S.c.a.r.l.					25	25
Eurosysnav SAS			12			12
Consorzio Start S.p.A.				10		10
Metro 5 S.p.A.				1	6	7
Pegaso S.c.r.l.				8		8
Other companies with unit amount lower than €mil. 5			2	16		18
<u>J.V. (*)</u>						
MBDA SAS			445	10	1	456
Thales Alenia Space SAS			29	6		35
Other companies with unit amount lower than €mil. 5				1	3	4
<u>Consortiums</u> *(**)*						
Other consortiums with unit amount lower than €mil. 5				5		5
Total	**-**	**-**	**489**	**67**	**35**	**591**
% incidence on the total for the period			***24.3***	***1.7***	***2.5***	

(*) 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

(millions of euros) *RECEIVABLES AT 31 December 2007*	**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			9	7	1	17
Associates						
Eurofighter Jagdflugzeug GmbH				108		108
Iveco Fiat/Oto Melara S.c.a.r.l.				33		33
Orizzonte - Sistemi Navali S.p.A.				29		29
Eurosysnav SAS				8		8
Abruzzo Engineering S.c.p.a.				13		13
NH Industries S.a.r.l.				13		13
Macchi Hurel Dubois SAS				11		11
Metro 5 S.p.A.				7		7
Other companies with unit amount lower than €mil. 5	2			22	2	26
J.V.(*)						
MBDA SAS				87		87
Thales Alenia Space SAS				25		25
GIE ATR					10	10
Aviation Training International Ltd	9					9
Other companies with unit amount lower than €mil. 5			3	3	1	7
Consortiums (**)						
Saturno				42		42
Trevi - Treno Veloce Italiano				14		14
C.I.S. DEG				10		10
Elmac				6		6
Other consortiums with unit amount lower than €mil. 5			8	13	1	22
Total	**11**	**-**	**20**	**451**	**15**	**497**
% incidence on the total for the period	***18.3***		***3.3***	***10.4***	***2.5***	

(millions of euros) *PAYABLES AT 31 December 2007*	**Non-current financial payables**	**Other non-current payables**	**Current financial payables**	**Trade payables**	**Other current payables**	**Total**
Subsidiaries						
Other companies with unit amount lower than €mil. 5				8	1	9
Associates						
Consorzio Start S.p.A.				16		16
Eurosysnav SAS			13			13
Iveco Fiat/Oto Melara S.c.a.r.l.					6	6
Metro 5 S.p.A.					6	6
Other companies with unit amount lower than €mil. 5			3	21		24
J.V. (*)						
MBDA SAS			494	11		505
Telespazio S.p.A.			23	1		24
Thales Alenia Space SAS			24	9		33
Other companies with unit amount lower than €mil. 5			3	4		7
Consortiums *(**)*						
Trevi - Treno Veloce Italiano					12	12
Other consortiums with unit amount lower than €mil. 5				11		11
Total	**-**	**-**	**560**	**81**	**25**	**666**
% incidence on the total for the period			***32.8***	***2***	***1.7***	

(*) 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

(millions of euros) 30 September 2008	**Revenue**	**Other operating income**	**Costs**	**Finance income**	**Finance costs**
Subsidiaries					
Alifana Due S.c.r.l.	3		6		
Finmeccanica UK Ltd			6		
Other companies with unit amount lower than €mil. 5	1		4		
Associates					
Eurofighter Jagdflugzeug GmbH	389				
Iveco Fiat/Oro Melara S.c.a.r.l.	87		1		3
NH Industries S.a.r.l.	57				
Orizzonti - Sistemi Navali S.p.A.	41		1		
Macchi Hurel Dubois SAS	27				
Euromids SAS	15				
Abruzzo Engineering S.c.p.a	15				
Eurofighter Simulation Systems GmbH	16				
Eurosysnav SAS	12				
Consorzio Start S.p.A.	1		10		
Pegaso S.c.r.l			9		
Automation Integrated Solution S.p.A.			7		
Metro 5 S.p.A.	5		1		
Other companies with unit amount lower than €mil. 5	8	1	4		
J. V./(*).					
GIE ATR	86		8		
MBDA SAS	51				16
Thales Alenia Space SAS	26		3		1
Other companies with unit amount lower than €mil. 5	3			1	
Consortiums (**)					
Saturno	76		4		
C.I.S.DEG	5		2		
Other consortiums with unit amount lower than €mil. 5	11				
Total	**935**	**1**	**66**	**1**	**20**
% incidence on the total for the period	***9.7***	***0.3***	***0.8***	***0.2***	***3.5***

(millions of euros) 30 September 2007	**Revenue**	**Other operating income**	**Costs**	**Finance income**	**Finance costs**
Subsidiaries					
Alifana Due S.c.r.l.	6		6		
Other companies with unit amount lower than €mil. 5	6	1	8	1	
Associates					
Eurofighter Jagdflugzeug GmbH	338				
Iveco Fiat/Oro Melara S.c.a.r.l.	80		1		3
Eurosysnav SAS	32				1
Orizzonti - Sistemi Navali S.p.A.	23				
Macchi Hurel Dubois SAS	23				
NH Industries S.a.r.l.	17				
Euromids SAS	12				
Eurofighter Simulation Systems GmbH	9				
Consorzio Start S.p.A.	1		9		
HR Gest S.p.A.	1	1	9		
Other companies with unit amount lower than €mil. 5	14		5		
J. V./(*).					
GIE ATR	65				
MBDA SAS	36				10
Thales Alenia Space SAS	40		6		
Other companies with unit amount lower than €mil. 5	4		1	1	1
Consortiums (**)					
Saturno	48		2		
CMS Italia	13		6		
C.I.S.DEG	5		1		
Other consortiums with unit amount lower than €mil. 5	5	1	2		
Total	**778**	**3**	**56**	**2**	**15**
% incidence on the total for the period	***8.5***	***0.9***	***0.7***	***0.5***	***3.3***

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

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

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

Declaration of the officer responsible for the interim financial report at 30 September 2008 pursuant to art. 154-bis, paragraph 2 of Legislative Decree 58/98, as amended

I, Alessandro Pansa, as joint General Manager for Finmeccanica S.p.A. and the officer in charge of preparing the company's accounting documents, hereby declare, in accordance with the provisions of Article 154-*bis*, paragraph 2, of Legislative Decree 58/98, that the interim financial report for the period ended 30 September 2008 corresponds to the related accounting records and supporting documentation.

Rome, 13 November 2008

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