

**INTERIM FINANCIAL REPORT**  
**AT 31 MARCH 2009**  
**FINMECCANICA**

*Disclaimer*

*This Interim Financial Report at 31 March 2009 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.*

## CONTENTS

<b>INTERIM REPORT ON OPERATIONS AT 31 MARCH 2009.....</b>	<b>5</b>
• The results and financial position for the first three months .....	5
• “Non-GAAP” performance indicators .....	21
• Performance by division.....	26
<i>HELICOPTERS</i> .....	26
<i>DEFENCE ELECTRONICS AND SECURITY</i> .....	29
<i>AERONAUTICS</i> .....	33
<i>SPACE</i> .....	36
<i>DEFENCE SYSTEMS</i> .....	40
<i>ENERGY</i> .....	43
<i>TRANSPORTATION</i> .....	45
<i>OTHER ACTIVITIES</i> .....	48
• Significant events and events subsequent to closure of the accounts for the quarter .....	50
• Outlook.....	57
<b>ANALYSIS OF THE BALANCE SHEET AND INCOME STATEMENT AT 31</b>	
<b>MARCH 2009 .....</b>	<b>59</b>
• Income Statement.....	60
• Balance Sheet .....	61
• Cash Flow Statement.....	62

•	Statement of Recognised Income and Expenses .....	63
	1. <i>General information</i> .....	64
	2. <i>Form, content and applicable accounting standards</i> .....	64
	3. <i>Treatment of income taxes applied in the preparation of interim reports and seasonality of operations</i> .....	65
	4. <i>Significant non-recurring events and transactions</i> .....	65
	5. <i>Scope of consolidation</i> .....	68
	6. <i>Significant changes in the exchange rates applied</i> .....	76
	7. <i>Segment information</i> .....	77
	8. <i>Purchases and personnel costs</i> .....	78
	9. <i>Amortisation, depreciation and impairment</i> .....	79
	10. <i>Other operating income (expenses)</i> .....	80
	11. <i>Finance income (costs)</i> .....	80
	12. <i>Income taxes</i> .....	82
	13. <i>Intangible assets</i> .....	83
	14. <i>Property, plant and equipment</i> .....	84
	15. <i>Financial assets at fair value</i> .....	85
	16. <i>Other non-current assets</i> .....	85
	17. <i>Trade receivables, including net work in progress</i> .....	86
	18. <i>Derivatives</i> .....	87
	19. <i>Other current assets</i> .....	88

20.	<i>Shareholders' equity</i> .....	89
21.	<i>Employee liabilities</i> .....	91
22.	<i>Provisions for risks and charges</i> .....	93
23.	<i>Borrowings</i> .....	96
24.	<i>Trade payables, including advances from customers, net</i> .....	97
25.	<i>Other liabilities</i> .....	98
26.	<i>Cash flow from operating activities</i> .....	99
27.	<i>Earnings per Share</i> .....	100
28.	<i>Transactions with related parties</i> .....	101
•	Declaration of the officer responsible for the interim financial report at 31 March 2009 pursuant to art. 154-bis, paragraph 2 of Legislative Decree 58/98, as amended.....	107

## Finmeccanica Group

### Interim report on operations at 31 March 2009

#### The results and financial position for the first three months

##### Highlights

<i>€ millions</i>	<b>March 2009</b>	<b>March 2008</b>	<b>Change</b>	<b>2008</b>
<b>New orders</b>	<b>3,917</b>	<b>3,292</b>	<b>19%</b>	<b>17,575</b>
<b>Order backlog</b>	<b>43,319</b>	<b>38,888</b>	<b>11%</b>	<b>42,937</b>
<b>Revenue</b>	<b>3,911</b>	<b>2,916</b>	<b>34%</b>	<b>15,037</b>
<b>Adjusted EBITA (*)</b>	<b>242</b>	<b>133</b>	<b>82%</b>	<b>1,305</b>
<b>Net profit</b>	<b>108</b>	<b>126</b>	<b>(14%)</b>	<b>621</b>
<b>Adjusted net profit</b>	<b>108</b>	<b>72</b>	<b>50%</b>	<b>664</b>
<b>Net capital invested</b>	<b>10,792</b>	<b>7,109</b>	<b>52%</b>	<b>9,513</b>
<b>Net financial debt</b>	<b>4,479</b>	<b>1,928</b>	<b>132%</b>	<b>3,383</b>
<b>FOCF (*)</b>	<b>(951)</b>	<b>(928)</b>	<b>(2%)</b>	<b>469</b>
<b>ROS (*)</b>	<b>6.2%</b>	<b>4.6%</b>	<b>1.6 p.p.</b>	<b>8.7%</b>
<b>ROI (*)</b>	<b>16.3%</b>	<b>16.2%</b>	<b>0.1 p.p.</b>	<b>21.4%</b>
<b>ROE (*)</b>	<b>10.5%</b>	<b>11.9%</b>	<b>(1.4) p.p.</b>	<b>10.5%</b>
<b>EVA (*)</b>	<b>(67)</b>	<b>(74)</b>	<b>9%</b>	<b>376</b>
<b>Research &amp; Development</b>	<b>388</b>	<b>394</b>	<b>(2%)</b>	<b>1,809</b>
<b>Workforce (no.)</b>	<b>73,385</b>	<b>61,396</b>	<b>20%</b>	<b>73,398</b>

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

As has been stated several times, Finmeccanica Group's (the Group) consolidated results for the first quarter are not entirely representative of the trend for the financial year as a whole since more than half of the Group's business is concentrated in the second half of the year.

Nonetheless, during the first quarter of 2009, the Group's results showed an improvement over the same period of 2008.

As a matter of fact, the analysis of the main indicators for the first quarter of 2009 reveals that revenues increased by about 34% over the previous year and adjusted EBITA rose by roughly 82%. Return on sales (ROS) increased to 6.2%, up 1.6 percentage points over the 4.6% reported at 31 March 2008. New orders grew by 19% compared with the figure at 31 March 2008.

With regard to Group profitability, return on investment (ROI) stood at 16.3% (16.2% at 31 March 2008), EVA came to a negative €mil. 67 (negative €mil. 74) and return on equity (ROE) came to 10.5% (11.9%). It should be specified, with regard to EVA, that, due to the changes in the macroeconomic scenario, the increase in the cost of money and risk premiums, Finmeccanica recently increased the Group's cost of capital by around 1 percentage point, compared with that used up through 31 December 2008. Based on the cost of capital used for 2009, EVA at 31 March 2008 would have been negative €mil. 86 rather than negative €mil. 74.

Before turning to examine the results at 31 March 2009 in detail, it should be reported that, on 22 October 2008, the Group completed the purchase of 100% of the American group DRS Technologies (DRS), a leader in providing integrated products, services and support in the defence electronics and security sector.

The contribution of DRS to the Group's consolidated results constitutes a change in the two periods compared, particularly as to income statement figures.

However, to provide figures for internal Group growth, comments have been given on the discrepancies between the two periods being compared, isolating to the extent possible the effects of the changes in the scope of consolidation as noted above. To aid in this, the table below shows the principle indicators for DRS for the period under analysis:

	<i>€ millions</i>
New orders	1,114
Revenue	747
Adjusted EBITA (*)	83
Net profit	27
FOCF (*)	(24)

(\*): refer to the following section for definitions of the indicators

If we consider these values from the figures at 31 March 2009 and compare them on a consistent basis with those for the corresponding period of the preceding year, the Group shows a substantial improvement, as reported in the table below:

<i>€ millions</i>	<b>March 2009</b>	<b>March 2008</b>	<b>change</b>
<b>New orders</b>	<b>2,803</b>	<b>3,292</b>	<b>(15%)</b>
<b>Revenue</b>	<b>3,164</b>	<b>2,916</b>	<b>9%</b>
<b>Adjusted EBITA (*)</b>	<b>159</b>	<b>133</b>	<b>20%</b>
<b>Net profit</b>	<b>81</b>	<b>72</b>	<b>13%</b>
<b>FOCF (*)</b>	<b>(927)</b>	<b>(928)</b>	<b>0%</b>
<b>ROS (*)</b>	<b>5.0%</b>	<b>4.6%</b>	<b>0.5 p.p.</b>

(\*): refer to the following section for definitions of the indicators

If we come to analyse the net result, it should be noted that contributing to the positive results for the first quarter of 2008 was the €mil. 54 capital gain from the sale of 26 million shares of STMicroelectronics (STM) to French company FT1CI (Section 4). Excluding the impact of this event, the net profit came to roughly €mil. 72.

Comparing the two net profits, broken down into their individual components, we can see that the net profit at 31 March 2009 was €mil.9 higher than the same period of 2008.

The improvement in the Group's net profit is due to: the increase in EBIT for €mil. 27 and taxes for €mil. 11, partly offset by a deterioration in finance costs (€mil. 29), essentially due to the higher average amount of net financial debt for the period.

The effective tax rate at 31 March 2009 came to about 39.3%, the same as the theoretical tax rate.

\*\*\*\*\*

<i>Income statement</i>	<i>Section</i>	<i>For the three months ended 31 March</i>	
		<i>2009</i>	<i>2008</i>
<i>€ millions</i>			
<b>Revenue</b>		3,911	2,916
Purchases and personnel costs	(*)	(3,512)	(2,670)
Depreciation and amortisation	9	(130)	(98)
Other net operating income (expenses)	(**)	(27)	(15)
<b>Adjusted EBITA</b>		<b>242</b>	<b>133</b>
Non-recurring income/(costs)			
Restructuring costs		(3)	(4)
Impairment of goodwill			
Amortisation of intangible assets acquired through a business combination	9	(23)	(6)
<b>EBIT</b>		<b>216</b>	<b>123</b>
Net finance income (costs)	(***)	(39)	69
Income taxes	12	(69)	(66)
<b>NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS</b>		<b>108</b>	<b>126</b>
Result of discontinued operations		-	-
<b>NET PROFIT (LOSS)</b>		<b>108</b>	<b>126</b>

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

- (\*) *Includes "Purchases", "Purchase of services" and "Personnel costs" (excluding "Restructuring costs", "Work performed by the Group and capitalised" and "Change in inventories of work in progress, semi-finished and finished goods").*
- (\*\*) *Includes "Other operating income", "Other operating expenses" (excluding restructuring costs, impairment of goodwill, non-recurring income/(costs) and including impairment).*
- (\*\*\*) *Includes "Finance income", "Finance costs" and "Share of profit (loss) of equity accounted investments".*



## Primary Finmeccanica Group indicators by segment

### March 2009 (€ millions)

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	702	10,513	756	74	9.8%	79	10,340
Defence Electronics and Security	1,582	11,001	1,427	110	7.7%	136	30,229
Aeronautics	319	8,245	553	22	4.0%	83	13,812
Space	225	1,449	191	(1)	(0.5%)	14	3,659
Defence Systems	104	3,747	232	11	4.7%	60	4,072
Energy	214	3,661	333	31	9.3%	5	3,373
Transportation	772	5,218	427	29	6.8%	11	7,102
Other activities	64	356	80	(34)	n.a.	-	798
Eliminations	(65)	(871)	(88)				
	<b>3,917</b>	<b>43,319</b>	<b>3,911</b>	<b>242</b>	<b>6.2%</b>	<b>388</b>	<b>73,385</b>

### March 2008 (€ millions)

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
		at 31 Dec. 2008					at 31 Dec. 2008
Helicopters	795	10,481	713	85	11.9%	62	10,289
Defence Electronics and Security	857	10,700	677	21	3.1%	143	30,330
Aeronautics	526	8,281	491	19	3.9%	113	13,907
Space	211	1,383	203	3	1.5%	12	3,620
Defence Systems	303	3,879	247	18	7.3%	46	4,060
Energy	439	3,779	229	14	6.1%	5	3,285
Transportation	220	4,858	379	18	4.7%	13	7,133
Other activities	17	348	50	(45)	n.a.	-	774
Eliminations	(76)	(772)	(73)				
	<b>3,292</b>	<b>42,937</b>	<b>2,916</b>	<b>133</b>	<b>4.6%</b>	<b>394</b>	<b>73,398</b>

### Change

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	(12%)	n.s.	6%	(13%)	(2.1) p.p.	27%	n.s.
Defence Electronics and Security	85%	3%	111%	424%	4.6 p.p.	(5%)	n.s.
Aeronautics	(39%)	n.s.	13%	16%	0.1 p.p.	(27%)	(1%)
Space	7%	5%	(6%)	(133%)	(2.0) p.p.	17%	1%
Defence Systems	(66%)	(3%)	(6%)	(39%)	(2.5) p.p.	30%	0.3%
Energy	(51%)	(3%)	46%	121%	3.2 p.p.	-	3%
Transportation	251%	7%	13%	61%	2.1 p.p.	(15%)	n.s.
Other activities	276%	2%	n.a.	(24%)	n.a.	-	3%
	<b>19%</b>	<b>1%</b>	<b>34%</b>	<b>82%</b>	<b>1.6 p.p.</b>	<b>(2%)</b>	<b>(0.02%)</b>

The primary changes that marked the Group's performance compared with the first quarter 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 reported an increase in **new orders** amounting to €mil. 3,917 at 31 March 2009, compared with €mil. 3,292 at 31 March 2008, for an increase of €mil. 625 (19%).

New orders fell in the following segments:

- *Defence Electronics and Security* (excluding DRS) and *Defence Systems*: the drop in orders is attributable to the fact that significant new orders were received in the first quarter of 2008;
- *Helicopters*: the net reduction in orders is due to the decline in sales in the *commercial segment*, partly offset by the increase in new orders for product support;
- *Aeronautics* and *Energy*: the fall in new orders is mainly the result of a number delays in the receipt of orders.

Among the segments that contributed to the improvement in the results were *Transportation*, with an increase in new orders in all segments, and *Space*, with an increase in new orders in the satellite services segment.

\*\*\*\*\*

The **order backlog** at 31 March 2008 amounted to €mil. 43,319, a €mil.382 increase over 31 December 2008 (€mil. 42,937).

The net change is due to ordinary order acquisition and customer billing activities, as well as the effect deriving from the translation of financial statements expressed in foreign currencies at more favourable euro/dollar and euro/pound sterling exchange rates than at the end of the previous period.

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

\*\*\*\*\*

At 31 March 2009, **revenues** totalled €mil. 3,911, compared with €mil. 2,916 for the same period of 2008, an increase of €mil. 995, or 34%, of which €mil. 248 is attributable to internal growth.

In terms of the internal growth in revenues, it should be noted that the increase in production volumes spans all sectors of activity:

- *Defence Electronics and Security*: due to increased activity in command and control systems and avionics and electro-optical systems;
- *Aeronautics*: due to the higher contribution of the military segment, as a result of increased production for the EFA programme and for the MB339 trainers, and in civil activities with the increase in production of ATR.
- *Helicopters*: due to growth in product support activities;
- *Energy*: due to work on orders for plants and to the service segment in relation to scheduled maintenance;
- *Transportation*: due primarily to signalling and transport systems, largely as a result of increased activity in transport systems.

Finally, there was lower production in the *Space*, in both manufacturing and space services, and in the *Defence Systems* sectors, due to lower volumes reported in missile systems.

\*\*\*\*\*

**Adjusted EBITA** at 31 March 2009 came to €mil. 242, compared with €mil. 133 for the same period of 2008, an increase of €mil. 109, of which €mil. 26 is attributable to internal growth.

This internal growth in adjusted EBITA was characterised by widespread improvement across almost all business sectors also as a result of improved profitability, while there was slight decline in the following segments:

- in *Helicopters* as a result of the negative impact of the translation of financial statements in foreign currencies and lower profitability (integrated support contracts (IOS) for the UK Ministry of Defence);

- in *Space* as a result of cost overruns and the lower productivity of a number of manufacturing activities;
- in *Defence Systems* primarily as a result of lower production volumes and decreased profitability in missile systems, which benefited from progress made in a number of programmes nearing completion in the previous year.

\*\*\*\*\*

**Research and development** costs at 31 March 2009 amounted to €mil. 388, essentially in line with the first quarter of 2008 (€mil. 394).

Research and development costs in the *Aeronautics* segment amounted to €mil. 83 (about 21% of the Group total) in the first quarter of 2009, reflecting the commitment to programmes being developed in the civil and military segments.

In *Defence Electronics and Security*, R&D costs totalled €mil. 136 (roughly 35% of the Group total) and related in particular to:

- in the *avionics and electro-optical systems segment*: the continuation of development for the EFA programme and new electronic-scan radar systems for both surveillance and combat;
- in the *communications segment*: the continuation of the development of Tetra technology products and software design radio;
- in the *command and control systems segment*: the continuation of development of MFRA multi-functional 3D Kronos active radar surveillance systems, upgrading of the current SATCAS products, the programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal (CWP)).

Finally, in the *Helicopters* segment, R&D costs came to €mil. 79 (about 20% of the Group's total) and mainly concerned the development of technologies primarily for military use (AW149) and the development of multi-role versions of the BA 609 convertiplane for national security.

\*\*\*\*\*

The **workforce** at 31 March 2009 came to 73,385, a decrease of 13 from the 73,398 at 31 December 2008, due to negative turnover.

The geographical distribution of the workforce at 31 March 2009 was substantially the same as that at 31 December 2008, breaking down into 59% of the workforce in Italy and 41% in foreign countries (largely the United States, the United Kingdom and France).

\*\*\*\*\*

<i>Balance sheet</i>	<i>Section</i>	<u>31 Mar 2009</u>	<u>31 Dec. 2008</u>
<i>€ millions</i>			
Non-current assets		13,496	13,113
Non-current liabilities	(*)	<u>(2,708)</u>	<u>(2,655)</u>
		<b>10,788</b>	<b>10,458</b>
Inventories		4,713	4,365
Trade receivables	(**) 17	8,886	8,329
Trade payables	(***) 24	(12,096)	(12,134)
<b>Working capital</b>		<b>1,503</b>	<b>560</b>
Provisions for short-term risks and charges	22	(604)	(632)
Other net current assets (liabilities)	(****)	(877)	(873)
<b>Net working capital</b>		<u><b>22</b></u>	<u><b>(945)</b></u>
<b>Net invested capital</b>		<u><b>10,810</b></u>	<u><b>9,513</b></u>
Capital and reserves attributable to equity holders of the Company		6,160	5,974
Minority interests in equity		171	156
<b>Shareholders' equity</b>	20	<u><b>6,331</b></u>	<u><b>6,130</b></u>
<b>Net financial debt (cash)</b>	23	<u><b>4,479</b></u>	<u><b>3,383</b></u>
<b>Net (assets) liabilities held for sale</b>	(*****)	<u><b>-</b></u>	<u><b>-</b></u>

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

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

(\*\*) Includes "Contract work in progress."

(\*\*\*) Includes "Advances from customers".

(\*\*\*\*) Includes "Income tax receivables", "Other current assets and "Derivative assets", excluding "Income tax payables", "Other current liabilities" and "Derivative liabilities".

(\*\*\*\*\*) Includes the net amount of "Non-current assets held for sale" and "Liabilities directly connected with assets held for sale".

At 31 March 2009 the consolidated **net capital invested** came to €mil. 10,810, compared with €mil. 9,513 at 31 December 2008, for a net increase of €mil. 1,279.

More specifically, there was a €mil. 967 increase in **net working capital** (positive €mil. 22 at 31 March 2009 compared with negative €mil. 945 at 31 December 2008) due mainly to the use of cash during the period (Free Operating Cash Flow) as described below.

As to **capital assets**, there was an increase of €mil. 330 (€mil. 10,788 at 31 March 2009 compared with €mil. 10,458 at 31 December 2008).

\*\*\*\*\*

The **Free Operating Cash Flow** (FOCF) is to be analysed in the context of the period, and seasonal factors have to be taken into account. The balance between trade collections and payments reveals that payments are particularly higher than collections. At 31 March 2009, FOCF was negative (use of cash) in the amount of about €mil. 951 compared with a negative €mil. 928 at 31 March 2008 Excluding DRS's cash usage (€mil. 24), at 31 March 2009 FOCF is in line with the figure of the same period of 2008.

In the first quarter of 2009, investment activities, needed for product development, were largely concentrated in the Aeronautics (51%), Defence Electronics and Security (12%) and Helicopters (20%) divisions.

\*\*\*\*\*

	<i>For the three months ended 31 March</i>	
	<u>2009</u>	<u>2008</u>
<b>Cash and cash equivalents at 1 January</b>	<u>2,297</u>	<u>1,607</u>
Gross cash flow from operating activities	407	257
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(210)	(189)
<b>Funds From Operations (FFO)</b>	<u>197</u>	<u>68</u>
Changes in working capital	(885)	(723)
<b>Cash flow generated from (used in) operating activities</b>	<u>(688)</u>	<u>(655)</u>
Cash flow from ordinary investing activities	(263)	(273)
<b>Free Operating Cash Flow (FOCF)</b>	<u>(951)</u>	<u>(928)</u>
Strategic operations	(26)	187
Change in other investing activities (**)	(50)	(12)
<b>Cash flow generated from (used in) investing activities</b>	<u>(339)</u>	<u>(98)</u>
Capital increases	(2)	0
Net change in borrowings	(546)	(57)
<b>Cash flow generated from (used in) financing activities</b>	<u>(548)</u>	<u>(57)</u>
<b>Exchange gains/losses</b>	7	(8)
<b>Cash and cash equivalents at 31 March</b>	<u>729</u>	<u>789</u>

(\*) Includes the amounts of “change in other operating assets and liabilities”, “finance costs paid”, “income taxes paid” and “change in provisions for risks and charges”.

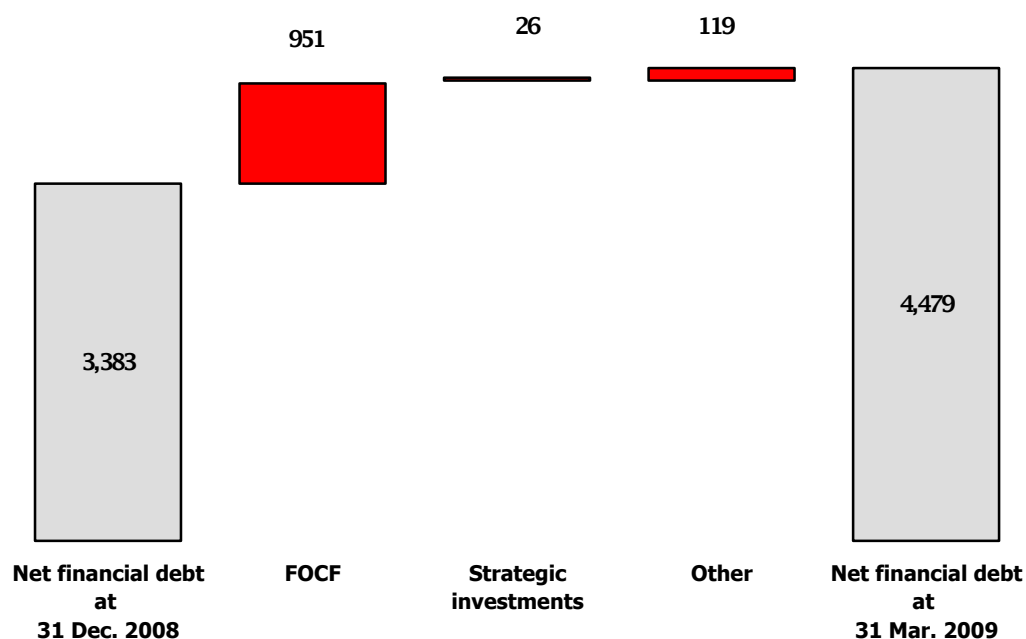
(\*\*) Includes “other investing activities”, dividends received from subsidiaries and loss coverage for subsidiaries.

\*\*\*\*\*

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 31 March 2009 came to €mil. 4,479 (€mil. 3,383 at 31 December 2008), a net increase of €mil. 1,096.

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

31 March 2009 - € millions



\*\*\*\*\*

€ millions	31 Mar. 2009	31 Dec. 2008
Short-term borrowings	260	1,144
Medium/long-term borrowings	4,434	3,995
Cash and cash equivalents	(729)	(2,297)
<b>BANK DEBT AND BONDS</b>	<b>3,965</b>	<b>2,842</b>
Securities	(1)	(1)
Financial receivables from Group companies	(44)	(26)
Other financial receivables	(565)	(653)
<b>FINANCIAL RECEIVABLES AND SECURITIES</b>	<b>(610)</b>	<b>(680)</b>
Borrowings to related parties	653	652
Other short-term borrowings	367	469
Other medium/long-term borrowings	104	100
<b>OTHER BORROWINGS</b>	<b>1,124</b>	<b>1,221</b>
<b>NET FINANCIAL DEBT (CASH)</b>	<b>4,479</b>	<b>3,383</b>



Consistent with the approach adopted in the presentation of the accounts over the last few years, the net debt figure for March 2009 does not include the net fair value of derivatives at the date the accounts were closed (positive balance of €mil. 51).

As already noted in the paragraph on the FOCF, the deterioration reported during the period confirms the traditional pattern of trade collections and payments, in which payments are higher than collections, with a greater usage of cash in operations, partly offset by reduced investment activities for the period.

The net financial debt for the period includes €mil 26 relating to the payment of costs associated with the acquisition of DRS, already recorded within trade payables in the 2008 financial statements.

Moreover, in January, the relevant Group companies made a second reimbursement payment of €mil. 80 (total initial debt of €mil. 39) to the Ministry for 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. The first reimbursement payment of €mil. 297 was made in May 2008.

In the first quarter of 2009, the Group made assignments of non-recourse receivables for a nominal amount of around €mil. 123.

As regards the composition of the debt items, with particular regard to bank borrowings and bonds, which went from €mil. 2,842 at 31 December 2008 to €mil. 3,965 at 31 March 2009, the main changes were as follows:

- short-term borrowings fell from €mil. 1,144 at 31 December 2008 to €mil. 260 at 31 March 2009, mainly due to the prepayment, for nearly the full amount, of the DRS bond issues (about €mil. 868). Although these bonds were set to mature in future years, the acquisition triggered the change of control clause requiring the accelerated repayment of the principle (put option) in January 2009 (see the “Financial Transactions” section). The remaining portion of the bonds, amounting to about €mil. 23, was included among medium/long-term debt;

- medium/long-term borrowings rose from €mil. 3,995 at 31 December 2008 to €mil 4,434 at 31 March 2009, mainly due to the effect of the recognition, in addition to the remaining portion of the DRS bond issue mentioned above, of the following:
  - €mil. 250 resulting from the opening, in February 2009, of the bond issue placed on the financial market by Finmeccanica Finance at the end of 2008;
  - €mil. 149 resulting from the final disbursement under the Senior Term Loan Facility relating to the purchase of DRS;

Also of importance is the fact that cash and cash equivalents fell due to the high use of cash through ordinary operations. Moreover, a portion of cash and cash equivalents was used for the reimbursement of the DRS bonds prepaid in January, as well as for the payment of €mil. 80 to the MED described above.

The item “financial receivables and securities” equal to €mil. 610 (€mil. 680 at 31 December 2008) includes the amount of €mil. 539 (€mil. 628 at 31 December 2008) in respect of the portion of financial receivables that the MBDA and Alcatel Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group’s scope of consolidation on a proportionate basis.

The item “borrowings to related parties” amounting to €mil. 653 (€mil. 652 at 31 December 2008) includes the debt of €mil. 541 (€mil 570 at 31 December 2008) of Group companies in the above joint ventures for the unconsolidated portion, and the debt of €mil. 95 (€mil. 62 at 31 December 2008) to the company Eurofighter, of which Alenia Aeronautica owns 21%. In regard to this, under a new treasury agreement signed in 2008, surplus cash and cash equivalents, when available, is now distributed among the partners.

As part of the centralisation of its financial operations, Finmeccanica 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 31 March 2009, this credit line was entirely unused. Also on that date Finmeccanica had additional short-term credit lines for cash amounting to around €mil. 966, of which €mil. 841 is unconfirmed and €mil. 125 is confirmed, that were also unused. There are also unconfirmed guarantees of around €mil. 1,710.

Despite the existence of a still extremely volatile financial market as a result of the persisting crisis, during the period Finmeccanica pursued actions aimed at maintaining an average remaining life (currently about 5 years) consistent with its operating needs. This makes the Group's financial structure more sound and compatible with medium and long-term financial returns for significant investments required to develop products. By maintaining a stable financial and equity structure, the Group is able to keep steady control over its companies' financial needs.

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### **Transactions with related parties**

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

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

The section "Analysis of the balance sheet and income statement at 31 March 2009" contains a summary of income statement and balance sheet balances attributable to transactions with related parties, as well as the percentage impact of these transactions on the respective total balances.

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### **CONSOB – Market Regulation, Art. 36.**

In accordance with CONSOB provisions contained in the Market Regulation and specifically Art. 36 of Resolution no. 16191/2007, Finmeccanica completed the assessment relating to the US group DRS Technologies (acquired on 22 October 2008) as well as the other subsidiaries, established and regulated under the laws of non-European Union countries, that were deemed material based on the criteria provided under Art. 151 of the Issuers Regulation adopted through CONSOB Resolution no. 11971/1999.

These assessments revealed the existence of an adequate administrative and accounting system, as well as compliance with the other conditions provided under Art. 36, with regard to the non-EU foreign subsidiaries (DRS Sustainment Systems Inc, DRS Technical Services Inc, DRS Sensors & Targeting Systems Inc, Agusta Aerospace Corp. USA and AgustaWestland Bell LLC) identified under the aforementioned law and in accordance with the measures provided by their respective legal systems.

## “Non-GAAP” performance indicators

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

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

- **EBIT**: i.e. earnings before interest and taxes, with no adjustments. EBIT also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as “*finance income and costs*” or, for the results of equity investments accounted for with the equity method, under “*effect of the accounting for equity investments with the equity method*”.
  
- **Adjusted EBITA**: It is arrived at by eliminating from EBIT (as defined above) the following items:
  - any impairment in goodwill;
  - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS 3;
  - 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:

<i>31 March 2009</i>									
	<b>Helicopters</b>	<b>Defence Electronics and Security</b>	<b>Aeronau- tics</b>	<b>Space</b>	<b>Defence Systems</b>	<b>Energy</b>	<b>Transportation</b>	<b>Other Activities</b>	<b>Total</b>
<i>€ million</i>									
Earnings before income taxes, net financial income and costs and share of results of equity accounted investments (EBIT)	72	89	22	(1)	10	31	27	(34)	216
Amortisation of intangible assets acquired through a business combination	2	20			1				23
Restructuring costs		1					2		3
<b>Adjusted EBITA</b>	<b>74</b>	<b>110</b>	<b>22</b>	<b>(1)</b>	<b>11</b>	<b>31</b>	<b>29</b>	<b>(34)</b>	<b>242</b>

<i>31 March 2008</i>									
	<b>Helicopters</b>	<b>Defence Electronics and Security</b>	<b>Aeronau- tics</b>	<b>Space</b>	<b>Defence Systems</b>	<b>Energy</b>	<b>Transportation</b>	<b>Other Activities</b>	<b>Total</b>
<i>€ million</i>									
Earnings before income taxes, net financial income and costs and share of results of equity accounted investments (EBIT)	83	18	19	3	13	14	18	(45)	123
Amortisation of intangible assets acquired through a business combination	2	3			1				6
Restructuring costs					4				4
<b>Adjusted EBITA</b>	<b>85</b>	<b>21</b>	<b>19</b>	<b>3</b>	<b>18</b>	<b>14</b>	<b>18</b>	<b>(45)</b>	<b>133</b>

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

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

€ million	<i>For the three months ended 31 March</i>		
	<b>2009</b>	<b>2008</b>	<b>Section</b>
Net profit	108	126	
Net gain on sale of STM shares	-	(56)	4
<b>Adjusted earnings before taxes</b>	<b>108</b>	<b>70</b>	
Tax effect of the adjustments	-	2	4
<b>Adjusted net profit</b>	<b>108</b>	<b>72</b>	

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 26) 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.

- **Working capital:** this includes trade receivables and payables, contract work in progress and advances received.
  
- **Net working capital:** this is equal to working capital less current provisions for risks and charges and other current assets and liabilities.
  
- **Net capital invested:** this is the algebraic sum of non-current assets, non-current liabilities and net working capital.
  
- **Net financial debt:** the calculation model complies with that provided in Paragraph 127 of Recommendation CESR/05-054b implementing EC Regulation 809/2004. For details on its composition, refer to Section 23 of the notes.
  
- **Research and development spending:** the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. These costs may be partly or entirely reimbursed by customers, funded by public institutions through grants or other incentives under law or, lastly, be borne by the Group. From an accounting standpoint, R&D costs can be categorised differently as indicated below:
  - if they are reimbursed by the customer pursuant to a contract, they are classified under “work in progress”;
  - if they relate to research - or if they are at a stage at which it is not possible to demonstrate that the activity will generate future economic benefits - these costs are taken to profit or loss in the period incurred;
  - finally, if these costs relate to a development activity for which the technical feasibility, the capability and the willingness to see the project through to the end, as well as the existence of a potential market for generating future economic benefits can be shown, they are capitalised under “Intangible assets”. In the case in which a grant is given towards these expenses, the carrying value of the intangible assets is reduced by the amount received or to be received.



- ***New orders:*** this is the sum of contracts signed with customers during the period that satisfy the requirements for being recorded in the order book.
  
- ***Order backlog:*** this figure is the difference between new orders and invoiced orders (income statement) during the reference period, excluding the change in contract work in progress. This difference is added to the backlog for the preceding period.
  
- ***Workforce:*** the number of employees reported on the last day of the period.

## Performance by division

### HELICOPTERS

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	702	795	5,078
Order backlog	10,513	8,679	10,481
Revenues	756	713	3,035
Adjusted EBITA	74	85	353
ROS	9.8%	11.9%	11.6%
Research & Development	79	62	273
Workforce (no.)	10,340	9,954	10,289

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

Total volume of **new orders** at 31 March 2009 came to €mil. 702, a 12% decrease from the first quarter of 2008 (€mil. 795), and breaks down in 59% for helicopters (new helicopters and upgrading) and 41% for support (spare parts and inspections). The helicopter segment fell from the first quarter of 2008, both in absolute and percentage terms, as a result of the financial crisis, the negative effects of which are beginning to be felt even in the helicopter industry, especially the commercial segment (civil and government). By contrast, product support has expanded, with a sizable increase of €mil. 160 over the same period of last year.

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

- the order from the UK Ministry of Defence for 12 Lynx Mk 9 helicopters, a variant of the Super Lynx helicopter used by the UK armed forces, in order to

ensure support to military operations prior to the entry into operation of the new Future Lynx helicopter. The contract is worth €mil. 62.

In the civil and government sector, new orders for 13 helicopters were received in the first quarter of 2009, worth a total of about €mil. 300. Of note in that regard are the following:

- the order from the Cypriot Justice Ministry for two AW139 helicopters for use in search and rescue and public order operations;
- the order from the Malaysian fire department for two AW139 helicopters for use in fire-fighting and search and rescue operations.

The value of the **order backlog** at 31 March 2009 came to €mil. 10,513, in line with the same figure at 31 December 2008 (€mil. 10,481) and is sufficient to guarantee coverage of production for an equivalent of 3 years.

The order backlog at 31 March 2009 breaks down into 79% for helicopters (including the T129 Atak and NH90 programmes), 20% for support activities (where 50% is represented by integrated support contracts (IOS) for the British Ministry of Defence), and 1% for engineering activities.

With regard to progress made on the order for the **helicopter for the President of the United States of America**, in the first quarter of 2009, two more helicopters were delivered to the American partner Lockheed Martin System Integrator Ltd, for a total of 8 out of 9 provided for under the contract (Increment 1). For the second part of the programme (Increment 2), the US Administration has initiated the Nunn-McCurdy process requiring Congress to reconsider the programme. The result is expected to be announced in June 2009, barring any unforeseen developments.

**Revenues** at 31 March 2009 came to €mil. 756, up 6% from the figure at 31 March 2008 (€mil. 713). This increase is largely due to product support activities, where production volumes rose across all types of activities compared with 31 March 2008.

In particular, there was significant performance in turnkey support, including the IOS contracts for the British Ministry of Defence, which posted higher revenues of 14%. The helicopter segment fell lightly, by around 2%.

**Adjusted EBITA** at 31 March 2009 came to €mil. 74, down €mil. 11 from the €mil. 85 reported for the first quarter of 2008. This decrease is due to the negative impact of the translation of financial statements in foreign currencies into euros and to lower profitability (IOS contracts for the British Ministry of Defence) as a result of the different mix of revenues mentioned above. As a result of these factors, **ROS** fell to 9.8%, down from the 11.9% reported at 31 December 2008.

**Research and development** costs at 31 March 2009, amounting to €mil. 79 (€mil. 62 at 31 March 2008), mainly concerned the development of technologies primarily for military use for a new helicopter of the 6/7-tonne class named the A149 and development of multi-role versions of the BA 609 convertiplane for national security.

The **workforce** at 31 March 2009 came to 10,340, a 51 employee increase over 31 December 2008 (10,289).

## DEFENCE ELECTRONICS AND SECURITY

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	1,582	857	4,418
Order backlog	11,001	8,616	10,700
Revenues	1,427	677	4,362
Adjusted EBITA	110	21	442
ROS	7.7%	3.1%	10.1%
Research & Development	136	143	619
Workforce (no.)	30,229	19,513	30,330

The division covers activities relating to the creation of major 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, communications systems and integrated 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 SpA, Selex Sistemi Integrati SpA, the Elsag Datamat Group, the Selex Communications Group, Selex Service Management SpA, Seicos SpA and the Vega Group (which has been under the control of the UK subsidiary Selex Sistemi Integrati SpA since 2 January 2009).

On 22 October 2008, Finmeccanica also successfully completed the acquisition of DRS Technologies, the American company that is a leader in the supply of integrated products, services and support for military forces and governmental agencies in the defence electronics and security sector. DRS specialises in defence technologies,

developing, producing and supplying assistance for a vast range of systems conceived to satisfy the requirements of mission critical and military support operations, in addition to homeland security systems.

However, to provide a representation of the division's performance, where appropriate, the differences between the two periods compared are presented, excluding the effect of the results of DRS as previously reported.

**New orders** at 31 March 2009 totalled €mil. 1,582 (€mil. 857 at 31 March 2008). Excluding the contribution of DRS, there was a 45% decrease in orders received from the first quarter of the previous year, during which there were significant orders for the Italian and French FREMM naval programme.

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

- *avionics and electro-optical systems*: additional orders for the European EFA programme relating, in particular to logistics and to the Defensive Aids Sub System (DASS) combat radar; space programme orders;
- *radar and command and control systems*: the order from the Italian Department of Civil Protection to build a G8 event management system including two security operation centres, a radiolocalisation communications system and a supervision and control centre; and the signing of a rider to the contract to supply Fixed Air Defence Radar (FADR) to NATO countries; order for consultancy services for the UK Ministry of Defence;
- *integrated communication networks and systems*: additional orders for EFA communication systems and initial orders for activity connected with the third lot of the European programme;
- *information technology and security*: order from Poste Italiane to supply PDAs for letter carriers; the order for supervisory control and data acquisition activities for the Rome Metro line C; the order for security logic activity for controlling access to INPS's computer networks;

- *DRS group*: the order from the US Army's Communications & Electronic Systems Command for the Movement Tracking System (MTS); contracts with the US army for: additional activities related to the Thermal Weapon Sight (TWS) system issued to soldiers; logistics, support and spare parts for the Mast Mounted Sight (MMS) system for Kiowa Warrior helicopters; the supply of Tactical Quiet Generators (TQG).

The **order backlog** came to €mil. 11,001, compare with €mil. 10,700 at 31 December 2008 (+3%), one-third of which related to the avionics and electro-optical systems segment, and one-fourth to the activities of DRS.

**Revenues** at 31 March 2009 amounted to €mil. 1,427, a 7% increase over the same period of the previous year (€mil. 677 at 31 March 2008), excluding the contribution of DRS and the negative change due to the conversion of the financial statements denominated in a foreign currency. This was thanks to increased activity in command and control systems and avionics and electro-optical systems.

Revenues resulted mainly 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; 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; contracts for Orizzonte, FREMM, Baynunah, Nuova Unità Maggiore (NUM) and upgrading; Medium Extended Air Defense System (MEADS) and Future Surface to Air Family (FSAF) international cooperation contracts; the programme to supply Fixed Air Defence Radar (FADR); start-up of upgrading, management and maintenance of a technosystem for the Civil Protection Department;
- *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; the provision of

communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;

- *information technology and security*: activities relating to postal automation services and ICT services.

**Adjusted EBITA** reached €mil. 110 at 31 March 2009. Excluding the contribution of DRS (€mil. 83) and the negative change due to the conversion of the financial statements denominated in a foreign currency, adjusted EBITDA grew by €mil. 10 compared with the figure reported for the first quarter of the previous year (€mil. 21). This is mainly due to growth in command and control systems and to improved profitability in communications systems. As a result, calculated in this way, **ROS** came to 4% (3.1% at 31 March 2008).

**Research and development** costs at 31 March 2009 totalled €mil. 136, down about €mil. 7 from 31 March 2008, and related in particular to: the continuation of development for the EFA programme and new electronic-scan radar systems for both surveillance and combat for the avionics and electro-optical systems segment; the development of Tetra technology products and software design radio for the communications segment; the continuation of development of MFRA multi-functional 3D Kronos active radar surveillance systems, upgrading of the current SATCAS products and of the programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal (CWP)) for the command and control systems segment.

The **workforce** at 31 March 2009 totalled 30,229, a decrease of about 101 from 31 December 2008 (30,330).



## AERONAUTICS

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	319	526	2,720
Order backlog	8,245	8,092	8,281
Revenues	553	491	2,530
Adjusted EBITA	22	19	250
ROS	4.0%	3.9%	9.9%
Research & Development	83	113	508
Workforce (no.)	13,812	13,539	13,907

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

**New orders** at 31 March 2009 came to €mil. 319, down €mil. 207(€mil. 526 at 31 March 2008) due to delays in receiving expected orders. The main orders received during the first quarter of 2009 included the following:

- *in the military segment*: the order for seven more C27J aircraft for the US and orders for logistical support for EFA craft;
- *the civil segment*: orders for aerostructures for the A380, B777, A321 and customer service activities for ATR craft.

Among the commercial activity in the *military segment* in the first quarter of 2009, in relation to training aircraft, on 25 February 2009, the government of the United Arab Emirates announced that it had begun negotiations for the purchase of 48 advanced M346 training aircraft from Alenia Aermacchi SpA. Negotiations are also well under way with the Italian Air force for the provision of the first lot of 6 aircraft.

The **order backlog** at 31 March 2009 came to €mil. 8,245, in line with the figure at 31 December 2008 (€mil. 8,281). The breakdown at the end of the year revealed a significant portion for the following programmes: EFA (about 45%), B787 (about 16%), C27J (about 8%) and special versions of the ATR (about 6%). It is expected to continue expanding over the medium/long term. The order backlog guarantees coverage of around 3 years of production.

**Revenues** for the first quarter of 2009 came to €mil. 553, an increase of €mil. 62 (12.6%) over the €mil. 491 reported at 31 March 2008. Growth was seen in the military segment, due to increased production for the EFA programme and for the MB339 trainers, and in civil activities with the increase in production of ATR.

In the first quarter of 2009, production in the military segment mainly regarded:

- *aircraft*: continuation of development and production for the second lot of the EFA programme and logistics; production of the C27J aircraft for the Italian Air Force and a number of export markets; the continuation of upgrades to the Tornado aircraft and the modification and upgrading of the avionics of the AMX aircraft;
- *trainers*: the production of the MB339 aircraft with regard to contracts for upgrading 14 aircraft for the Italian Air Force and for supplying 8 craft to the Royal Malaysian Air Force, of which the first 2 were delivered in March;

Production in the *civil segment* mainly related to supplying the following customers:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft and control surfaces for the B767 and B777 aircraft;

- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;
- GIE ATR, in partnership with EADS-ATR: the production of the ATR 42 and 72 turboprops;

For other customers work continued on:

- the assembly and sale of ATR craft with the delivery of 8 aircraft;
- production of engine nacelles and cargo transformations of the MD10 and MD11 aircraft.

**Adjusted EBITA** came to €mil. 22 at 31 March 2009, €mil. 3 higher than the €mil. 19 reported for the first quarter of 2008, mainly due to the increase in volumes mentioned above. **ROS** remained substantially stable (4.0% compared with 3.9% at 31 March 2008).

**Research and development** costs for the first quarter 2009 totalled €mil. 83 (€mil. 113 at 31 March 2008). This result reflects the commitment to programmes being developed: B787, C27J, M346, ATR ASW and A380. 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 and Tornado) that have been commissioned by customers.

The **workforce** at 31 March 2009 numbered 13,812, a decrease of 95 from the 13,907 employees at 31 December 2008. This decrease reflects the reduction in the workforce of Alenia Aeronautica SpA (64) under its reorganisation plan and reduced volumes of activity.

## SPACE

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	225	211	921
Order backlog	1,449	1,460	1,383
Revenues	191	203	994
Adjusted EBITA	(1)	3	65
ROS	(0.5%)	1.5%	6.5%
Research & Development	14	12	64
Workforce (no.)	3,659	3,400	3,620

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

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

More specifically, **Telespazio Holding Srl** focuses on satellite services in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, valued-added services), satellite operations (in-orbit satellite control, earth centre management, telemetry services, command and control and Launch and Early Operation Phase (LEOP) services), earth observation (data, thematic maps, operational services) and navigation and infomobility (Galileo services).

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

From a commercial perspective, during the first quarter of 2009, the Group acquired **new orders** amounting to €mil. 225, up €mil. 14 from the same period of 2008 (€mil. 211) due to an increase in orders in the satellite services segment.

The most significant new orders for the period were:

- in the *commercial telecommunications segment*: the contracts for the provision of and launch services for the W3B satellite for Eutelsat; the additional lot for the Yahsat programme; contracts to supply the payload for the Arabsat 5C satellite; new orders for satellite TV capacity to Mediaset and telecommunications satellite services;
- in the *military and government telecommunications segment*: the first lot of the order from the French Ministry of Defence relating to Phase B of the CSO (post-Helios) programme;
- in the *earth observation segment*: the first lot of the order for the first satellite of the Sentinel 1 mission relating to the GMES-Kopernikus programme for territorial control and security; new monitoring and territorial management services;
- in the *navigation and infomobility segment*: further orders relating to the In Orbit Validation (IOV) phase of the Galileo Programme;
- in the *science programmes segment*: additional lots for the Herschel-Planck Programme;
- in the *equipment and devices segment*: new orders for onboard equipment.

The **order backlog** at 31 March 2009 came to €mil. 1,449, an increase of €mil. 66 over the same figure at 31 December 2008 (€mil. 1,383). The order backlog, based on workability, guarantees coverage of 70% of production expected for the remaining nine months of the year (75% by the manufacturing segment and 25% by satellite services). The backlog at 31 March 2009 is composed of manufacturing activities

(52% satellites and payloads, 10% infrastructures and equipment) for 62% and satellite services for the remaining 38%.

**Revenues** in the first quarter of 2009 came to €mil. 191, a decrease of €mil. 12 from the corresponding period of the previous year (€mil 203) due to a lower level of production in both segments. The principle sources of production revenues were the continuation of activities relating to:

- in the *commercial telecommunications segment* for:
  - the Yahsat, Globalstar, Rascom 1R, W3B and W2A (launched on 4 April from the Baikonur Cosmodrome in Kazakhstan with an ILS rocket) satellites for Eutelsat, Palapa-D, Alphasat, Nilesat;
  - development of the payloads for the Arabsat 5A/5B satellites;
  - the provision of telecommunications satellite services and the resale of satellite capacity;
- in the *military telecommunications segment* for the Sicral 1B (which was launched on 20 April using a Sea Launch Zenit-3SL rocket) and Satcom BW programmes;
- in the *earth observation segment* for the COSMO-SkyMed programme, the satellites for the Sentinel 1 and, especially, 3 missions (GMES programme), the GOCE satellite (which was launched on March 17 from the Plesetsk base in Russia with a Rockot rocket);
- in the *science programmes segment* for the Herschel- Plank (deep-space observation mission which is expected to be launched on May 6) and Alma programmes (one of the largest radio telescopes on Earth for astronomy, which should be installed in the Atacama desert in Chile by the end of 2009);
- in the *satellite navigation segment* for the IOV phase of the Galileo programme;
- in the *orbital infrastructure segment* for programmes connected with the International Space Station;
- in the *equipment and devices segment* for the development of onboard equipment.

**Adjusted EBITA** at 31 March 2009 was negative €mil. 1, a decrease of €mil. 4 compared with the figure posted at 31 March 2008 (€mil. 3), specifically due to the cost overruns and lower productivity of a number of manufacturing activities. **ROS** came to 0.5%, compared with the 1.5% reported at 31 March 2008.

**Research and development** costs for the first quarter of 2009 came to €mil. 14, an increase of €mil. 2 over the figure posted for the same period of 2008 (€mil. 12).

Activities in this area included the development of:

- systems and solutions for security and emergency management (GMES), for navigation/informability services (Galileo);
- GIS platforms (Geodatabase) and algorithms and processors for the production of earth observation data (COSMO-SkyMed);
- Ka, C and Ku-band telecommunications payloads and payloads for earth observation;
- preparatory studies for planetary exploration (ExoMars), technologies for space infrastructures, life-support systems and vehicles for interplanetary exploration.

The **workforce** at 31 March 2009 came to 3,659, for an increase of 39 employees over the 3,620 at 31 December 2008, due to higher expected production in the satellite services segment.

## DEFENCE SYSTEMS

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	104	303	1,087
Order backlog	3,747	4,098	3,879
Revenues	232	247	1,116
Adjusted EBITA	11	18	127
ROS	4.7%	7.3%	11.4%
Research & Development	60	46	258
Workforce (no.)	4,072	4,117	4,060

*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 in land, sea and air weapons systems, and WASS SpA in underwater weapons (torpedoes and counter-measures) and sonar systems.

**New orders** at 31 March 2009 came to €mil 104, down from the same period of 2008 (€mil. 303) which benefited from an important contract from Pakistan in missile systems and orders for the FREMM frigates in underwater systems. The most important new orders for the quarter include the order from the UK Ministry of Defence for upgrading of the Brimstone air-to-surface missile systems and various orders for customer support in the missile systems segment; the order from Turkey for four 40/70 mm machine gunners and the order for four 76/62 SR cannons and eight 30 mm machine gunners from Greece in land, sea and air weapons systems.



The **order backlog** at 31 March 2009 came to €mil 3,747 (€mil. 3,879 at 31 December 2008), corresponding to 3.2 years of activity, of which two-thirds related to missile systems.

**Revenues** at 31 March 2009 came to €mil 232, a decrease of 0% from 31 March 2008 (€mil. 247), essentially due to lower volumes reported in missile systems.

Revenues were the result of the following activities:

- *missile systems*: activities for the production of Aster and Seawolf missiles; activities relating to the development of the air defence system in connection with the tri-national Medium Extended Air Defense System (MEADS) program in which the US, Germany and Italy participate; as well as activities under the contracts with the UK Ministry of Defence for the pre-assessment phases for the new Defence Industrial Strategy programmes;
- *land, sea and air weapons systems*: the production of PZH 2000 howitzers, MAVs for the Italian Army, Hitfist turrets kits for Poland, 76/62 SR cannons for various foreign customers; the 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 various countries, as well as those relating to the FREMM programme.

**Adjusted EBITA** at 31 March 2009 totalled €mil 11, a decrease of €mil 7 from the same period of 2008 (€mil. 18) due to lower revenue volumes and decreased profitability in missile systems, which benefited from progress made in a number of programmes nearing completion in the previous year. As a result, **ROS** amounted to 4.7% at 31 March 2009 compared to 7.3% for the same period of the previous year.

**Research and development** spending at 31 March 2009 came to €mil 60, a 30% increase from the same period of 2008 (€mil. 46). Some of the key activities included those for the MEADS air-defence program mentioned above and the continuation of the development of the Meteor air-to-air missile in missile systems; activities for guided munitions programmes and programmes for the development of the 127/64 LW cannon in the land, sea and air weapons segment; and activities relating to the

Black Shark heavy torpedo and the upgrading of the A244 light torpedo in the underwater systems segment.

The **workforce** at 31 March 2009 came to 4,072, substantially in line with the figure reported at 31 December 2008 (4,060).

## ENERGY

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	214	439	2,054
Order backlog	3,661	3,399	3,779
Revenues	333	229	1,333
Adjusted EBITA	31	14	122
ROS	9.3%	6.1%	9.2%
Research & Development	5	5	32
Workforce (no.)	3,373	3,081	3,285

Ansaldo Energia and its subsidiaries specialise in providing “plants and components” for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration, geothermal and nuclear power plants) and post-sale services. The scope of the companies directly controlled by Ansaldo Energia includes Ansaldo Nucleare SpA, Ansaldo Ricerche SpA, Ansaldo Fuel Cells SpA, Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen BV group.

In the first quarter of 2009, **new orders** totalled €mil. 214, down from the €mil. 439 during the same period of the previous year due to several delays in receiving expected new orders. In the New Unit segment, the major new orders in the components included a turbogroup with a V94.3A4 turbine and the related balance-of-plant (BOP) equipment for the Torino Nord site, the reservation fee from ISAB Energy for a turbogroup with a V94.2 turbine for the Priolo Gargallo site (Syracuse) and a reservation fee from Energy Plus to build a 400 MW turnkey combined cycle plants for the Salerno site. It should be noted that, in the first quarter, only the reservation fees mentioned above were received, while the entire contracts will be completed at a later time. In the service segment, new orders included the long term service

agreement (LTSA) for the Torino Nord site, new solution contracts (changing parts of the turbine) and spare parts contracts.

Finally, regarding the nuclear segment, there were new engineering contracts from China as part of the partnership with Westinghouse on the Sanmen project.

The **order backlog** at 31 March 2009 came to €mil. 3,661, compared with €mil. 3,779 at 31 December 2008. The composition of the backlog at 31 March 2009 is attributable for 49% to plant and manufacturing-related activities, 49% to service activities (largely constituted of scheduled maintenance contracts), and the remaining 2% to nuclear work processes.

At 31 March 2009, **revenues** came to €mil. 333, a 45% increase over the same period of the previous year (€mil. 229). The growth in production volumes was due to work on orders for plants (specifically Turano, Bayet, Larbaa, Batna and M'Sila), and to the service segment in relation to flow agreements (spare parts, upgrading, solutions).

**Adjusted EBIT** came to €mil. 31 for the first quarter of 2009, compared with €mil 14 for the same period of 2008. The increase of €mil 17 is attributable to the aforementioned increase in production volumes and to the higher profitability of a number of orders in the New Unit segment.

**ROS** came to 9.3% at 31 March 2009, an improvement of 3.2 percentage points over the first quarter of 2008.

**Research and development** costs at 31 March 2009 came to €mil. 5, in line with the first quarter of 2008, representing 1.5% of revenues (2.2% at 31 March 2008). Research and development mainly included large-size gas and steam turbine development projects and continued development of the new air-cooled generator model.

The **workforce** at 31 March 2009 came to 3,373 as compared with 3,285 at 31 December 2008 due to normal turnover.

## **TRANSPORTATION**

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	772	220	1,595
Order backlog	5,218	4,928	4,858
Revenues	427	379	1,798
Adjusted EBITA	29	18	117
ROS	6.8%	4.7%	6.5%
Research & Development	11	13	55
Workforce (no.)	7,102	7,030	7,133

The Transportation division comprises the Ansaldo STS group (signalling and transport systems) and AnsaldoBreda SpA and its subsidiaries (vehicles) and BredaMenarinibus SpA (buses); the latter has been included in the Transportation division starting from 1 January 2009 (data at 31 March 2008 and at 31 December 2008 has been classified accordingly).

**New orders** at 31 March 2009 came to €mil. 772, up €mil. 552 compared with the first quarter of 2008 (€mil. 220), due to increased new orders in all segments.

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

- *signalling and transport systems:*
  - *signalling:* maintenance contract for the Madrid-Lleida high-speed line in Spain; the order from Rete Ferroviaria Italiana for the ACC computer-based interlocking system for the Palermo station; the order from Siemens for the Level 2 on-board European Rail Traffic Management System (ERTMS) in Germany; the contract for the Lexington Avenue and Fifth Avenue stations of the New York metro; the order relating to the Clearway 3 project for the Kingsgrove-Revesby line around Sydney in Australia;

- *transport systems*: the first phase of the project for the driverless circular line of the Taipei metro; the order for Naples Line 1; changes to the order for the Rome-Naples high-speed line;
- *vehicles*: trains for the circular line of the Taipei metro; Sirio trams for the city of Kayseri in Turkey; service orders;
- *buses*: 45 trolley buses and related two-year maintenance activity for the city of Rome.

At 31 March 2009 the **order backlog** €mil. 5,218, up €mil. 360 compared to 31 December 2008 (€mil. 4,858). The order backlog at 31 March 2009 breaks down as follows: 65% for systems and signalling, 34% for vehicles and 1% buses.

**Revenues** at 31 March 2009 were equal to €mil. 427, up €mil.48 compared to the first quarter of 2008 (€mil. 379), due primarily to signalling and transport systems, where revenues grew 18% compared with the same period of the previous year as a result of increased activity in transport systems. Noteworthy orders in the Transportation division include:

- *signalling and transport systems*:
  - *signalling*: high-speed train orders for the Milan-Bologna line and for automated train control systems (SCMT) orders, both wayside and on-board, for Italy; orders for the Australian Rail Track Corporation (ARTC) in Australia; the Cambrian Line in the UK; the Shitai line and the high-speed Zhengzhou-Xi'an line in China; the Seoul-Busan high-speed line in Korea; the Union Pacific Railroad project; various orders for components;
  - *transport systems*: the metro systems of Genoa, Naples Line 6, Copenhagen, Rome Line C and Brescia; high-speed rail orders in Italy;
- *vehicles*: trains for regional service for Ferrovie Nord of Milan; trains for the Dutch and Belgian railways; trains for the Milan and Brescia metros; the Circumvesuviana; trains for the Danish railways; various Sirio orders and service orders.

For the buses segment, revenues for the first quarter 2009 were made up of 84% from vehicles and 16% from the post-sales services.

**Adjusted EBITA** stood at €mil. 29 at 31 March 2009, up €mil. 11 over the same period of the previous year (€mil. 18). Of this, €mil. 6 of the increase is attributable to the signalling and transport systems segment as a result of higher production volumes, €mil. 3 to the vehicles segment due to higher industrial profitability, and €mil. 2 to the buses segment. **ROS** for the sector rose as a result, reaching 6.8% compared with 4.7% at 31 March 2008.

**Research and development** costs at 31 March 2009 were equal to €mil. 11, down €mil. 2 from the figure reported at 31 March 2008 (€mil. 13). R&D activities focused primarily on signalling and transport systems segment projects, with the main emphasis on signalling projects.

The **workforce** stood at 7,102 at 31 March 2009, down 31 from 31 December 2008 (7,133 employees), mostly attributable to the signalling and transport systems segment, mainly as a result of the reorganisation plan being implemented in America.

## OTHER ACTIVITIES

€ millions	31 Mar. 2009	31 Mar. 2008	31 Dec. 2008
New orders	64	17	75
Order backlog	356	514	348
Revenues	80	50	386
Adjusted EBITA	(34)	(45)	(171)
ROS	n.s.	n.s.	n.s.
Research & Development	-	-	-
Workforce (no.)	798	762	774

The division includes: the Elsam NV group, which manages satellite telephony services; Finmeccanica Group Services SpA, the Group service management company; Finmeccanica Finance SA and Aeromeccanica SA, which provide financial support to the Group; Finmeccanica Group Real Estate SpA, which manages, rationalizes and improves the Group's real estate holdings; and So.Ge.Pa. - Società Generale di Partecipazioni SpA, which manages the pre-winding-up/winding-up and rationalisation processes of companies falling outside the activity sectors through transfer/repositioning transactions. Beginning from 1 January 2009, BredaMenarinibus SpA (buses) has been included in the Transportation sector (data at 31 March 2008 and at 31 December 2008 has been classified accordingly).

The division also includes Fata SpA, 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 SpA, from a commercial standpoint, the company received **new orders** totalling €mil. 64 at 31 March 2009, up €mil. 47 from the same period of 2008 (€mil. 17). This improvement is entirely traceable to the acquisition of the Torino



Nord order, relating to the construction of a combined-cycle plant in partnership with Ansaldo Energia (Power segment).

**Revenues** at 31 March 2009 came to €mil. 61, up €mil. 22 over the previous year (€mil. 39), mainly due to increased revenues from the Smelter line.

Production broke down as follows: 77% attributable to the Smelter line, 13% to the Hunter line, 2% to the Power line and 8% to logistics.

Specifically, progress was made on the Hormozal, Hormozal Phase 2 and Qatalum orders (Smelter line), on the Chinese, Korean and Romanian orders (Hunter line) and on the Moncalieri order (Power line). Logistics activities carried out by Fata Logistic SpA, primarily for Finmeccanica Group companies, contributed to these results.

Fata SpA's **workforce** at 31 March 2009 totalled 292 employees.

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

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

### Industrial transactions

In the *Helicopters* division, on 12 February 2009, AgustaWestland and **Tata Sons** - an Indian business group active in the ICT, engineering, materials, services and energy sectors - signed a Memorandum of Understanding to form an Indian joint venture for the final assembly of the AW119 helicopter. The new joint venture will be responsible for AW119 final assembly, customisation and delivery worldwide, while AgustaWestland will remain responsible for worldwide marketing and sales.

In the *Defence Electronics and Security* division, following the successful acquisition of the British Vega Group Plc, on 2 January 2009, Finmeccanica - as part of the process of strengthening Selex Sistemi Integrati role as a system integrator - transferred the entire share capital of Vega Group Plc (renamed Vega Consulting Services Ltd) to Selex Systems Integration Ltd (a UK subsidiary of Selex Sistemi Integrati). The systems business belonging to Vega Consulting Services Ltd was also transferred to Selex Systems Integration Ltd. Only the highly-specialised consulting services targeted at the UK Ministry of Defence in the *Defence* and *Government* divisions and customer care services remain with Vega Consulting Services Ltd.

On 7 April, 2009, Selex Sistemi Integrati and the Russian companies **Scartel LLC** and **Russian Electronics OJSCo**, which belong to the **Russian Technologies** public group, reached an agreed to form a consortium in the security sector to design and produce systems for the management of the security of large events and the protection of critical infrastructures (such as industrial and oil plants, ports, airports, train stations, etc.).

In the *Aeronautics* division, on 25 February 2009, the Government of the United Arab Emirates announced in Abu Dhabi during the International Defence Exhibition & Conference (IDEX 2009) that negotiations have been started for the acquisition of 48

advanced M346 trainers from Alenia Aermacchi. According to the agreement, a joint venture will be created in the UAE between Alenia Aermacchi and **Mubadala Development Company** for the development of a final assembling line for the M346.

On 7 April 2009, based on preliminary agreements signed in 2007, Alenia Aeronautica acquired at 25% stake plus one share of **Sukhoi Civil Aircraft Corporation (SCAC)**, a company that designs, develops and produces the Sukhoi Superjet 100, the programme for a new-generation regional jet with 75-100 seats in which Alenia Aeronautica act as Program Strategic Partner. In 2007 Alenia Aeronautica and Sukhoi Holding formed the SuperJet International joint venture (51% Alenia Aeronautica, 49% Sukhoi Holding), based in Venice, which is responsible for marketing, sales and delivery for the European, North and South American, African, Japanese and Oceania markets, as well as worldwide after sales support.

In the **Transportation** division, the merger of Ansaldo Trasporti - Sistemi Ferroviari SpA (ATSF) and Ansaldo Segnalamento Ferroviario SpA (ASF) with Ansaldo STS (ASTS) became effective starting 1 January 2009. The process to rationalise and simplify the Ansaldo STS group also involves the merger of the Dutch sub-holding company Ansaldo Signal NV (in liquidation) with ASTS in 2009. As a result, some of the foreign operating companies, such as Ansaldo STS France and the US company Union Switch & Signal (renamed Ansaldo STS USA starting from 1 January 2009), will pass under the direct control of ASTS.

### **Financial transactions**

In February 2009, Finmeccanica Finance, after completing the €mil. 750 bond issue undertaken in December 2008 as part of the Euro Medium Term Note (EMTN) programme, re-opened the fixed-rate bond issue, issuing additional bonds totalling €mil. 250, bringing the total value of the transaction to €bil. 1.

The latest tranche of the bonds with maturity 3 December 2013 (5-year), with a yield to maturity of 7.121%, have a re-offer price of 103.930% (and an annual coupon of 8.125%).

The bonds were placed with institutional investors on the international Eurobond market and the issue falls within the ordinary financing activities of the Group, aimed at maintaining capital structure stability and financial flexibility.

Banca IMI, BNP Paribas, Merrill Lynch International, UBS Investment Bank and UniCredit Group served as joint bookrunners, while Banca Finnat Euramerica Abaxbank acted as co-manager.

As more fully explained in the report on operations to the 2008 financial statements, in January an accelerated repayment was made on the major portion of the bonds of DRS Technologies (DRS), which initially possessed the following characteristics:

- Senior Subordinated Notes with a nominal value of US\$mil. 550, maturity 2013;
- Senior Notes with a nominal value of US\$mil. 350, maturity 2016;
- Senior Subordinated Notes with a nominal value of US\$mil. 250, maturity 2018.

All three bond issues contained change of control clauses that gave the bondholders a put option in the event of a change of control of the issuer. The acquisition of DRS by Finmeccanica triggered the change of control clause, resulting in the accelerated repayment at the start of January of most of the bonds, as stated above. The remaining amounts at 31 March 2009 are as follows:

- Senior Subordinated Notes: maturity 2013, US\$mil. 550 reduced to roughly US\$mil. 13;
- Senior Notes: maturity 2016, US\$mil. 350 reduced to roughly US\$mil. 12;
- Senior Subordinated Notes: maturity 2018, US\$mil. 250 reduced to roughly US\$mil. 5.

DRS paid the amounts owed using an intercompany loan granted by Finmeccanica.

Below is a list of bonds outstanding at 31 March 2009, which shows, in the first part, the euro-denominated bonds issued by Finmeccanica and those placed on the market

by the subsidiary Finmeccanica Finance, followed by the remaining amounts of the dollar-denominated bond issues by DRS after the aforementioned early repayment:

Issuer		Year of issue	Maturity	Nominal Amount (€mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (6)
Finmeccanica Finance SA	(1)	2003	2010	501	0.375%	European institutional	475
Finmeccanica Finance SA	(2)	2003	2018	500	5.75%	European institutional	505
Finmeccanica SpA	(3)	2005	2025	500	4.875%	European institutional	496
Finmeccanica Finance SA	(4)	2008	2013	1,000	8.125%	European institutional	1,029

Issuer		Year of issue	Maturity	Nominal Amount (US\$mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (6)
DRS	(5)	2003	2013	13	6.875%	American institutional	10
DRS	(5)	2006	2016	12	6.625%	American institutional	9
DRS	(5)	2006	2018	5	7.625%	American institutional	4

- (1) 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 bondholders exceeds 125% of the conversion price. At the maturity date Finmeccanica Finance can repay in cash or, upon 15-working days prior notice, 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.
- (2) 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 benefits throughout 2005 from low floating rates with an effective cost of some 3.25%. During 2006, the effective cost of the loan returned to a fixed rate equal to an average value of some 5.8%.

- (3) 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 the total cost of the debt.
- (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.
- (5) DRS requested and received permission to delist all the bond issues on regulated US markets in December 2008. Therefore, the outstanding DRS bonds are no long covered by the US Securities Act of 1933 and are no longer registered with the Securities and Exchange Commission (SEC).
- (6) 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 (1) 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 31 March 2009, this valuation method led to posting a debt €mil. 26 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, as well as those of DRS, are irrevocably and unconditionally secured by Finmeccanica, and 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).

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

Based on negative pledge clauses, issuers Finmeccanica Finance SA, Finmeccanica SpA 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.

In January, Finmeccanica made its final use of roughly €mil. 149 under the Senior Term Loan Facility totalling €bil. 3.2, entered into in June 2008 to finance the purchase of DRS (this transaction is described in greater detail in the 2008 report on operations). As a result, the loan at 31 March 2009 was entirely used and was partially repaid out of the proceeds from the capital increase (another transaction described in the 2008 financial statements) for €bil. 1.2. At 31 March 2009, the loan remained outstanding for a total of approximately €bil. 2.

Following the close of the quarter, in April Finmeccanica Finance, as part of EMTN programme, issued a new fixed-rate bond with maturity at 16 December 2019 (10-year) for a nominal amount of GB£mil. 400. The bonds, with a coupon of 8% paid every 6 months, were placed with a re-offer price of 99.022%. The bonds were successfully placed with institutional investors Barclays Capital, Deutsche Bank and Royal Bank of Scotland.

The net proceeds of the issue - which also extended the average remaining life of the Group's debt - were used to repay another instalment of the Senior Term Loan Facility, reducing the remaining total to about €mil. 1,542.

The bond issue, listed on the Luxembourg exchange, is secured, as usual, by Finmeccanica SpA.

Furthermore, the process began to extend the EMTN programme for a further 12 months. The amount will be increased up to €bil. 38.

Finally, again in April, Alenia Aeronautiva paid \$mil. 183 to acquire 25% stake plus one share of the Russian company SCAC (Sukhoi Civil Aircraft Company). The competent Russian authorities are currently finalising the necessary formalities.

### **Other transactions**

As part of the share buy back programme authorised by the Shareholders' Meeting of 16 January 2008, Finmeccanica purchased 643,000 ordinary shares of Finmeccanica (equal to about 0.1112% of the share capital) in several instalments on the financial market in early April 2009, at an average unit price of €9.59, excluding commissions, for a total amount of roughly €mil. 6. These shares are intended to be used to service the stock incentive plans.

Since the start of the programme, Finmeccanica has purchased a total of 1,868,000 ordinary shares (equal to 0.3231% of the share capital) for a total amount of around €mil. 28.

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

Following these latest purchases in April, and taking into account the shares already being used to service the incentive plans, Finmeccanica currently holds 1,090,209 treasury shares, equal to about 0.1886% of the share capital.



## **Outlook**

Performance in the first three months of 2009 improved with respect to that in the same period of the previous year, in line with the forecasts made at that time.

Different sources seem to confirm that the current crisis - originating in the financial sector, later moving to the real economy - will be recessive, with improvement expected in 2010.

As early as the first three months of 2009, confirmation of this has been especially seen in the sectors in which the Group has its major interest, as indicated in the 2008 annual report such as:

- aeronautics and helicopters that are witnessing a slowdown in demand for passenger transport and an even sharper drop in cargo transport due to lower industrial production;
- in the energy sector a decline in total electricity consumption coupled with a slowdown in demand for new capacity and, as a result, fewer orders for new components;
- in the defence and security sector, where there has been a gradual stabilisation in expenditure, for now only a reduction in growth rates in investments has occurred.

On the other hand, important investment programmes are being confirmed as regards the infrastructures.

In this situation, Finmeccanica and the Group companies have all the more reason to pay the utmost attention in continuing actions undertaken to ensure solid, orderly and constant growth in profitability and an ever greater alignment of this growth with cash flows.

At present, therefore, there would appear to be no circumstances that would alter the forecasts made during the preparation of the 2008 annual report. As a result, fully considering the contribution of DRS, Group revenues for 2009 are expected to be in the

range of €bil. 17.1 to €bil. 17.7, with a ratio of adjusted EBITA to revenues of around 9.1%.

We expect FOCF to generate cash surpluses in line or above those achieved in 2008, given the significant investments in the development of products necessary to sustain growth that, as in the previous year, will focus especially on the Aeronautics, Helicopters and Defence Electronics and Security divisions.

It is in any event clear that a sudden, significant deterioration in the reference scenario could lead to expectations being revisited, although the Group's capital remains structurally sound and it retains financial flexibility.

**Analysis of the balance sheet and income statement at 31 March 2009**

## Income Statement

(€ million)	Section	<i>For the three months ended 31 March</i>		<i>For the three months ended 31 March</i>	
		<b>2009</b>	<i>of which with related parties</i>	<b>2008</b>	<i>of which with related parties</i>
Revenue		3,911	227	2,916	271
Purchases and personnel costs	8	(3,515)	(17)	(2,672)	(7)
Amortisation, depreciation and impairment	9	(162)		(108)	
Other operating income (expenses)	10	(18)		(13)	
		<b>216</b>		<b>123</b>	
Finance income (costs)	11	(39)	(4)	69	(6)
Share of profit (loss) of equity accounted investments		-		-	
<b><i>Profit before taxes and the effect of discontinued operations</i></b>		<b>177</b>		<b>192</b>	
Income taxes	12	(69)		(66)	
<b><i>Net profit</i></b>		<b>108</b>		<b>126</b>	
. equity holders of the Group		98		119	
. minority interests		10		7	
<b>Earnings per Share</b>	27				
<i>Basic</i>		0.170		0.266	
<i>Diluted</i>		0.169		0.266	
<b>Earnings per share net of discontinued operations</b>	27				
<i>Basic</i>		0.170		0.266	
<i>Diluted</i>		0.169		0.266	

## Balance Sheet

<i>(€million)</i>	<i>Section</i>	<i>31 Mar. 2009</i>	<i>of which with related parties</i>	<i>31 Dec. 2008</i>	<i>of which with related parties</i>
<i>Non-current assets</i>					
Intangible assets	13	8,511		8,237	
Property, plant and equipment	14	3,167		3,099	
Financial assets at fair value	15	127		154	
Deferred taxes		642		648	
Other assets	16	1,031	14	975	13
		<b>13,478</b>		<b>13,113</b>	
<i>Current assets</i>					
Inventories		4,713		4,365	
Trade receivables, including net work in progress	17	8,886	513	8,329	518
Financial receivables		609	44	679	26
Derivatives	18	243		243	
Other assets	19	993	47	896	14
Cash and cash equivalents		729		2,297	
		<b>16,173</b>		<b>16,809</b>	
<b>Total assets</b>		<b>29,651</b>		<b>29,922</b>	
<i>Shareholders' equity</i>					
Share capital	20	2,518		2,519	
Other reserves	20	3,624		3,455	
<i>Capital and reserves attributable to equity holders of the Company</i>		<b>6,142</b>		<b>5,974</b>	
<i>Minority interests in equity</i>	20	171		156	
<i>Total shareholders' equity</i>		<b>6,313</b>		<b>6,130</b>	
<i>Non-current liabilities</i>					
Borrowings	23	4,538		4,095	
Employee liabilities	21	1,035		1,027	
Provisions for risks and charges	22	403		344	
Deferred taxes		553		553	
Other liabilities	25	717		731	
		<b>7,246</b>		<b>6,750</b>	
<i>Current liabilities</i>					
Trade payables, including advances from customers, net	24	12,096	83	12,134	84
Borrowings	23	1,280	653	2,265	652
Income tax payables		230		201	
Provisions for risks and charges	22	604		632	
Derivatives	18	192		236	
Other liabilities	25	1,690	34	1,574	34
		<b>16,092</b>		<b>17,042</b>	
<b>Total liabilities</b>		<b>23,338</b>		<b>23,792</b>	
<b>Total liabilities and shareholders' equity</b>		<b>29,651</b>		<b>29,922</b>	

## Cash Flow Statement

(€ million)

	Section	<i>For the three months ended 31 March</i>			
		<u>2009</u>	<i>of which with related parties</i>	<u>2008</u>	<i>of which with related parties</i>
<b><i>Cash flow from operating activities:</i></b>					
Gross cash flow from operating activities	26	407		257	
Changes in working capital	26	(885)	5	(723)	129
Changes in other operating assets and liabilities and provisions for risks and charges		(117)	(33)	(149)	(15)
Finance costs paid		(67)	(4)	(34)	(6)
Income taxes paid		(26)		(6)	
<b>Net cash generated from operating activities</b>		<b>(688)</b>		<b>(655)</b>	
<b><i>Cash flow from investing activities:</i></b>					
Acquisitions of subsidiaries, net of cash acquired		(26)		187	
Purchase of property, plant and equipment and intangible assets		(269)		(275)	
Proceeds from sale of property, plant and equipment and intangible assets		1		2	
Other investing activities		(45)		(12)	
<b>Net cash used in investing activities</b>		<b>(339)</b>		<b>(98)</b>	
<b><i>Cash flow from financing activities:</i></b>					
Share capital increase	20	(2)			
Repayment of DRS's convertible bonds		(868)			
Issue of bonds		259			
Opening of bridge loan		149			
Net change in other borrowings		(86)	(12)	(57)	(5)
<b>Net cash used in financing activities</b>		<b>(548)</b>		<b>(57)</b>	
Net increase (decrease) in cash and cash equivalents		(1,575)		(810)	
Exchange gains/losses		7		(8)	
Cash and cash equivalents at 1 January		2,297		1,607	
<b>Cash and cash equivalents at 31 March</b>		<b>729</b>		<b>789</b>	

## Statement of Recognised Income and Expenses

€ million	<i>For the three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
Reserves of income (expense) recognised in equity		
- Financial assets available for sale:		
- fair value adjustment	(27)	(159)
- Actuarial gains (losses) on defined-benefit plans:		
- plan discounting	(59)	(69)
- exchange gains/losses	3	(69)
- Changes in cash-flow hedges:		
- fair value adjustment	(16)	
- transferred to the Income Statement	2	6
- Exchange gains/losses	148	(183)
Tax on expense (income) recognised in equity	20	16
Income (expense) recognised in equity	<u>71</u>	<u>(389)</u>
Profit (loss) for the period	<u>108</u>	<u>126</u>
<b>Total income and expense for the period</b>	<b><u>179</u></b>	<b><u>(263)</u></b>
Attributable to:		
- equity holders of the Company	164	(267)
- minority interests	15	4

## **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 SpA, the holding company responsible for guiding and controlling industrial and strategic operations, coordinates its subsidiaries (the Finmeccanica Group or, simply, the Group), which are especially concentrated in the fields of helicopters, defence 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 31 March 2009 was prepared in accordance with Article 154-ter, paragraph 5 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently changed and amended. This interim report was prepared in accordance with IAS 34 “Interim financial reporting”, 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 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 2008 consolidated financial statements.

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

The accounting principles and basis of accounting that have been used in the preparation of this interim report are the same that were used in the preparation of the consolidated financial statements at 31 December 2008 and the interim report at 31 March 2008.



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

This consolidated interim report has not been audited.

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

#### **Treatment of income taxes**

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

#### **Cash flows relating to operations**

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

### **4. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS**

No significant non-recurring transactions were carried out at 31 March 2009.

Further to the information provided in the 2008 financial statements concerning financing under **Law 808/1985**, it should be reported that amounts due as of 31 December 2008 were repaid in January 2009, in line with the allocation made in the Group's financial statements. These payments are in addition to the instalment repaid in May 2008 (relating to amounts due for 2007, including finance costs).

In addition, the European Commission, through the decision issued in March 2008 concerning the individual aid granted by Italy for research and development projects, retained the right to submit to Italy additional requests for information on two helicopter projects (for which the Group feels it has proven full compatibility with Community regulations, as these are national security programmes) before a final decision on the

matter is taken. The Commission and the Italian Government are currently exchanging information.

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With regard to 31 March 2008, it should be noted that:

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 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, with these effects:

	<i>€ millions</i>
Sale proceeds	<u>260</u>
Capital gain realised	56
Tax effect	(2)

The interest indirectly held in STM after the partial sale was equal to 3.7% of the share capital.

Concerning financing under **Law 808/1985**, on 11 March 2008, the European Commission issued a decision on the individual aids granted by Italy for R&D projects in the aeronautics sector under Law 808/95, Article 3 a. Pending the decision, the Group

had recognised (in the 2007 financial statements) impairment of assets for €mil. 125 and finance costs of €mil. 105.

The decision declared that these aids are compatible with the common market, under Article 87 of the Treaty, provided that the Italian authorities obtain the repayment, plus relevant finance costs, within two months of notification of the Community decision.

## 5. SCOPE OF CONSOLIDATION

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

Name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
3083683 NOVA SCOTIA LIMITED	Halifax, New Scotland (Canada)		100	100
ABS TECHNOLOGY SPA	Florence		60	60
AEROMECCANICA SA	Luxembourg	99.967		100
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.AS SA	Grace Hollogne (Belgium)		100	100
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND 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	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND INC	Nex Castle, 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 Netherlands)	100		100
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (U.K.)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		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 INC	Nex Castle, Wilmington, Delaware (USA)		88.409	88.409
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO ESG AG ex ENERGY SERVICE GROUP AG	Wurenlingen (Switzerland)		100	100
ANSALDO FUEL CELLS SPA	Genoa		94.37	94.37
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO RICERCH SPA	Genoa		100	100
ANSALDO SIGNAL NV (IN LIQ.)	Amsterdam (the Netherlands)		100	40.0655
ANSALDO STS AUSTRALIA PTY LTD	Birshane (Australia)		100	40.0655
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0524
ANSALDO STS CANADA INC.	Burlington, Ontario (Canada)		100	40.0655
ANSALDO STS DEUTSCHLAND GMBH	Berlin (Germany)		100	40.0655
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.0655
ANSALDO STS FINLAND OY	Helsinki (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 IRELAND LTD	CO KERRY (Ireland)		100	40.0655
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0655
ANSALDO STS SWEDEN AB	Solna (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	Barbican (U.K.)		100	40.0655
ANSALDO STS SPA	Genoa	40.0655		40.0655
ANSALDO STS USA INC	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO THOMASSEN BV ex THOMASSEN TURBINE SYSTEMS BV	Rheden (the Netherlands)		100	100
ANSALDO THOMASSEN GULF LLC ex THOMASSEN SERVICE GULF LLC	Abu Dhabi, United Arab Emirates		48.667	100
ANSALDOBREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDOBREDA SPA	Naples	100		100
ANSALDOBREDA INC	Pittsburg, California (USA)		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
DAVIES INDUSTRIAL COMMUNICATIONS LTD	Chelmsford, Essex (U.K.)		100	100
DRS C3 SYSTEMS INC	Plantation, Florida (USA)		100	100
DRS CODEM SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS DATA & IMAGING SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS INTELLIGENCE & AVIONIC SOLUTIONS INC	Cleveland, Ohio (USA)		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)		100	100
DRS MOBILE ENVIRONMENTAL SYSTEMS CO	Cleveland, Ohio (USA)		100	100

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

Name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)		100	100
DRS SENSORS & TARGETING SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS TACTICAL SYSTEMS GLOBAL SERVICES INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS INC	Plantation, Florida (USA)		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden, Wurttemberg (Germany)		100	100
DRS TECHNICAL SERVICES INC	Baltimore, Maryland (USA)		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)		100	100
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden, Wurttemberg (Germany)		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS TEST & ENERGY MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
ED CONTACT SRL	Rome		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SPA	Rome		100	100
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG NORTH AMERICA LLC ex REMINGTON ELSAG LAW ENFORCEMENT SYST.	Madison, North Carolina (USA)		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED ELECTRIC COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED SUPPORT SYSTEMS INC	Clayton, Missouri (USA)		100	100
E-SECURITY SRL	Montesilvano (Pescara)		79.688	79.688
ESSI RESOURCES LLC	Louisville, Kentucky (USA)		100	100
FATA ENGINEERING SPA	Pianezza (Turin)		100	100
FATA GROUP SPA (IN LIQ.)	Pianezza (Turin)		100	100
FATA HUNTER INC	Riverside, California (USA)		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)		100	100
FATA SPA	Pianezza (Turin)	100		100
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	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
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)		80	80
MECCANICA HOLDINGS USA INC	Wilmington, Delaware (USA)	100		100
MECFINT (JERSEY) SA	Luxembourg (Luxembourg)		99.999	99.996
MSSC COMPANYY	Philadelphia, Pennsylvania (USA)		51	51
NET SERVICE SRL	Bologna		70	70
NIGHT VISION SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
OTE MOBILE TECHNOLOGIES LIMITED	Chelmsford, Essex (U.K.)		100	100
OTO MELARA IBERICA SA	Loriguilla, Valencia (Spain)		100	100
OTO MELARA NORTH AMERICA INC	Dover, Delaware (USA)		100	100
OTO MELARA SPA	La Spezia	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)		100	100
PIVOTAL POWER INC	Halfax, New Scotland (Canada)		100	100
QUADRICS LTD	Bristol (U.K.)		100	100
SEICOS SPA	Rome	100		100
SELENIA MARINE CO LTD (IN LIQ.)	Chelmsford, Essex (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	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS INTERNATIONAL LTD	Chelmsford, Essex (U.K.)		100	100

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

<i>Name</i>	<i>Registered office</i>	<i>% Group ownership</i>		<i>% Group shareholding</i>
		<i>Direct</i>	<i>Indirect</i>	
SELEX COMMUNICATIONS LTD	Chelmsford, Essex (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	Chelmsford, Essex (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	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 SYSTEMS INTEGRATION LTD ex SELEX SISTEMI INTEGRATI LTD	Portsmouth, Hampshire (U.K.)		100	100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Genoa		92.793	92.793
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
T - S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM CORPORATION	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC ex TRANSCONTROL CORPORATION	Wilmington, Delaware (USA)		100	40.0655
UNIVERSAL POWER SYSTEMS INC	Wilmington, Delaware (USA)		100	100
VEDECON GMBH ex ANITE TRAVEL SYSTEMS GMBH	Cologne (Germany)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA CONSULTING SERVICES LTD ex VEGA GROUP PLC	Hertfordshire (UK)	100		100
VEGA DEUTSCHLAND GMBH & CO KG ex ANITE DEUTSCHLAND GMBH & CO KG	Cologne (Germany)		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 SERVICES LTD ex CREW GROUP LTD	Hertfordshire (UK)		100	100
VEGA SPACE LTD ex VEGA SPACE SYSTEMS ENGINEERING LTD	Hertfordshire (UK)		100	100
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (France)		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	Livorno	100		100
WING NED BV	Rotterdam (the Netherlands)		100	100
WORLD'S WING SA	Ginevra (Switzerland)		95.364	95.364

**List of companies consolidated using the proportionate method**

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE 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	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (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	66.0178
TELESPAZIO NORTH AMERICA INC	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SAT. TELECOM. LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucarest (Romania)	61.061		40.9109
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.9509
MARS SRL	Naples		100	67
FILEAS SA	Paris (France)		85	56.95
AURENSIS SL	Barcelona (Spain)		100	67
ISAF - INIZIATIVE PER I SISTEMI AVANZATI E FORNITURE SRL	Rome		100	67
GAF AG	Munich (Germany)		100	67
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		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	Unterschleißheim (Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (U.K.)		50	50
CONSORZIO ATR GIE e SPE	Toulouse (France)		50	50
GLOBAL AERONAUTICA LLC	Wilmington, Delaware (USA)		50	44.2045

## List of companies consolidated using the equity method

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
179CENTELEC SAS	Neully Sur Seine (France)		21	21
ABRUZZO ENGINEERING SCPA	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
ALENIA HELLAS SA	Kolonaki, Athens (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, New Scotland (Canada)		100	88.409
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
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basilton, 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
COREAT S.C. A R.L.	Rieti		30	30
DIGINT SRL	Milano		49	49
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)		100	100
DRS INTEGRATED DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
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
EURISS NV	Leiden (the Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERNATIONAL LTD	London (U.K.)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EURO PATROL AIRCRAFT GMBH (IN LIQ.)	Munich (Germany)		50	50
EUROPEA MICROFUSIONI AEROSPAZIALI SPA	Morra De Sanctis (Avellino)	49		49
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Otobrunn (Germany)	18.939	18.94	25.1892
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)		50	50
EUROTECH SPA	Amaro (Udine)	11.08		11.08
FATA DTS SPA (IN LIQ.)	Pianezza (Turin)		100	100
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FEDER PETROLI GREEN ENERGY SRL	Rome		20	20
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	100		100
FINMECCANICA UK LTD	London (U.K.)	100		100
GALILEO INDUSTRIES SA	Bruxelles (Belgium)	18.939	18.939	25.189
GROUPEMENT IMMOBILIER AERONAUTIQUE G.I.A. SA	Blagnac (France)		20	20
GRUPO AURENSIS SA DE CV	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 SRL	Milano		49	19.63
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 (Libya)	25	25	50



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

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
LMATTS LLC	Georgia (USA)		50	44.2045
MACCHI HUREL DUBOIS SAS	Plaisir (France)		50	49.99
MEDESSAT SAS	Toulouse (France)	28.801		19.296
METRO 5 SPA	Milan		31.9	17.156
MUSI NET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NAHUELSAT SA	Buenos Aires (Argentina)	33.332		33.33
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS - SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyon (France)		40	40
NOVACOM SERVICES SA	Toulouse (France)		39.73	26.62
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	49		49
PEGASO SCRL	Rome		46.87	18.748
POLARIS SRL	Genoa		50	50
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAN GIORGIO SA (IN LIQ.)	Paris (France)		99.969	99.969
SAPPHIRE 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, Essex (U.K.)		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 SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y ESPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	St. 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
TELBIO SPA	Milan		32.86	22.0162
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
THOMASSEN SERVICE AUSTRALIA PTY LTD	Canning Vale (Australia)		100	100
TRADE FATA BV	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	Kent, Dover, Delaware (USA)		24	21.2184
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	17.682
XAIT SRL	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

### List of companies valued at fair value

<i>Company name</i>	<i>Registered office</i>	<i>% Group ownership</i>		<i>% Group shareholding</i>
		<i>Direct</i>	<i>Indirect</i>	
BCV INVESTMENTS SCA	Luxembourg		15	15
BCV MANAGEMENT SA	Luxembourg		15	15
STMICROELECTRONICS HOLDING NV (*)	Rotterdam (the Netherlands)	20		20

(\*) Recognised as "assets available for sale"

### List of subsidiaries and associates valued at cost

<i>Company name</i>	<i>Registered office</i>	<i>% Group ownership</i>		<i>% Group shareholding</i>
		<i>Direct</i>	<i>Indirect</i>	
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	88.409
ANSALDO RAILWAY SYSTEM TECHNICAL SERVICE (BEIJING) LTD	Beijing (China)		100	40.0655
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
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262
CCRT SISTEMI SPA (IN FALL.)	Milan	30.34		30.34
DATAMAT SUISSE SA (IN LIQ.)	Lugano (Switzerland)		100	100
FOSCAN SRL (IN FALL.)	Anagni (Frosinone)		20	20
IND. AER. E MECC. R. PIAGGIO SPA (AMM.STR.)	Genoa	30.982		30.982
SAITECH SPA (IN FALL.)	Passignano sul Trasimeno (Perugia)		40	40
SEL PROC SCRL	Rome		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN FALL.)	San Giorgio Jonico (Taranto)		50.614	50.614
U.V.T. ARGENTINA SA	Buenos Aires (Argentina)		60	30.368

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

- Aurensis SL, purchased by Telespazio SpA on 1 April 2008, has been consolidated on a proportionate basis (67%) from that date;
- ISAF Iniziative per i Sistemi Avanzati Srl, acquired by Telespazio SpA on 31 July 2008, has been consolidated on a proportionate basis (67%) from that date;
- DRS Technologies group, acquired on 22 October 2008, has been consolidated on a line-by-line basis starting from that date;
- Avion de Transport Regional Ireland Ltd, consolidated through June 2008 using the equity method, was deconsolidated following liquidation;
- Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA were merged with Ansaldo STS SpA on 1 January 2009;
- Ote Mosca, consolidated through the 2008 financial statements using the equity method, was deconsolidated upon sale to third parties;
- Coreat Scrl, formed on 29 January 2009, has been consolidated using the equity method starting from that date;
- Energeko Gas Italia Srl, consolidated through the 2008 financial statements using the equity method, was deconsolidated upon sale to third parties;
- World's Wing SA, previously consolidated using the equity method, has been consolidated on a line-by-line basis starting from 1 January 2009;
- LMATTS LLC, previously consolidated on a proportionate basis, has been consolidated using the equity method starting from 1 January 2009;
- Alenia North America-Canada Co, previously consolidated on a line-by-line basis, has been consolidated using the equity method starting from 1 January 2009.

## 6. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first three months of 2009 was again marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 31 March 2009 and the average exchange rates for the period showed, for the main currencies, these changes from 2008: final exchange rates for the period (euro/US dollar - 4.38% and euro/sterling pound - 2.28%); average exchange rates for the period (euro/US dollar - 13.16% and euro/sterling pound + 19.87%).

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

	At 31 March 2009		At 31 December 2008	At 31 March 2008	
	average exchange rate for the period	final exchange rate for the period	final exchange rate for the year	average exchange rate for the period	final exchange rate for the period
US dollar	1.30244	1.33080	1.39170	1.49976	1.58120
Pound sterling	0.90826	0.93080	0.95250	0.75771	0.79580

## 7. 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 31 March 2009, as compared with those of the same period of the previous year, are as follows:

<i>31 March 2009</i>										
	Helicopters	Defence Electronics and Security	Aeronautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
Revenues	756	1,427	553	191	232	333	427	80	(88)	3,911
of which from other segments	5	118	116	5	37	1	22	11	(88)	227
Result before tax and finance income and costs	72	89	22	(1)	10	31	27	(34)		216
Finance income and costs - net										(39)
Share of result of associates										
Tax expense										(69)
Profit (loss) from discontinued operations										-
Profit for the period										108
Group share of net result										98
Minority share										10
Investments	40	50	106	12	12	11	7	1		239
<i>31 March 2008</i>										
	Helicopters	Defence Electronics and Security	Aeronautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
Revenues	713	677	491	203	247	229	379	50	(73)	2,916
of which from other segments	37	104	130	5	33		23	12	(73)	271
Result before tax and finance income and costs	83	18	19	3	13	14	18	(45)		123
Finance income and costs - net										69
Share of result of associates										
Tax expense										(66)
Profit (loss) from discontinued operations										
Profit for the period										126
Group share of net result										119
Minority share										7
Investments	22	48	127	8	11	12	8	2		238

The assets and liabilities attributable to the segments at 31 March 2009 and at 31 December 2008 are as follows:

<i>31 March 2009</i>										
	Helicopter s	Defence Electronic s and Security	Aero- nautics	Space	Defence Systems	Energy	Transport ation	Other activities	Elimin- ations	Total
Assets	5,855	10,941	5,381	1,330	2,449	1,666	2,257	5,302	(5,530)	29,651
Liabilities	3,707	6,520	5,024	824	1,726	1,535	1,981	7,691	(5,669)	23,338

<i>31 December 2008</i>										
	Helicopter s	Defence Electronic s and Security	Aero- nautics	Space	Defence Systems	Energy	Transport ation	Other activities	Elimin- ations	Total
Assets	5,428	10,923	5,372	1,268	2,503	1,595	2,134	5,530	(4,831)	29,922
Liabilities	3,315	6,554	5,007	756	1,780	1,485	1,881	7,986	(4,972)	23,792

## 8. PURCHASES AND PERSONNEL COSTS

The break down of this item is as follows:

	<i>31 March 2009</i>	<i>31 March 2008</i>
Cost of purchases	1,369	1,041
Cost of services	1,243	926
Costs attributable to related parties (Section 28)	17	7
Personnel costs	1,143	944
<i>Wages, salaries and contributions</i>	<i>1,054</i>	<i>876</i>
<i>Costs related to stock grant plans</i>	<i>6</i>	<i>6</i>
<i>Costs related to defined-benefit plans</i>	<i>11</i>	<i>13</i>
<i>Costs related to defined-contribution plans</i>	<i>33</i>	<i>28</i>
<i>Reorganisation costs</i>	<i>3</i>	<i>3</i>
<i>Other personnel costs</i>	<i>36</i>	<i>18</i>
Changes in inventories of work in progress, semi-finished and finished goods	(128)	(75)
Capitalised costs for internal production	(129)	(171)
<b>Total purchases and personnel costs</b>	<b>3,515</b>	<b>2,672</b>

As to personnel, the average workforce number rose from 60,311 at 31 March 2008 to 72,512 at 31 March 2009. The net increase is especially significant in the case of

personnel abroad, mainly as a result of the acquisition of DRS at the end of 2008. The total workforce at 31 March 2009 came to 73,385, compared with 73,398 at 31 December 2008, for a slight decrease due in particular to the net decline in personnel in the Aeronautics sector and in the foreign component of the Defence Electronics and Security sector. The change in personnel costs amounting to €mil. 1,143 in the first quarter of 2009, compared with €mil. 944 at 31 March 2008, reflects the increase in the average workforce.

Moreover, the increase in costs related to defined-contribution plans is largely attributable to the purchase of the DRS group.

Reorganisation costs include the costs of reorganising companies for the most part in the Defence Electronics and Security and Transportation divisions.

Costs for services includes, among other things, the costs for the acquisition of satellite capacity for the Telespazio joint venture, which was more than offset by revenues from sales (€mil. 15 compared with €mil. 18 at 31 March 2008), the costs of leasing airplanes for GIE ATR (€mil. 2 compared with €mil. 3 at 31 March 2008) and the costs of rents, operating leases and rental fees (€mil. 47 compared with €mil. 36 at 31 March 2008).

## 9. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	<u>31 March 2009</u>	<u>31 March 2008</u>
Amortisation (Section 13)	65	33
<i>Development costs</i>	15	6
<i>Non-recurring costs</i>	10	6
<i>Acquired as part of business combination</i>	23	6
<i>Other</i>	17	15
Depreciation	88	71
Impairment of receivables	9	4
<b>Total depreciation, amortisation and impairment</b>	<u><u>162</u></u>	<u><u>108</u></u>

## 10. OTHER OPERATING INCOME (EXPENSES)

These regard:

	<i>31 March 2009</i>			<i>31 March 2008</i>		
	<b>Income</b>	<b>Expense</b>	<b>Net</b>	<b>Income</b>	<b>Expense</b>	<b>Net</b>
Grants for research and development costs	8	-	8	8	-	8
Exchange rate difference on operating items	60	(64)	(4)	57	(53)	4
Indirect taxes	-	(7)	(7)	-	(8)	(8)
Gains/losses on sales of assets	1	-	1	-	-	-
Insurance reimbursements	2	-	2	1	-	1
Gains/losses on operating receivables	-			7		7
Reversals of/Accruals to provisions for risks	15	(23)	(8)	17	(23)	(6)
Other operating income (expenses)	11	(21)	(10)	3	(22)	(19)
<b>Total</b>	<b>97</b>	<b>(115)</b>	<b>(18)</b>	<b>93</b>	<b>(106)</b>	<b>(13)</b>

## 11. FINANCE INCOME (COSTS)

The components of finance income and costs are as follows:

	<i>31 March 2009</i>			<i>31 March 2008</i>		
	<b>Income</b>	<b>Costs</b>	<b>Net</b>	<b>Income</b>	<b>Costs</b>	<b>Net</b>
Gain from sale of STM	-	-	-	56	-	56
Dividends	2	-	2	-	-	-
Discounting of receivables, liabilities and provisions	4	(8)	(4)	1	(2)	(1)
Interest income/expense	18	(64)	(46)	28	(33)	(5)
Commission income/expense (including commissions on non-recourse items)	1	(5)	(4)	-	(2)	(2)
Fair value adjustments through profit or loss	40	(25)	15	42	(8)	34
Premiums paid/received on forwards	5	(4)	1	4	(5)	(1)
Exchange rate differences	260	(247)	13	173	(169)	4
Value adjustments to equity investments				-	(1)	(1)
Interest cost on defined benefit plans (less expected returns on plan assets)	-	(9)	(9)	-	(5)	(5)
Income (costs) attributable to related parties (Section 28)	-	(4)	(4)	-	(6)	(6)
Other finance income and costs	1	(4)	(3)	2	(6)	(4)
	<b>331</b>	<b>(370)</b>	<b>(39)</b>	<b>306</b>	<b>(237)</b>	<b>69</b>



During the period, the Group reported a significant increase in finance costs compared with the first quarter of 2008, mainly due to the costs relating to the €bil. 1 worth of bonds issue by Finmeccanica Finance in November 2008 and January 2009, as well as the costs of the financing agreement (Secured Term Loan Facility) secured in June 2008 as part of the acquisition of DRS. A comparison with the first quarter of 2008 is strongly affected by the capital gain from the sale of roughly 26 millions share of STM (€mil. 56).

A breakdown of the item reveals:

- net interest costs of €mil. 46, inclusive of premiums collected/paid on the hedging of interest rate risk (interest rate swaps) for a net charge of €mil. 5. In particular, the 31 March 2009 figure includes €mil. 42 of interest on bonds;
- net income of €mil. 15 arising from the application of fair value, as detailed below:

	<i>31 March 2009</i>			<i>31 March 2008</i>		
	<b>Income</b>	<b>Costs</b>	<b>Net</b>	<b>Income</b>	<b>Costs</b>	<b>Net</b>
Foreign-currency swaps	2	(18)	(16)	4	(1)	3
Foreign-currency options	6	-	6	-	(1)	(1)
Interest rate swaps	17	(3)	14	1	-	1
Options on STM	1	-	1	19	-	19
Ineffective component of hedging swap	14	(4)	10	17	(5)	12
Option embedded in the exchangeable bond	-	-	-	1	(1)	-
	<b>40</b>	<b>(25)</b>	<b>15</b>	<b>42</b>	<b>(8)</b>	<b>34</b>

- net income on foreign-currency swaps that includes the effects of trading derivative instruments or instruments which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness;
- income from interest rate swaps that reflects the significant reduction of interest rates worldwide (6-month EURIBOR went from 4.725% at 31 March 2008 to 1.67% at 31 March 2009); the Group was able to benefit from the reduction

thanks to the increase of the portion of bond issues transformed into floating-rate instruments via the use of derivatives (Section 18);

- income on the options on STM that is correlated to the decrease in the price of the hedged instruments. At 31 March 2009, options were in effect on a total of 25 million STM shares. The deterioration with respect to the period compared is primarily the result of the combined effect of lower depreciation of the underlying security (depreciation of 20% in the first quarter of 2009 and 30% in the first quarter of 2008) and of the quoted price of the security at 31 March 2009, much lower than hedging levels beyond which the existing put spreads do not add significant value. In addition, the Group has an offsetting call option on STM shares with the same underlying position and the same parameters of reference as the option embedded in the exchangeable bonds issued in 2002; as a result of this transaction, the Group is essentially in a neutral position with regard to further variations in the fair value of the call option sold (costs and income on the call option sold and on the call option acquired amount to nil).

## 12. INCOME TAXES

Income taxes came to €mil. 69 (€mil. 66 at 31 March 2008), representing the algebraic sum of:

	<u>31 March 2009</u>	<u>31 March 2008</u>
Corporate income tax (IRES)	50	33
Regional tax on productive activities (IRAP)	23	24
Benefit under consolidated tax mechanism	(18)	(25)
Other income taxes	13	21
Tax related to previous periods	(3)	-
Provisions for tax disputes	-	-
Deferred tax liabilities (assets)- net	4	13
	<u><b>69</b></u>	<u><b>66</b></u>

### 13. INTANGIBLE ASSETS

Intangible assets break down as follows:

	<u>31 March 2009</u>	<u>31 December 2008</u>
Goodwill	5,910	5,790
Development costs	503	474
Non-recurring costs	673	633
Concessions, licenses and trademarks	6	121
Acquired as part of business combination	123	1,024
Other	1,296	195
<b>Total intangible assets</b>	<b><u>8,511</u></b>	<b><u>8,237</u></b>

In particular, the most significant changes regarded:

- a net increase in goodwill (€mil. 120), due to translation differences on the goodwill of assets denominated in US dollars and British pound sterling: DRS Technologies Inc. (€mil. 95) and Selex Sensors and Airborne Systems Ltd (€mil. 15) in the Defence Electronics and Security segment and AgustaWestland Holdings Ltd. (€mil. 10) in the Helicopters segment.
- amortisation for €mil. 65 (€mil. 33 at 31 March 2008) - (Section 9). No impairment was recognised during the period;
- total investments for €mil. 107, broken down as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
Development costs	43	41
Non-recurring costs	50	66
Concessions, licenses and trademarks	3	5
Other	11	9
<b>Total intangible assets</b>	<b><u>107</u></b>	<b><u>121</u></b>

Purchase commitments for intangible assets are recorded in the amount of €mil. 18.

## 14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

	<u>31 March 2009</u>	<u>31 December 2008</u>
Land and buildings	1,136	1,133
Plant and machinery	624	631
Equipment	615	623
Other	792	712
<b>Total property, plant and equipment</b>	<b><u>3,167</u></b>	<b><u>3,099</u></b>

In particular, the most significant changes regarded:

- depreciation for €mil. 88 (€mil. 71 at 31 March 2008) (Section 9). No impairment was recognised during the period;
- total investments for €mil. 132, broken down as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
Land and buildings	4	2
Plant and machinery	9	7
Equipment	17	34
Other	102	74
<b>Total property, plant and equipment</b>	<b><u>132</u></b>	<b><u>117</u></b>

Property, plant and equipment includes €mil. 39 (€mil 40 at 31 December 2008) of assets held under contracts that can be qualified as finance leases. “Other assets” includes €mil. 8 (€mil 8 at 31 December 2008) for helicopters owned by the AgustaWestland group and €mil. 159 (€mil. 148 at 31December 2008) for aircraft owned by the GIE ATR group, as well as for aircraft that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, for recognition of the sale, despite the fact that sales contracts have been concluded with external customers.

Purchase commitments for property, plant and equipment are recorded in the amount of €mil. 141 (€mil. 143 at 31 December 2008).

## 15. FINANCIAL ASSETS AT FAIR VALUE

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

Below are the changes for the periods being compared:

	<i>2009</i>	<i>2008</i>
<i>1 January</i>	154	589
Purchases for the period	-	-
Sales for the period	-	(260)
Fair value adjustment	(27)	(175)
<i>Period end</i>	<b>127</b>	<b>154</b>

The decrease in the fair value adjustment was offset by a specific equity reserve named “reserve for assets available for sale”. 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.

## 16. OTHER NON-CURRENT ASSETS

	<i>31 March 2009</i>	<i>31 December 2008</i>
Third-party financing	108	60
Security deposits	28	21
Receivables for finance leases	5	6
Deferred receivables Law 808/85	133	135
Net asset defined-benefit retirement plans (Section 21)	12	39
Financial receivables from related parties (Section 28)	14	13
Other	32	28
<b>Non-current receivables</b>	<b>332</b>	<b>302</b>
Real estate investments	1	1
Equity investments	195	192
Non-recurring costs awaiting interventions under Law 808/1985	498	467
Other non-current assets	5	13
<b>Non-current assets</b>	<b>699</b>	<b>673</b>
<b>Total other non-current assets</b>	<b>1,031</b>	<b>975</b>

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 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. 41, compared with €mil. 35 at 31 December 2008) is classified among other current assets (Section 19). Non-recurring costs awaiting interventions under Law 808/1985 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.

## 17. TRADE RECEIVABLES, INCLUDING NET WORK IN PROGRESS

	<i>31 March 2009</i>	<i>31 December 2008</i>
Receivables	4,381	4,317
Impairment	(183)	(180)
Receivables from related parties (Section 28)	513	518
	<u>4,711</u>	<u>4,655</u>
Work in progress (gross)	9,017	7,825
Advances from customers	(4,842)	(4,151)
Work in progress (net)	<u>4,175</u>	<u>3,674</u>
<b>Total trade receivables and net work in progress</b>	<b><u>8,886</u></b>	<b><u>8,329</u></b>

## 18. DERIVATIVES

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

	<i>31 March 2009</i>		<i>31 December 2008</i>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Forward forex instruments	123	157	137	195
Foreign-currency options	-	30	-	36
Embedded derivatives	70	-	69	-
Interest rate swaps	31	5	19	5
Options on STM	19	-	18	-
	<b>243</b>	<b>192</b>	<b>243</b>	<b>236</b>

The change in the fair value of the forward instruments is caused by the volatility of the US dollar with respect to the euro: the exchange rate went from 1.3917 at 31 December 2008 to 1.3309 at 31 March 2009.

The interest rate swaps with a total notional value of €mil. 1,400 were placed into effect to hedge bonds issued for a total of €mil. 2,528. The change in the fair value was heavily affected by the decline in interest rates and the increase in notional values (from €mil. 1,030 at 31 March 2008 to €mil. 1,400 at 31 March 2009) (Section 11).

The figure for embedded derivatives relates to commercial contracts denominated in currencies other than the currencies of the contractually involved parties and that generally used in the markets of reference. This component is separated from the commercial contract and valued at fair value through the income statement.

At 31 March 2009, the Group has 33.7 million STMicroelectronics NV ("STM") securities classified as "assets available for sale", with a fair value of €mil. 127 (Section 15). In order to hedge the exposure to the risk of fluctuation of the market price of the securities, derivatives were put in place to protect most of its portfolio. The hedging transactions are classified as trading activity, with the consequent economic impact

resulting from the change in fair value (Section 11). At 31 March 2009, options were outstanding against 25 million STM shares.

## 19. OTHER CURRENT ASSETS

	<u>31 March 2009</u>	<u>31 December 2008</u>
Tax receivables	228	236
Assets available for sale	1	1
Other current assets	764	659
<i>Accrued income - current portion</i>	<i>93</i>	<i>114</i>
<i>Receivables for contributions</i>	<i>74</i>	<i>71</i>
<i>Receivables from employees and social security</i>	<i>37</i>	<i>37</i>
<i>Indirect tax receivables</i>	<i>239</i>	<i>204</i>
<i>Deferred receivables Law 808/85 (Section 16)</i>	<i>41</i>	<i>35</i>
<i>Equity investments</i>	<i>1</i>	<i>1</i>
<i>Other receivables from related parties (Section 28)</i>	<i>47</i>	<i>14</i>
<i>Other assets</i>	<i>232</i>	<i>183</i>
<b>Total other current assets</b>	<b><u>993</u></b>	<b><u>896</u></b>

Tax receivables include IRPEG receivables (corporate income tax) (€mil. 106) assigned to third parties, maintained as Group assets, even though they had been sold in previous years, because they do not meet the requirements of IAS 39 on derecognition. Specifically, in April, Finmeccanica signed an agreement with the transferee containing a repurchase obligation in the event the tax receivables are not collected by 31 March 2013. Therefore, a financial payable of the same amount is recognised against these tax receivables (Section 23).

The item deferred receivables Law 808/1985 includes the receivables from the Ministry of Economic Development relating to the interventions pursuant to Law 808/1985 in national security and similar projects for which collections are expected within 12 months. Portions for which collections are expected beyond 12 months are recognised as accounts receivable and other non-current assets (Section 16).



Other assets include, among other things, sundry advances in the amount of €mil. 27 (€mil. 23 at 31 December 2008), receivables from Algeria for €mil. 7 (€mil. 7 at 31 December 2008), receivables for disputes in the amount of €mil. 6 (€mil. 6 at 31 December 2008), and receivables from the Camozzi group in the amount of €mil. 2 (€mil. 3 at 31 December 2008).

## 20. SHAREHOLDERS' EQUITY

### *Share capital*

	Number of ordinary shares	Par value €mil.	Treasury shares €mil.	Costs incurred net of tax effect €mil.	Total €mil.
Outstanding shares	578,150,395	2,544	-	(17)	2,527
Treasury shares	(447,209)	-	(8)	-	(8)
<i>31 December 2008</i>	<u>577,703,186</u>	<u>2,544</u>	<u>(8)</u>	<u>(17)</u>	<u>2,519</u>
Shares subscribed through 2002-2004 stock option plan	-	-	-	-	-
Repurchase of treasury shares, less shares sold	-	-	-	-	-
Share capital increase in November 2008	-	-	-	(1)	(1)
<i>31 March 2009</i>	<u>577,703,186</u>	<u>2,544</u>	<u>(8)</u>	<u>(18)</u>	<u>2,518</u>
<i>broken down as follows:</i>					
Outstanding shares	578,150,395	2,544	-	(18)	2,526
Treasury shares	(447,209)	-	(8)	-	(8)
	<u>577,703,186</u>	<u>2,544</u>	<u>(8)</u>	<u>(18)</u>	<u>2,518</u>

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

At 31 March 2009, the Ministry for the Economy and Finance held about 30.2043% of the shares. No other shareholder held more than 2% 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 gains (losses) posted to shareholders' equity	Translation reserve	Total other Group reserves	Minority interests
<i>1 January 2008</i>	3,224	121	71	32	167	(150)	3,465	103
Dividend paid								
Capital increase	1						1	
Total income and costs	119	(159)	5		(51)	(181)	(267)	4
Stock option/grant plans								
- services rendered				5			5	
Other changes	8						8	
<i>31 March 2008</i>	3,352	(38)	76	37	116	(331)	3,212	107
<i>1 January 2009</i>	4,183	-	23	19	41	(811)	3,455	156
Dividend paid								(1)
Capital increase								
Total income and costs	98	(27)	(13)		(38)	144	164	15
Stock option/grant plans								
- services rendered				5			5	
Other changes	(5)					5		1
<i>31 March 2009</i>	4,276	(27)	10	24	3	(662)	3,624	171

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

	<i>Group</i>			<i>Minority interest</i>		
	Amount before taxes	Tax effect	Amount net of tax effect	Amount before taxes	Tax effect	Amount net of tax effect
Available-for-sale financial assets	(27)	-	(27)	-	-	-
Actuarial gains (losses) on defined benefit plans	(56)	18	(38)	-	-	-
Changes in cash flow hedges	(17)	4	(13)	3	(2)	1
Exchange gains/(losses)	144	-	144	4	-	4
Total	44	22	66	7	(2)	5

## 21. EMPLOYEE LIABILITIES

	<i>31 March 2009</i>	<i>31 December 2008</i>
Severance obligations	672	701
Defined-benefit retirement plans	292	248
Share of MBDA joint-venture pension obligation	50	50
Other employee funds	21	28
	<b>1,035</b>	<b>1,027</b>

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

	<i>31 March 2009</i>	<i>31 December 2008</i>	<i>31 December 2007</i>	<i>31 December 2006</i>	<i>31 December 2005</i>
Present value of obligations	1,133	1,055	1,038	1,126	1,025
Fair value of plan assets	(853)	(846)	(886)	(796)	(641)
Plan excess (deficit)	<u>(280)</u>	<u>(209)</u>	<u>(152)</u>	<u>(330)</u>	<u>(384)</u>
<i>of which related to:</i>					
- net liabilities	(292)	(248)	(152)	(330)	(384)
- net assets	12	39	-	-	-

The total net deficit mainly relates to the AgustaWestland plan (€mil. 114) and the DRS plans (€mil. 96 of which €mil. 91 in the USA).

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

	<i>31 March 2009</i>	<i>31 March 2008</i>
Costs of current services	11	13
Total "personnel costs"	<u>11</u>	<u>13</u>
Interest expense	23	21
Expected return on plan assets	(14)	(16)
Costs recognised as "finance costs"	<u>9</u>	<u>5</u>
	<u><b>20</b></u>	<u><b>18</b></u>

Until the new regulations on severance obligations introduced by the 2007 Budget Law went into effect, the severance obligations had been considered a defined-benefit plan, and the related provision was included as part of the costs of current services in relation to the defined-benefit plans. As a result of the regulatory changes, the severance obligations (for companies with more than 50 employees) accrued after the option date are now treated as a defined-contribution plan. The cost is accordingly reported as related to such plans (Section 8). The severance obligations remaining on the corporate

accounting books, accrued up to the date of option for supplementary pension funds or INPS funds, are reported as defined-benefit plans.

## 22. PROVISIONS FOR RISKS AND CHARGES

	<i>31 March 2009</i>		<i>31 December 2008</i>	
	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>	<b>Current</b>
Guarantees given	33	19	32	23
Restructuring	13	18	14	18
Penalties	59	22	53	26
Product guarantees	107	113	102	117
Other	191	432	143	448
	<b>403</b>	<b>604</b>	<b>344</b>	<b>632</b>

Other provisions for risks and charges came to a total of €mil. 623 (€mil. 591 at 31 December 2008) and specifically include:

- the provision for risks on the business of GIE ATR in the amount of €mil. 68 (unchanged from 31 December 2008);
- the provision for risks and contractual charges in the amount of €mil. 64 (€mil. 69 at 31 December 2008) related, in particular, to business in the Defence Electronics and Security, Space, Defence Systems and Other Activities segments;
- the provision for bad debts of €mil. 16 (€mil. 17 at 31 December 2008) includes accruals to cover losses exceeding the carrying amounts of unconsolidated equity investments or equity investments measured using the equity method;
- the provision for taxes in the amount of €mil. 65 (€mil. 64 at 31 December 2008);
- the provision for disputes with employees and former employees in the amount of €mil. 36 (€mil. 35 at 31 December 2008);

- the provision for pending litigation in the amount of €mil. 96 (€mil. 101 at 31 December 2008);
- the provisions for risk on contract-related costs in the amount of €mil. 90 (€mil. 44 at 31 December 2008);
- other provisions in the amount of €mil. 188 (€mil.193 at 31 December 2008).

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 following is a description of the situations, mentioned here for the purposes of full disclosure, that have undergone change since the preparation of the 2008 consolidated financial statements (to which we suggest you refer for more information):

- with regard to the litigation commenced by Reid in 2001 against Finmeccanica and Alenia Spazio (now So.Ge.Pa. SpA) before the Court of Texas to object to alleged breaches by the former Finmeccanica-Space Division of agreements for the project for implementing the Gorizont satellite programme. The litigation had a favourable outcome, after more than five years, due to the lack of jurisdiction of the relevant Court. On 11 May 2007, Reid served Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) with a Complaint commencing a new lawsuit before the Court of Chancery of Delaware.

In the new lawsuit, Reid presented 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 and the statute of limitation on the action and the lack of jurisdiction of the Court of Delaware. These objections were discussed in the hearing of 29 October 2007. On 27 March 2008 the Court denied the plaintiff's motion, finding the action to be time-barred. This decision was challenged by the opposing party before the Supreme Court of Delaware, which issued a decision on 9 April 2009, granting the motion and remanding the case to the Court of Chancery for a decision on the other objection raised by Finmeccanica concerning the lack of jurisdiction of the Court of Delaware;

- In 1999 the Royal Thai Army sued Finmeccanica before the Court of Bangkok demanding compensation for damages amounting to USD 37,375,564 plus interest of USD mil. 20, for operation defects in the "Spada Aspide" missile system, which was the subject-matter of a supply contract made in 1986 with former Selenia Industrie Elettroniche Associate. The supply contract under dispute was transferred in 1998 to the former Alenia Marconi Systems SpA (now Selex Sistemi Integrati SpA), which undertook any risks connected with the dispute. Finmeccanica objected on grounds of the lack of jurisdiction of the relevant court (due to the arbitration clause of the contract) and the time-barring of the action. On 10 March 2009, the Court, granted the objection and found that it lacked jurisdiction;
- In January 2009, Pont Ventoux Scrl initiated an arbitration with the joint venture formed by Ansaldo Energia, as representative ( 31%), Alstom Power Italia SpA (17%) and Voith Siemens Hydro Power Generation SpA (52%) concerning a contract worth €mil. 15 to supply two electric generators as part of the project to build a hydroelectric plant in Val di Susa (Italy). The plaintiff is seeking payment for alleged damages, both direct and consequential, and harm to its image, totalling about €mil. 90. It asserts that the serious fault renders the clause that limits the liability of the joint venture to the contract amount inapplicable. Ansaldo Energia maintains that it supplied the products required and that it carried out its responsibilities as representative with the greatest diligence. Therefore, it argues

that it is not liable for the delays and breaches in performing the contract claimed by Pont Ventoux.

## 23. BORROWINGS

	<i>31 March 2009</i>	<i>31 December 2008</i>
Bonds	2,528	3,081
Bank borrowings	2,165	2,058
Finance leases	15	16
Payables for factoring of receivables sold	109	109
Payables to related parties (Section 28)	653	652
Other borrowings	348	444
<b>Total borrowings</b>	<b>5,818</b>	<b>6,360</b>
of which:		
Current	1,280	2,265
Non-current	4,538	4,095

The decrease in bonds of €mil. 553 is mainly due to the combined effect of the reimbursement of almost all the DRS bond issues triggered by the change of control clause, net of the second lot of bonds issued in 2008 by Finmeccanica Finance under the EMTN programme.

The decrease in other borrowings (€mil. 96) relates primarily to the second reimbursement payment of €mil. 80 (total initial debt of €mil. 389) made in January by the relevant Group companies to the Ministry for 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. The first reimbursement payment of €mil. 297 was made in May 2008. The increase in bank borrowings relates, for around €mil. 149, to the final disbursement under the Senior Term Loan Facility relating to the purchase of DRS.



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

<i>€ millions</i>	<b><i>31 Mar. 2009</i></b>	<b><i>31 Dec. 2008</i></b>
Cash	(3)	(3)
Bank deposits	(726)	(2,294)
Securities held for trading	(1)	(1)
<b>LIQUIDITY</b>	<b>(730)</b>	<b>(2,298)</b>
<b>CURRENT FINANCIAL RECEIVABLES</b>	<b>(609)</b>	<b>(679)</b>
Current bank payables	124	178
Current portion of non-current borrowings	150	980
Other current borrowings	1,006	1,107
<b>CURRENT NET DEBT</b>	<b>1,280</b>	<b>2,265</b>
<b>CURRENT NET DEBT (CASH)</b>	<b>(59)</b>	<b>(712)</b>
Non-current bank payables	2,042	1,880
Bonds issued	2,392	2,115
Other non-current payables	104	100
<b>NON-CURRENT NET DEBT</b>	<b>4,538</b>	<b>4,095</b>
<b>NET DEBT</b>	<b>4,479</b>	<b>3,383</b>

#### **24. TRADE PAYABLES, INCLUDING ADVANCES FROM CUSTOMERS, NET**

	<b><i>31 March 2009</i></b>	<b><i>31 December 2008</i></b>
Trade payables	4,630	4,651
Trade payables to related parties (Section 28)	83	84
	<u>4,713</u>	<u>4,735</u>
Advances from customers (gross)	15,606	16,245
Work in progress	(8,223)	(8,846)
Advances from customers (net)	<u>7,383</u>	<u>7,399</u>
<b>Total trade payables</b>	<b><u>12,096</u></b>	<b><u>12,134</u></b>

## 25. OTHER LIABILITIES

	Non-current		Current	
	<i>31 March 2009</i>	<i>31 December 2008</i>	<i>31 March 2009</i>	<i>31 December 2008</i>
Employee obligations	60	56	522	456
Deferred income	31	48	133	118
Social security payable	3	3	266	291
Payable to Min. of Econ. Dev. Law 808/1985	276	276	23	23
Payable to Min. of Econ. Dev. for monopoly rights Law 808/1985	72	72	31	28
Other liabilities Law 808/1985	162	158	-	-
Indirect tax payables	-	-	146	174
Other payables to related parties (Section 28)	-	-	34	34
Other payables	113	118	535	450
	<b>717</b>	<b>731</b>	<b>1,690</b>	<b>1,574</b>

The payables to the Ministry of 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 disbursement received from the Ministry of 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 payment of finance costs.

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 payable to Bell Helicopters of €mil. 31 included among non-current liabilities (€mil. 14 as of 31 December 2008), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW139, previously owned by Bell Helicopter at 25%;

- the payable to EADS NV due from GIE ATR (50/50 consortium owned by Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 40 (€mil. 6 at 31 December 2008);
- the payable for customer deposits in the amount of €mil. 29 (€mil. 33 at 31 December 2008);
- the payable for contractual penalties in the amount of €mil. 29 (€mil. 32 at 31 December 2008);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 8 (€mil. 9 at 31 December 2008);
- commissions due in the amount of €mil. 35 (€mil. 25 at 31 December 2008);
- royalties due in the amount of €mil. 22 (€mil. 19 at 31 December 2008);
- payables for insurance in the amount of €mil. 19 (€mil. 22 at 31 December 2008).

## 26. CASH FLOW FROM OPERATING ACTIVITIES

<b>Cash flow from operating activities</b>	<i>For the three months ended 31</i>	
	<i>2009</i>	<i>2008</i>
Net profit	108	126
Depreciation, amortisation and impairment	162	108
Income taxes	69	66
Costs of pension and stock grant plans	17	19
Net finance costs (income)	39	(69)
Other non-monetary items	12	7
	<b>407</b>	<b>257</b>

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). They also include the cash outlays relating to the stock grant plan.

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and exchange gains/losses, are as follows:

	<i>For the three months ended</i>	
	<i>31 March</i>	
	<i>2009</i>	<i>2008</i>
Inventories	(332)	(238)
Contract work in progress and advances received	(567)	(470)
Trade receivables and payables	14	(15)
<b>Changes in working capital</b>	<b>(885)</b>	<b>(723)</b>

## 27. 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.

<i>Basic EPS</i>	<i>31 March 2009</i>	<i>31 March 2008</i>
Average number of shares for the period (in thousands) (*)	577,703	446,537
Net result (not including minority interests) (€mil)	98	119
Result of continuing operations (not including minority interests) (€mil.)	98	119
<i>Basic EPS</i>	0.170	0.266
<i>Basic EPS from continuing operations</i>	0.170	0.266
<i>Diluted EPS</i>	<i>31 March 2009</i>	<i>31 March 2008</i>
Average number of shares for the period (in thousands) (*)	578,362	447,273
Adjusted result (not including minority interests) (€mil.)	98	119
Adjusted result of continuing operations (not including minority interests) (€mil.)	98	119
<i>Diluted EPS</i>	0.169	0.266
<i>Diluted EPS from continuing operations</i>	0.169	0.266

- (\*) The values at 31 March 2008 have been adjusted due to the issue of new shares in consequence of Finmeccanica capital increase occurred in November 2008.

## 28. 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 31 MARCH 2009

	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
<b><u>Subsidiaries</u></b>						
Alifana Due Scrl				8		8
Other companies with unit amount lower than €mil. 5			14	2	1	17
<b><u>Associates</u></b>						
Eurofighter Jagdflugzeug GmbH				95		95
Iveco Fiat/Oto Melara Scrl				81		81
Orizzonte - Sistemi Navali SpA				36		36
NH Industries Sarl				25		25
Metro 5 SpA				21		21
Abruzzo Engineering Scpa				9		9
Macchi Hurel Dubois SAS				7		7
Other companies with unit amount lower than €mil. 5	2		1	24	1	28
<b><u>Joint ventures (*)</u></b>						
MBDA SAS				77		77
Thales Alenia Space SAS	6		7	25	1	39
GIE ATR			7	19	40	66
Aviation Training International Ltd	6		1			7
Telespazio SpA			8	1	3	12
Other companies with unit amount lower than €mil. 5			1	5		6
<b><u>Consortiums (**)</u></b>						
Saturno				31	1	32
Trevi - Treno Veloce Italiano				13		13
C.I.S. DEG				9		9
Elmac				6		6
Other consortiums with unit amount lower than €mil. 5			5	19		24
<b>Total</b>	<b>14</b>	<b>-</b>	<b>44</b>	<b>513</b>	<b>47</b>	<b>618</b>
<b>% incidence on the total for the period</b>	<b>11.0</b>		<b>7.2</b>	<b>10.9</b>	<b>6.1</b>	

(millions of euros)  
PAYABLES AT 31 MARCH 2009

	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total	Guarantees
<b><u>Subsidiaries</u></b>							
Alifana Due Scrl				8		8	
Other companies with unit amount lower than €mil. 5				12		12	
<b><u>Associates</u></b>							
Eurofighter Jagdflugzeug Gmbh			95	3		98	
Iveco Fiat/Oto Melara Scarl					25	25	
Eurosynnav SAS			7			7	
Consorzio Start SpA				22		22	
Orizzonte-Sistemi Navali SpA							12
Other companies with unit amount lower than €mil. 5			2	10	4	16	
<b><u>Joint ventures (*)</u></b>							
MBDA SAS			502	10	1	513	137
Thales Alenia Space SAS			39	9		48	167
Telespazio SpA							365
Superject International SpA			8		3	11	
Other companies with unit amount lower than €mil. 5				1	1	2	
<b><u>Consortiums (**)</u></b>							
Other consortiums with unit amount lower than €mil. 5				8		8	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>653</b>	<b>83</b>	<b>34</b>	<b>770</b>	<b>681</b>
<b>% incidence on the total for the period</b>			<b>51.0</b>	<b>1.8</b>	<b>2.1</b>		

(\*) 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 2008**

	<b>Non-current financial receivables</b>	<b>Other non-current receivables</b>	<b>Current financial receivables</b>	<b>Trade receivables</b>	<b>Other current receivables</b>	<b>Total</b>
<b><u>Subsidiaries</u></b>						
Other companies with unit amount lower than €mil. 5			13	8	1	22
<b><u>Associates</u></b>						
Eurofighter Jagdflugzeug GmbH				92		92
Iveco Fiat/Oto Melara Scarl				65		65
Orizzonte - Sistemi Navali SpA				36		36
NH Industries Sarl				23		23
Macchi Hurel Dubois SAS				12		12
Metro 5 SpA				19		19
Abruzzo Engineering Scpa				9		9
Other companies with unit amount lower than €mil. 5	2		1	28	1	32
<b><u>Joint ventures (*)</u></b>						
MBDA SAS				77		77
Thales Alenia Space SAS			6	29		35
GIE ATR				15	6	21
Aviation Training International Ltd	6					6
Other companies with unit amount lower than €mil. 5	5		1	5	5	16
<b><u>Consortiums (**)</u></b>						
Saturno				49		49
Trevi - Treno Veloce Italiano				15		15
C.I.S. DEG				9		9
Elmac				6		6
Other consortiums with unit amount lower than €mil.5			5	21	1	27
<b>Total</b>	<b>13</b>	<b>-</b>	<b>26</b>	<b>518</b>	<b>14</b>	<b>571</b>
<b>% incidence on the total for the year</b>	<b>16.5</b>		<b>3.8</b>	<b>11.1</b>	<b>2.1</b>	

(millions of euros)  
**PAYABLES AT 31 DECEMBER 2008**

	<b>Non-current borrowings</b>	<b>Other non-current payables</b>	<b>Current borrowings</b>	<b>Trade payables</b>	<b>Other current payables</b>	<b>Total</b>	<b>Guarantees</b>
<b><u>Subsidiaries</u></b>							
Other companies with unit amount lower than €mil. 5			1	16	1	18	
<b><u>Associates</u></b>							
Eurofighter Jagdflugzeug Gmbh			62	7		69	
Iveco Fiat/Oto Melara Scarl					25	25	
Eurosynnav SAS			9			9	
Consorzio Start SpA				19		19	
Orizzonte - Sistemi Navali SpA							12
Other companies with unit amount lower than €mil. 5			2	15	4	21	
<b><u>Joint ventures (*)</u></b>							
MBDA SAS			544	10		554	161
Thales Alenia Space SAS			19	8		27	3
Superject International SpA			8			8	
Telespazio SpA			7			7	364
Other companies with unit amount lower than €mil. 5				1	4	5	
<b><u>Consortiums (**)</u></b>							
C.I.S.DEG							1
Other consortiums with unit amount lower than €mil. 5				8		8	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>652</b>	<b>84</b>	<b>34</b>	<b>770</b>	<b>541</b>
<b>% incidence on the total for the year</b>			<b>28.8</b>	<b>1.8</b>	<b>2.2</b>		

(\*) 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) 31 MARCH 2009

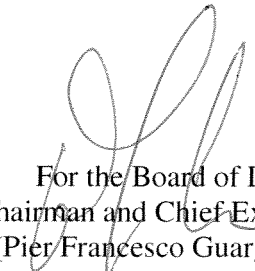
	Revenue	Other operating income	Costs	Finance income	Finance costs
<b><u>Subsidiaries</u></b>					
Other companies with unit amount lower than €mil. 5	2		6		
<b><u>Associates</u></b>					
Eurofighter International Limited	78				
Iveco Fiat/Oro Melara Scarl	30				
Orizzonte Sistemi Navali SpA	8				
Other companies with unit amount lower than €mil. 5	29		9		1
<b><u>Joint ventures./(*)</u></b>					
GIE ATR	32				
MBDA SAS	21				
Thales Alenia Space SAS	6				
Other companies with unit amount lower than €mil. 5	2		1		3
<b><u>Consortiums (**)</u></b>					
Saturno	16				
Other consortiums with unit amount lower than €mil. 5	3		1		
<b>Total</b>	<b>227</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>4</b>
<b>% incidence on the total for the period</b>	<b>5.8</b>		<b>0.7</b>		<b>1.0</b>

(millions of euros) 31 MARCH 2008

	Revenue	Other operating income	Costs	Finance income	Finance costs
<b><u>Subsidiaries</u></b>					
Other companies with unit amount lower than €mil. 5	4		3		
<b><u>Associates</u></b>					
Eurofighter International Limited	84				
Iveco Fiat/Oro Melara Scarl	27				
NH Industries Sarl	36				
Macchi Hurel Dubois SAS	7				
Euromids SaS	7				
Eurofighter Jagdflugzeug GmbH	6				
Other companies with unit amount lower than €mil. 5	16		4		1
<b><u>Joint ventures./(*)</u></b>					
GIE ATR	28				
MBDA SAS	16				
Thales Alenia Space SAS	6				
Global Military Aircraft Syst LLC	8				
Other companies with unit amount lower than €mil. 5	1				5
<b><u>Consortiums (**)</u></b>					
Saturno	20				
Other consortiums with unit amount lower than €mil. 5	5				
<b>Total</b>	<b>271</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>6</b>
<b>% incidence on the total for the period</b>	<b>9.29</b>		<b>0.4</b>		<b>2.5</b>

(\*) 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

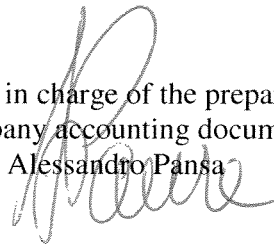
  
 For the Board of Directors  
 the Chairman and Chief Executive Officer  
 (Pier Francesco Guarguaglini)

**Declaration of the officer responsible for the interim financial report at 31 March 2009 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 31 March 2009 corresponds to the related accounting records, books and supporting documentation.

Rome, 28 April 2009

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

A handwritten signature in black ink, appearing to read 'Alessandro Pansa', is written over the printed name in the signature block.