

INTERIM FINANCIAL REPORT
AT 30 SEPTEMBER 2010
FINMECCANICA

Disclaimer

This Interim Financial Report at 30 September 2010 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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Finmeccanica Group

Report on operations at 30 September 2010

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

Highlights

<i>€ millions</i>	September 2010	September 2009	Change	2009
New orders	13,479	13,656	(1.3%)	21,099
Order backlog	45,843	43,496	5.4%	45,143
Revenues	12,924	12,640	2.2%	18,176
Adjusted EBITA	856	885	(3.3%)	1,587
Net profit	321	364	(11.8%)	718
Adjusted net profit	321	364	(11.8%)	700
Net capital invested	11,626	11,505	1.1%	9,612
Net financial debt	4,897	5,220	(6.2%)	3,070
FOCF	(1,325)	(1,286)	(3.0%)	563
ROS	6.6%	7.0%	(0.4) p.p.	8.7%
ROI	13.5%	16.7%	(3.2) p.p.	16.7%
ROE	10.4%	11.0%	(0.6) p.p.	11.0%
EVA	(142)	(78)	(81.8%)	290
Research & Development	1,345	1,302	3.3%	1,982
Workforce (no.)	75,733	73,983	2.4%	73,056

Refer to page 22 for definitions of the indicators.

The Finmeccanica Group's (hereinafter the "Group") consolidated results for the first nine months of 2010 were positive, substantially in line with those of the same period of 2009 and in some cases better than expectations confirming the outlook for all of 2010. However, as will be shown below, the performance of the individual segments varies from that of the Group as a whole.

As has been stated several times before, the results at 30 September 2010 are not entirely representative of the trend for the financial year as a whole since a considerable portion of the Group's business occurs in the fourth quarter of the year due to the high concentration of significant sub-supply and co-supply lots in production for the period.

Before analysing the main indicators, it should be noted that, in comparing the periods, the US dollar appreciated against the euro by around 5.0% during the first nine months of 2010 (comparison of the prevailing exchange rates at 30 September 2010 and at 31 December 2009). This change in the exchange rate for the two periods compared had an effect on the balance-sheet items, but had virtually no impact on the income statement and the cash flow statement.

New orders were substantially lined up with the figure of the same period of 2009, revenues rose by 2.2% and adjusted EBITA showed a slight fall, while return on sales (ROS) stood at at 6.6% (equal to 7.0% at 30 September 2009).

Return on investment (ROI) and EVA also reflect the full impact of the DRS group in the calculation of average net capital invested. Compared with the same period of the previous year, ROI stood at 13.5% (16.7% at 30 September 2009), EVA came to a negative €mil. 142 (negative €mil. 78) and return on equity (ROE) amounted to 10.4% (11.0%).

The Group's net profit at 30 September 2010 amounted to €mil. 321, compared with €mil. 364 at 30 September 2009, for a decrease of €mil. 43. This decline is primarily due to the deterioration in EBIT (€mil. 46), since the improvement in net finance costs (€mil. 8) was offset by higher taxes. The effective tax rate at 30 September 2010 (41.0%) is higher than that recorded at 30 September 2009 (37.7%) and the increase in taxes adversely affected the period result in the amount of €mil. 5.

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Income statement**For the nine months ended 30
September**

	<i>Note</i>	<u>2010</u>	<u>2009</u>
€ million			
Revenue		12,924	12,640
Raw materials and consumables used and personnel costs	(*)	(11,586)	(11,318)
Amortisation and depreciation	25	(411)	(395)
Other net operating income (expenses)	(**)	(71)	(42)
Adjusted EBITA		<u>856</u>	<u>885</u>
Restructuring costs		(24)	(10)
Amortisation of intangible assets acquired through a business combination	25	(64)	(61)
EBIT		<u>768</u>	<u>814</u>
Net finance income (costs)	(***)	(222)	(230)
Income taxes	27	(225)	(220)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		<u>321</u>	<u>364</u>
Result of discontinued operations		-	-
NET PROFIT (LOSS)		<u>321</u>	<u>364</u>

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

(*) Includes "Raw materials and consumables used and personnel costs" net of "Restructuring costs".

(**) 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

September 2010 (€millions)

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	2,965	10,222	2,556	252	9.9%	285	13,886
Defence and Security Electronics	5,235	12,615	4,978	426	8.6%	508	29,784
Aeronautics	1,586	8,710	1,857	71	3.8%	239	12,856
Space	762	1,775	616	15	2.4%	39	3,636
Defence Systems	661	3,748	802	61	7.6%	189	4,096
Energy	610	2,950	994	92	9.3%	25	3,427
Transportation	2,026	6,684	1,373	57	4.2%	55	7,243
Other activities	68	132	159	(118)	n.a.	5	805
Eliminations	(434)	(993)	(411)				
	13,479	45,843	12,924	856	6.6%	1,345	75,733

September 2009 (€millions)

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
		at 31 Dec. 2009					at 31 Dec. 2009
Helicopters	2,747	9,786	2,499	237	9.5%	228	10,343
Defence and Security Electronics	4,716	12,280	4,526	394	8.7%	476	30,236
Aeronautics	2,098	8,850	1,768	120	6.8%	304	13,146
Space	703	1,611	639	19	3.0%	53	3,662
Defence Systems	685	4,010	767	58	7.6%	178	4,098
Energy	951	3,374	1,216	114	9.4%	23	3,477
Transportation	2,086	5,954	1,328	60	4.5%	39	7,295
Other activities	78	172	301	(117)	n.a.	1	799
Eliminations	(408)	(894)	(404)				
	13,656	45,143	12,640	885	7.0%	1,302	73,056

Change

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	7.9%	4.5%	2.3%	6.3%	0.4 p.p.	25.0%	34.3%
Defence and Security Electronics	11.0%	2.7%	10.0%	8.1%	(0.1) p.p.	6.7%	(1.5%)
Aeronautics	(24.4%)	(1.6%)	5.0%	(40.8%)	(3.0) p.p.	(21.4%)	(2.2%)
Space	8.4%	10.2%	(3.6%)	(21.1%)	(0.5) p.p.	(26.4%)	(.7%)
Defence Systems	(3.5%)	(6.5%)	4.6%	5.2%	n.s.	6.2%	n.s.
Energy	(35.9%)	(12.6%)	(18.3%)	(19.3%)	(0.1) p.p.	8.7%	(1.4%)
Transportation	(2.9%)	12.3%	3.4%	(5.0%)	(0.4) p.p.	41.0%	n.s.
Other activities	(12.8%)	(23.3%)	(47.2%)	0.9%	n.a.	n.a.	n.s.
	(1.3%)	1.6%	2.2%	(3.3%)	(0.4) p.p.	3.3%	3.7%

The primary changes that marked the Group's performance compared with the figures posted at 30 September 2009 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 a modest decline in **new orders**, which amounted to €nil. 13,479 at 30 September 2010 compared with €nil.13,656 for the same period of 2009, for a decrease of around 1.3%.

With regard to the divisions that contributed to the improvement in result, the following should be noted:

- *Helicopters*: due to the order for 12 AW101 helicopters for the Indian air force and orders in the civil segment, which has experienced a significant rebound;
- *Defence and Security Electronics*, due to the order for the third lot for the EFA programme;
- *Space*, due to new orders in the manufacturing segment.

This improvement was partially offset by the decline across all other sectors, mainly due to the delays in new orders during the period.

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The **order backlog** at 30 September 2010 amounted to €nil. 45,843, an increase of €nil. 700 over 31 December 2009 (€nil. 45,143).

The net change is due to the ordinary acquisition of orders and invoicing to customers beside the effect deriving from the translation of backlog expressed in foreign currencies as a result of the movement in the US dollar/euro exchange rate at the end of the period.

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

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Revenues at 30 September 2010 came to €nil. 12,924, compared with €nil 12,640 for the same period of 2009, an increase of €nil. 284 (2.2%).

The primary changes were due to higher production volumes in the following sectors:

- *Helicopters*: due to higher volumes for the AW139 and growth in product support activities;
- *Defence and Security Electronics*: in particular due to the growth in activity pertaining to *avionics and electro-optical systems* and, to a lesser extent, those relating to *major integrated defence and security systems* and value-added services;
- *Aeronautics*: due to greater activity in the *military segment*, specifically to increased production for the C27J and G222 programmes.

These increases were partially offset by the *Space* and *Energy* segments attributable to lower production volumes in the plants and components, resulting from a decline in component sub-supply contracts for foreign “sites”. All the other sectors remained substantially stable compared with the same period of the previous year.

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Adjusted EBITA at 30 September 2010 came to €mil. 856, compared with €mil. 885 for the same period of the previous year.

Improvements were mainly recorded in the following segments:

- *Helicopters*: due to the increase in revenues and the different product mix;
- *Defence and Security Electronics*: due to higher volumes and the initial impact of cost containment measures that offset a less profitable mix of activities in certain segments.

The €mil. 29 decrease mainly refers to the following segments:

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

All the other sectors remained substantially stable compared with the same period of the previous year.

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Research and development costs at 30 September 2010 amounted to €mil. 1,345, up €mil. 43 compared with the third quarter of 2009 (€mil. 1,302).

Research and development costs in the *Aeronautics* segment for the third quarter of 2010 amounted to €mil. 239 (about 18% of the Group total), reflecting the commitment to programmes being developed in the civil and military segments.

In *Defence and Security Electronics*, R&D costs totalled €mil. 508 (roughly 38% of the Group total) and related in particular to:

- in the *avionics and electro-optical systems* segment: development for the EFA programme and new electronic-scan radar systems for both surveillance and combat;
- in the *integrated communications networks and systems* segment: development of TETRA technology and wideband data link products and software design radio;
- in the *radar and command and control systems* segment: the continuation of development of the 3D Kronos and 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. 285 (about 21% of the Group's total) and mainly concerned the development of technologies primarily for military use (AW149) and of multi-role versions of the BA 609 convertiplane for national security.

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The **workforce** at 30 September 2010 came to 75,733, a net increase of 2,677 from 73,056 at 31 December 2009. This is the combined effect of the industrial reorganisation started in certain sectors and the consolidation of the Polish group Wytwornia Sprzetu Komunikacyjnego "PZL - WIDNIK" Spolka Akcyjna (PZL - SWIDNIK) in the *Helicopters* division (4,311 employees at the acquisition date).

The geographical distribution of the workforce at 30 September 2010 breaks down into 56% of the workforce in Italy and 44% in foreign countries, largely the United States (15.5%), the United Kingdom (12.9%), Poland (4.9%) and France (4.9%).

* * * * *

<i>Balance Sheet</i>	<i>Note</i>	<u>3 Sept. 2010</u>	<u>31 Dec. 2009</u>
<i>€millions</i>			
Non-current assets		13,480	12,956
Non-current liabilities	(*)	<u>(2,680)</u>	<u>(2,639)</u>
		10,800	10,317
Inventories		4,809	4,662
Trade receivables	(**) 13	9,883	8,481
Trade payables	(***) 21	(12,680)	(12,400)
Working capital		2,012	743
Provisions for short-term risks and charges	18	(595)	(595)
Other net current assets (liabilities)	(****)	(591)	(853)
Net working capital		826	(705)
Net capital invested		11,626	9,612
Capital and reserves attributable to equity holders of the Company		6,493	6,351
Minority interests in equity		236	198
Shareholders' equity		6,729	6,549
Net financial debt (cash)	17	4,897	3,070
Net (assets) liabilities held for sale	(*****)	-	(7)

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

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

(**) Includes "Contract work in progress - net."

(***) Includes "Advances from customers- net".

(****) 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".

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At 30 September 2010 the consolidated **net capital invested** came to €nil. 11,626, compared with €nil. 9,612 at 31 December 2009, for a net increase of €nil. 2,014.

More specifically, there was a €nil. 1,531 increase in **net working capital** (positive €nil. 826 at 30 September 2010, compared with negative €nil. 705 at 31 December

2009). The level of working capital had a negative impact on the Group's ability to generate cash flow during the period (Free Operating Cash Flow) as described below.

As to **capital assets**, there was an increase of €nil. 483 (€nil. 10,800 at 30 September 2010, compared with €nil. 10,317 at 31 December 2009).

* * * * *

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 30 September 2010, FOCF was therefore negative (use of cash) in the amount of about €nil.1,325, compared with negative €nil. 1,286 at 30 September 2009, for a deterioration of €nil. 39.

During the period, investing activity, needed for product development, was concentrated in Aeronautics (34%), Defence and Security Electronics (26%) and Helicopters (19%).

* * * * *

	<i>For the nine months ended 30 September</i>	
	<u>2010</u>	<u>2009</u>
Cash and cash equivalents at 1 January	2,630	2,297
Gross cash flow from operating activities	1,446	1,445
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(849)	(648)
Funds From Operations (FFO)	597	797
Changes in working capital	(1,286)	(1,483)
Cash flow generated from (used in) operating activities	(689)	(686)
Cash flow from ordinary investing activities	(636)	(600)
Free Operating Cash Flow (FOCF)	(1,325)	(1,286)
Strategic operations	(98)	(168)
Change in other investing activities (**)	19	(24)
Cash flow generated from (used in) investing activities	(715)	(792)
Dividends paid to shareholders	(257)	(254)
Net change in borrowings	(134)	(41)
Cash flow generated from (used in) financing activities	(391)	(295)
Exchange gains/losses	25	(13)
Cash and cash equivalents at 30 September	860	511

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

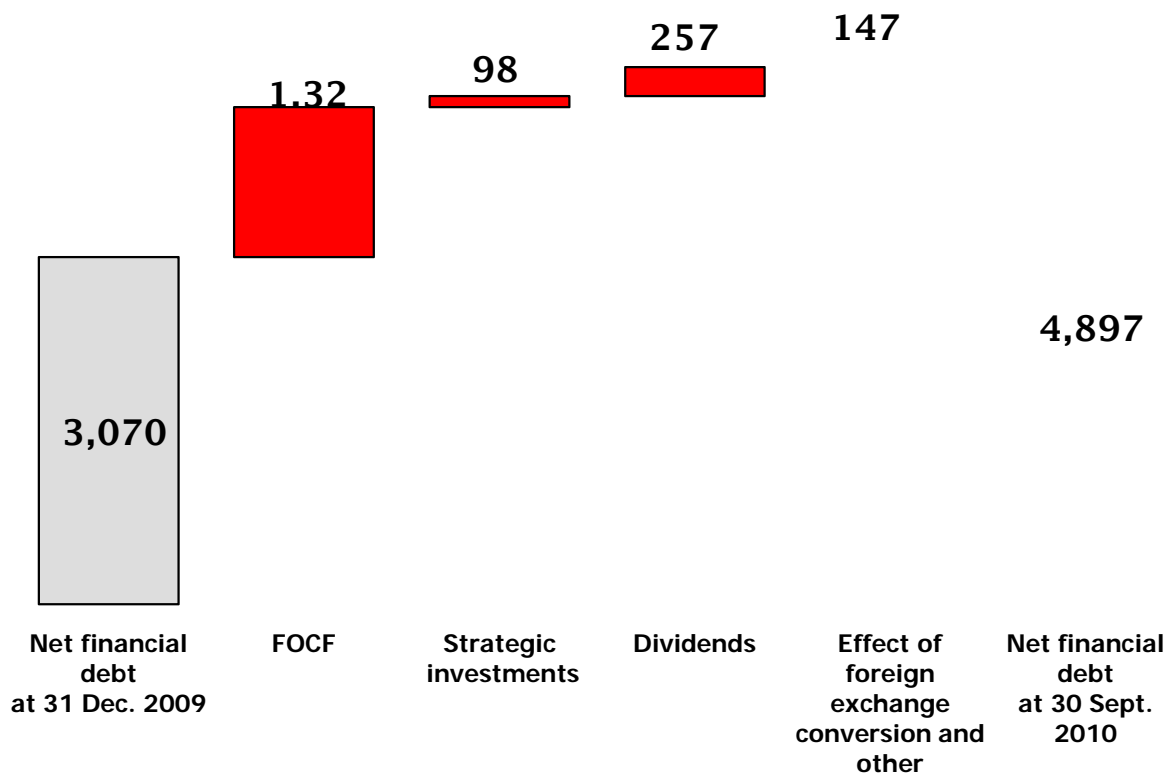
(**) Includes "Other investing activities", dividends received from subsidiaries and loss coverage for subsidiaries.

* * * * *

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 30 September 2010 came to €nil. 4,897 (€nil. 5,220 at 30 September 2009) compared with €nil. 3,070 at 31 December 2009, for a net increase of €nil. 1,827.

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

Net financial debt at 30 September (€ million)



<i>€ million</i>	<i>30 Sept. 2010</i>	<i>31 Dec. 2009</i>
Short-term borrowings	1,087	913
Medium/long-term borrowings	4,492	4,476
Cash and cash equivalents	(860)	(2,630)
BANK DEBT AND BONDS	4,719	2,759
Securities	(1)	(11)
Financial receivables from related parties	(51)	(34)
Other financial receivables	(719)	(763)
FINANCIAL RECEIVABLES AND SECURITIES	(771)	(808)
Borrowings from related parties	710	679
Other short-term borrowings	114	312
Other medium/long-term borrowings	125	128
OTHER BORROWINGS	949	1,119
NET FINANCIAL DEBT (CASH)	4,897	3,070

Once again for September 2010, consistent with the approach adopted in the presentation of the accounts over the last few years, the net debt figure does not include the net fair value of derivatives at the date the accounts were closed (positive balance of €nil. 170).

As discussed in the section on FOCF, the deterioration seen over the period confirmed the ordinary pattern of the balance between trade collections and payments reveals that payments are particularly higher than collections, with significant use of cash in operating activities.

The change in the net debt figure for the period includes, among other things, the impact of the final FOCF figure and the effects of the following transactions:

- the payment of €nil. 237 relating to the ordinary dividends paid out by the Group Parent to its shareholders for 2009;
- the payment of €nil. 20 relating to the minority interest portion of the ordinary dividends paid out by other Group companies (including €nil. 19 from Ansaldo STS) to their shareholders for 2009;
- as explained elsewhere in this report, in January AgustaWestland purchased a further stake in the Polish group PZL-SWIDNIK. The overall impact of this on the Group's net debt, between the purchase price paid (€nil. 77 net of cash acquired) and inclusion of the new company and its subsidiaries within the scope of consolidation (with borrowings of €nil. 38) came to about €nil. 115.

The net debt figure also reflects the appreciation of the US dollar against the euro reported at 30 September 2010 compared with at the end of 2009, particularly with respect to the translation of net debt denominated in dollars.

During the period, the Group made assignments of non-recourse receivables totalling around €nil. 712 (€nil. 716 at 30 September 2009).

As regards the composition of the debt items, with particular regard to bank borrowings and bonds, which went from €nil. 5,389 at 31 December 2009 to €nil. 5,579 at 30 September 2010, the main changes were as follows:

- short-term borrowings fell from €nil. 913 at 31 December 2009 to €nil. 1,087 at 30 September 2010 mainly due to the net effect of the repurchase of bonds exchangeable into STM shares in August, as well as the use of a part of the short-term lines of credit for financing Group activities;
- medium/long-term borrowings rose from €nil. 4,476 at 31 December 2009 to €nil.4,492 at 30 September 2010, mainly due to net impact of:
 - the full repayment of the Revolving Credit Facility of €nil. 639 - a line of credit arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the American company DRS (see the section “Financial transactions”);
 - the use of the loan granted to Finmeccanica by the European Investment Bank (EIB) (see the section “Financial transactions”);
 - the increase due to the appreciation of the dollar against the euro.

Cash and cash equivalents declined significantly from €nil. 2,630 at 31 December 2009 to €nil. 860 at 30 September 2010, caused mainly by the higher use of cash in ordinary operations, investing activities and the payment of dividends. A portion of the cash available was used to repay debt existing at 31 December 2009, as described above.

The item “financial receivables and securities” equal to €nil. 771 (€nil. 808 at 31 December 2009) includes the amount of €nil. 648 (€nil. 708 at 31 December 2009) in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group’s scope of consolidation on a proportionate basis.

The item “borrowings from related parties” amounting to €nil. 710 (€nil. 679 at 31 December 2009) includes the debt of €nil. 638 (€nil. 646 at 31 December 2009) of Group companies in the above joint ventures for the unconsolidated portion, and the debt of €nil. 68 (€nil. 23 at 31 December 2009) to the company Eurofighter Jagdflugzeug GmbH, of which Alenia Aeronautica owns 21%. In regard to this, under

the existing treasury agreement, surplus cash and cash equivalents are to be distributed among the partners.

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

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

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

To repay the cancelled lines of credit, which at the reporting date had been used in the amount of €nil. 700, in September Finmeccanica made the first use of the new loan for a corresponding amount.

At 30 September 2010, Finmeccanica had additional unconfirmed short-term credit lines for around €nil. 690. Finally, there are also unconfirmed guarantees of around €nil.2,635.

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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 financial statements at 30 September 2010" 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 (Note 22).

Results for the quarter

The Finmeccanica Group's results for the third quarter of 2010 were in line with those of the same period of 2009.

New orders for the third quarter of 2010 came to €mil. 5,429, up slightly (about 2%) over the same period of 2009 (€mil. 5,329).

Revenues amounted to €mil. 4,234, up 2% over the €mil. 4,154 reported for the third quarter of 2009. Adjusted EBITA amounted to €mil. 268 (-6%), compared with €mil. 284 for the same period a year earlier.

<i>Income Statement</i>	<i>Note</i>	<i>For the three months ended 30</i>	
		<i>September</i>	
<i>€ millions</i>		<i>2010</i>	<i>2009</i>
Revenue		4,234	4,154
Raw materials and consumables used and personnel costs	(*)	(3,809)	(3,734)
Depreciation and amortisation		(135)	(130)
Other net operating income (expenses)	(**)	(22)	(6)
Adjusted EBITA		268	284
Restructuring costs		(8)	(3)
Amortisation of intangible assets acquired through a business combination		(21)	(23)
EBIT		239	258
Net finance income (costs)	(***)	(36)	(75)
Income taxes		(78)	(59)
NET PROFIT (LOSS)		125	124

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

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

(**) Includes the net balance of "Other operating income" and "Other operating expenses" (excluding restructuring costs, impairment of goodwill, non-recurring income/(costs) and including impairment).

(***) Includes "Finance income", "Finance costs" and "Share of profit (loss) of equity accounted investments".

This performance led to a ROS (ratio of Adjusted EBITA and revenues) of 6.3% for the third quarter of 2010 (-0.5 p.p.) compared with the third quarter of 2009.

Restructuring costs pertain to the Helicopters, Defence Systems and Defence and Security Electronics divisions.

<i>€ millions</i>	1 July – 30 Sept. 2010			1 July – 30 Sept. 2009		
	Revenues	Adjusted EBITA	EBIT	Revenues	Adjusted EBITA	EBIT
Helicopters	803	72	65	853	75	73
Defence and Security						
Electronics	1,699	134	113	1,481	125	104
Aeronautics	592	17	17	566	61	61
Space	204	9	9	204	6	3
Defence Systems	266	24	23	253	17	17
Energy	317	25	25	396	37	37
Transportation	447	22	22	433	5	5
Other Activities	45	(35)	(35)	104	(42)	(42)
Eliminations	(139)	-	-	(136)	-	-
	4,234	268	239	4,154	284	258

Compared with the same period of 2009, there was a €mil 39 decrease in finance costs in the third quarter of 2010 (despite a €mil. 11 deterioration resulting from the measuring of equity investments using the equity method) This was mainly due to lower expense on premiums collected/paid on the hedging of interest-rate risk (IRS), higher net exchange rate gains, as well as the impact of applying the fair value method.

Income taxes for the period came to €mil. 78 (€mil. 59 in the third quarter of 2009), with an increase of €mil. 19, substantially due to the reduced tax consolidation benefit (€mil.16).

The net profit for the period amounted to €mil. 125, compared with €mil. 124 for the third quarter of 2009.

“Non-GAAP” performance indicators

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

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

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

Adjusted EBITA is then used to calculate return on sales (ROS) and on a 12-month basis return on investment (ROI) (which is calculated as the ratio of adjusted EBITA to the average value of capital invested during the two periods being compared).

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

<i>€ millions</i>	<i>For the nine months ended 30 September</i>		
	<u>2010</u>	<u>2009</u>	<u>Note</u>
EBIT	768	814	8
Amortisation of intangible assets acquired through a business combination	64	61	25
Restructuring costs	24	10	23/24
Adjusted EBIT	<u>856</u>	<u>885</u>	

- **Adjusted net profit:** This is arrived at by eliminating from net profits the positive and negative components of income that are the effects of events which, due to their scale and departure from the Group's usual performance, are treated as extraordinary. This adjusted net profit is used to calculate return on equity (ROE) for the last 12 months, which is based on the average value of equity for the two periods being compared.

There are no components of net profit to be reconciled for the periods being compared.
- **Free Operating Cash Flow (FOCF):** This is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments". The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.
- **Funds From Operations (FFO):** This is cash flow generated by (used in) operating activities net of changes in working capital (as described under Note 28). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.
- **Economic Value Added (EVA):** This is calculated as adjusted EBITA net of taxes and the cost (comparing like-for-like in terms of consolidated companies) of the

average value of invested capital in the two periods concerned and measured on a weighted-average cost of capital (WACC) basis.

- **Working capital:** this includes trade receivables and payables, contract work in progress and advances received.
- **Net working capital:** this is equal to working capital less current provisions for risks and charges and other current assets and liabilities.
- **Net capital invested:** this is the algebraic sum of non-current assets, non-current liabilities and net working capital.
- **Net financial debt:** the calculation model complies with that provided in paragraph 127 of Recommendation CESR/05-054b implementing EC Regulation 809/2004. For details on its composition, refer to Note 17.
- **Research and Development spending:** the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. These costs may be partly or entirely reimbursed by customers, funded by public institutions through grants or other incentives under law or, lastly, be borne by the Group. From an accounting standpoint, R&D costs can be categorised differently as indicated below:
 - if they are reimbursed by the customer pursuant to a contract, they are classified under “work in progress”;
 - if they relate to research - or if they are at a stage at which it is not possible to demonstrate that the activity will generate future economic benefits - they are taken to profit or loss in the period incurred;
 - finally, if they relate to a development activity for which the technical feasibility, the capability and the willingness to see the project through to the end, as well as the existence of a potential market for generating future economic benefits can be shown, they are capitalised under “intangible assets”.

In the case in which a grant is given towards these expenses, the carrying value of the intangible assets is reduced by the amount received or to be received.

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

Performance by division

HELICOPTERS

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	2,965	2,747	474	926	3,205
Order backlog	10,222	10,318	n.a	n.a	9,786
Revenues	2,556	2,499	803	853	3,480
Adjusted EBITA	252	237	72	75	371
ROS	9.9%	9.5%	9.0%	8.8%	10.7%
R&D	285	228	111	66	328
Workforce (no.)	13,886	10,350	n.a	n.a	10,343

Finmeccanica, through the AgustaWestland NV group, is a world leader in the civil and military helicopter industry. The figures at 30 September 2010 include the effect of the line-by-line consolidation of the recently-acquired Polish group PZL-SWIDNIK from 1 January 2010.

The total volume of **new orders** at 30 September 2010 came to €mil. 2,965, an 8% increase over the same period of 2009 (€mil. 2,747), and breaks down into 62.1% for helicopters (new helicopters and upgrading) and 37.9% for support (spare parts, inspections and integrated support). The helicopters division posted growth on 40% compared with the same period of the previous year, particularly in the *civil-government* helicopter segment.

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

- the order from the Indian Air Force for twelve AW101 helicopters for governmental transport use. The contract, including 5-year logistics support, is worth €nil. 560 (Q1);
- the order from the UK Ministry of Defence to upgrade ten Lynx Mk 9 helicopters, a variant of the Super Lynx helicopter used by the UK armed forces, in order to ensure support to military operations prior to the entry into operation of the new Future Lynx helicopter. The contract is worth €nil. 47 (Q1);
- the order for a customer in the southern Mediterranean area for 30 helicopters, worth a total of around €nil. 450 (Q2).

In the *civil-government segment*, new orders for 93 helicopters were received in the first nine months of 2010, worth a total of about €nil. 800. Of note in that regard are the following:

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

The value of the **order backlog** at 30 September 2010 came to €nil. 10,222, up 4.5% over 31 December 2009 (€nil. 9,786) and is sufficient to guarantee coverage of production for an equivalent of about 3 years.

On 24 May 2010, AgustaWestland and the Boeing Company signed an agreement for the VXX helicopter programme to replace the US Navy's Marine One helicopter for transporting the President of the United States. Boeing secured the rights to use AgustaWestland's intellectual property, data and production rights to integrate the AW101 helicopter's platform into a Boeing product solely for the VXX programme. AgustaWestland will play a role in developing the programme and will carry out a significant portion of the design and production activities.

On 22 June 2010, Russian Helicopters and AgustaWestland began work on a jointly run plant, located in the Tomilino industrial area near Moscow, for the final assembly of the civil version of the AW139 medium twin-engine helicopter. The factory will be operated by Helivert, an equally-owned joint venture between Russian Helicopters and AgustaWestland.

Revenues at 30 September 2010 came to €nil. 2,556, up about 2.3% from the figure at 30 September 2009 (€nil. 2,499). This increase is attributable to regular progress made on programmes already begun, higher volumes on the AW139 line (+8.8% over 30 September 2009), and an increase in product support activity (+23.6% compared with 30 September 2009), including the integrated support contracts (IOS) with the UK Ministry of Defence.

Adjusted EBITA came to €nil. 252 at 30 September 2010, up 6.3% compared with the €nil. 237 reported at 30 September 2009. This improvement is correlated with the rise in revenues and the different product mix mentioned above. As a result, **R.O.S.** amounted to 9.9% (9.5% at 30 September 2009).

Research and development costs for the first nine months of 2010 came to €nil. 285 (€nil.228 for the same period of 2009) and mainly concerned:

- the development of technologies primarily for military use for a new helicopter of the 6/7-tonne class named the AW149;
- the development of multi-role versions of the BA 609 convertiplane for national security;

- the development of a new twin-engine helicopter of the 4-tonne class named the AW169.

The **workface** at 30 September 2010 came to 13,886, a 3,543 employee net increase over 31 December 2009 (10,343). This change is the combined effect of the start of the reorganisation plan of the newly-acquired Polish group PZL - WIDNIK and the consolidation of this group (4,311 units at the acquisition date).

DEFENCE AND SECURITY ELECTRONICS

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	5,235	4,716	2,190	1,410	8,215
Order backlog	12,615	10,966	n.a.	n.a.	12,280
Revenues	4,978	4,526	1,699	1,481	6,718
Adjusted EBITA	426	394	134	125	698
R.O.S.	8.6%	8.7%	7.9%	8.4%	10.4%
R&D	508	476	167	153	711
Workforce (no.)	29,784	30,558	n.a.	n.a.	30,236

Finmeccanica has a number of companies that are active in the defence and security electronics industry, including: the SELEX Galileo¹ Group, the SELEX Sistemi Integrati Group, the Elsig Datamat Group, the SELEX Communications Group, the SELEX Service Management SpA Group, the Seicos SpA Group and the DRS Group.

The division covers activities relating to the creation of major integrated systems for defence and security based on complex architectures and network-centric techniques, the provision of integrated products, services and support for military forces and government agencies, manufacture of avionics and electro-optical equipment and systems, unmanned aircraft, radar systems, land and naval command and control systems, air traffic control systems, integrated communications systems and networks for land, naval, satellite and avionic applications, and activities for private mobile radio communications systems, value-added services and IT and security activities.

Security, also including the protection against threats deriving from the unauthorised use of digital information and communications systems (Cybersecurity), has become one of the priority issues of governments and decision makers. Leveraging

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

their distinctive expertise, enterprises have developed an offer of products and services for governmental and civil security operators aiming at the protection of critical and strategic infrastructures and locations, while paying particular attention to issues related to the security of telecommunications networks and IT systems that are the crucial core on which the modern digital economy is based.

New orders at 30 September 2010 totalled €mil. 5,235, up from the figure posted for the previous year (€mil. 4,716), due in particular to the order received for the third lot of the EFA programme.

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

- *avionics and electro-optical systems*: the order from BAE Systems for Praetorian Defensive Aids Sub System (DASS) and Captor combat radar for Eurofighter Typhoon Lot 3A (Q3); orders for the EFA programme, specifically avionics and combat radar equipment for the third lot of the European programmes, as well as logistics (Q1-Q2-Q3); orders for countermeasure systems (Q2-Q3); orders for equipment for NH90 helicopters (Q1-Q2-Q3); contracts from the UK Ministry of Defence for an integrated Defensive Aids System for Royal Air Force helicopters (Q2); space programme orders, particularly for Galileo and GMES (Q1-Q2-Q3); customer support activity (Q1-Q2-Q3);
- *radar and command and control systems*: the order from Panama for the development of a national surveillance and security system by creating a coastal monitoring and control system (Q3); a contract to implement a Vessel Traffic Management System (VTMS) in Turkey to monitor and manage maritime traffic (Q1); the order for the provision of a naval radar system from the Peruvian Navy (Q1); the contract from ENAV to upgrade computers and software (Q1) and to upgrade primary radar for tracking routes and approaches at various airports (Q2); two contracts from the Moroccan Civil Aviation Authority to supply an air traffic control radar station at the Fes-Saiss airport and a simulator for Menara airport in Marrakech (Q1); a contract with the Colombian Civil Aeronautics Authority to upgrade the radar system at El Dorado airport in Bogotá (Q3); two contracts with

the Ukrainian state-owned company to upgrade the Kiev airport and to supply three weather radar (Q3); two contracts for the provision of Precision Approach Radar (PAR) from the Italian and Swiss air forces (Q1);

- *integrated communication networks and systems*: various orders for communications systems under the EFA programme, including those for Lot 3A aircraft (Q1-Q2-Q3); various orders for communications systems for helicopter platforms (Q1-Q2-Q3); the order from the Buenos Aires police department for a TETRA telecommunications system (Q1); order from a local Russian operator for a TETRA network (Q2); order for communications equipment for the Indian Navy (Q2); additional orders for communications systems for medium armoured vehicles (MAV) from the Italian Army (Q1);
- *information technology and security*: a contract with Russian Post to expand Moscow's central post office (Q2); a contract with Aeroporti di Roma to build the new automated baggage sorting system at the Leonardo da Vinci Airport in Fiumicino (Q1); an order from the Ministry for Cultural Heritage to revitalise the archaeological site at Pompeii (Q1); a contract for security systems from the City of Rome (Q2); extension of the Public Connectivity and Cooperation System contract for services to be delivered to INPS (Q3);
- *DRS group*: orders from the US Army for additional activities related to the Thermal Weapon Sight (TWS) system issued to soldiers (Q1); activities in support of the Mast Mounted Sight (MMS) system for helicopter (Q1); to supply additional Driver's Vision Enhancers (DVE) under framework agreement signed in 2009 (Q2-Q3); orders for the Knight target acquisition system (Q3); the production of 275 M1000 trailers (Q1); to supply additional computers and displays for JV-5 rugged vehicle systems (Q2-Q3).

The **order backlog** came to €nil. 12,615 at 30 September 2010, compared with €nil. 12,280 at 31 December 2009, one-third of which related to the avionics and electro-optical systems segment, and one-fifth to major integrated systems, radar systems and command and control systems and the activities of DRS.

Revenues at 30 September 2010 amounted to €mil. 4,978, up €nil. 452 over the figure reported at 30 September 2009 (€mil. 4,526). There was an increase over 30 September 2009 in activities relating to *avionics and electro-optical systems* and, to a lesser extent, those for major integrated systems for defence and security and value-added services for security applications.

Revenues resulted mainly from the following segments, specifically:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub-System (DASS) production and the production of avionics equipment and radar for the EFA programme; systems for countermeasures; devices for the helicopter and space programmes and logistics;
- *major integrated systems for defence and security*, start up of the Forza NEC programme and the border control programme for Libya and activities under the contract with the Italian Department of Civil Protection for the emergency management system;
- *radar and command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading; the Medium Extended Air Defence System (MEADS) international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;
- *integrated communication systems and networks*: the continuation of activities relating to the construction of the national TETRA network; the development and manufacture of equipment for the EFA and the NH90; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;
- *information technology and security*: activities relating to postal automation and industrial services for domestic customers and ICT services for government agencies;
- *the DRS group*: provision of DVE infrared goggles for land vehicles; additional deliveries for programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; additional TWS orders; activity pertaining to the repair and provision of spare parts for the MMS system for

helicopters; provision of services and products for the Rapid Response contract and satellite communications services; the continuation of deliveries of rugged computers and displays for vehicles and the beginning of supplying the Movement Tracking System (MTS) programme obtained last year; deliveries of Tactical Quiet Generators (TQG).

Adjusted EBITA reached €nil. 426 at 30 September 2010, up €nil. 32 over the figure reported at 30 September 2009 (€nil. 394), due to higher volumes and the impact of cost containment measures that offset the less profitable product mix reported in some segments. As a result, **R.O.S.** came to 8.6%, in line with the figure at 30 September 2009 (8.7%).

Research and development costs at 30 September 2010 totalled €nil. 508 (€nil. 476 at 30 September 2009), relating specifically to:

- *avionics and electro-optical system segments*: development for the EFA programme, new electronic-scan radar systems for both surveillance and combat, improvements to avionics suites to satisfy the demands of the new fixed and rotary-wing platforms;
- *integrated communications systems and networks segment*: the development of TETRA technology products, new avionics products and wideband data link and software defined radio products;
- *integrated radar and command and control systems segment*: the continuation of the 3D Kronos and the active radar surveillance system, 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)).

The **workforce** at 30 September 2010 came to 29,784 as compared with 30,326 at 31 December 2009, a decrease of 452, attributable largely to the ongoing reorganisation process in some segments.

AERONAUTICS

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	1,586	2,098	780	1,447	3,725
Order backlog	8,710	8,633	n.a.	n.a.	8,850
Revenues	1,857	1,768	592	566	2,641
Adjusted EBITA	71	120	17	61	241
R.O.S.	3.8%	6.8%	2.9%	10.8%	9.1%
R&D	239	304	78	92	474
Workforce (no.)	12,856	13,887	n.a.	n.a.	13,146

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

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

Finally, Alenia Aeronavali SpA and Alenia Composite SpA were merged with Alenia Aeronautica SpA from 1 January 2010.

New orders at 30 September 2010 came to €mil. 1,586 from the €mil. 2,098 reported at 30 September 2009. It is worth noting that in the *military segment* a sizable order (€mil. 1,164) for the first lot of the third instalment of the EFA programme was received in the third quarter of 2009.

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

- the order to supply twelve M346 trainers to the Singapore Air Force, received by Alenia Aermacchi (Q3) through the consortium formed by Singapore Technologies Aerospace (Prime Contractor) and Boeing. Delivery of the first aircraft is scheduled for 2012 and thereafter Alenia Aermacchi, in partnership with Singapore Technologies Aerospace, will take part in the Integrated Training System (ITS); the order to supply four MB339 aircraft reconfigured in the National Acrobatic Flight Team version for the United Arab Emirates (Q1).
- order for eight C27J aircraft from the United States Air Force (Q2). This order brings the total number of aircraft ordered under the USA Joint Cargo Aircraft (JCA) contracted signed in 2007 to 21 aircraft;
- the first lot of the order under the F-35 - JSF programme for a combination of infrastructures, equipment and technical assistance, for the manufacture of wings and for the assembly of aircraft for Italy and the Netherlands at the Italian Air Force base in Cameri (Q2). The remaining orders under the contract (Final Assembly and Check-Out – FACO) will be received during the fourth quarter of 2010;
- orders to provide logistics support for EFA, Tornado and C27J aircraft;

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

- GIE-ATR received new orders for 59 ATR aircraft from airlines (52 in the third quarter of 2010) from various airlines including: 20 from Brazilian airline AZUL (Q3), 10 from USA Air Lease (Q3), nine from Air Caribbean (Q3), six from Indian airline Jet Airways and three from Malaysian airline Firefly (Q3);
- aerostructure orders for additional lots of the B767, B777, ATR, and A321 programmes and for engine nacelles (Q1-Q2-Q3).

The **order backlog** at 30 September 2010 came to €nil. 8,710 (€nil. 8,850 at 31 December 2009) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (about 47%) and B787 (about 20%) and C27J (about 5%) programmes.

Revenues at 30 September 2010 came to €mil. 1,857, an increase of €mil. 89 (+5%) over the €mil. 1,768 reported at 30 September 2009, due to greater activity in the *military segment*, specifically to increased production for the C27J and G222 programmes. In the *civil segment* volumes remained at essentially the same levels reported for the corresponding period of 2009 thanks to increased production for the B787 programme which offset the decline in ATR production and aerostructure orders for other programmes.

In the first nine months of 2010, production in the *military segment* regarded, for *aircraft*, continuation of development and production relating to the second lot of the EFA programme and logistics support (of which three aircraft were delivered to the Italian Air Force during the period and readying of 38 left semi-wing units and rear fuselages); the production of C27J aircrafts for the United States (three aircraft delivered), Romania (to which the first two aircraft were delivered), Morocco (first aircraft delivered) and the activities for the Italian Air Force; the continuation of upgrades to the Tornado aircraft and logistic support for the AMX aircraft; continuation of activities relating to the upgrading of G222 aircraft commissioned by the US Air Force; the production of M346 aircraft and upgrading of MB339 aircraft for the Italian Air Force; reconfiguration of MB339 aircraft for the United Arab Emirates; ATR Maritime Patrol aircraft for the Italian Navy and for export.

Production in the *civil segment* in first nine months of 2010 mainly related to orders for the following customers:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft, for which 20 fuselage sections and 11 horizontal stabilisers were completed during the first nine months of 2010, and production of control surfaces for the B767 and B777 aircraft;
- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;
- GIE ATR: the production of the ATR 42 and ATR 72 turboprops for which 28 fuselages were completed;

- Dassault Aviation: the production of the fuselage section for the extended-range version of the Falcon 2000 and the engine nacelles for the Falcon 900EX.
- Bombardier: start-up of non-recurring work on the new regional CSeries aircraft.

Orders for other customers included work on the assembly of ATR craft by GIE-ATR, which delivered 34 aircraft in the first nine months of 2010 (13 in Q1, 13 in Q2 and 8 in Q3).

Adjusted EBITA at 30 September 2010 came to €nil. 71, a €nil. 49 decrease compared with the €nil. 120 reported at 30 September 2009, mainly occurring in the third quarter of 2010. This reduction is largely due to the different mix of progress made on the programmes, the decline in production at a number of facilities (particularly for aerostructures). Specific industrial reorganisation actions were undertaken to counter this downturn.

As a result, **R.O.S.** decreased to 3.8% compared with the same period of 2009 (6.8%).

Research and development costs for the first nine months of 2010 totalled €nil. 239 (€nil. 304 at 30 September 2009) and reflect the progress made in the main programmes under development: M346, C27J, ATR ASW and UAV. Furthermore, development on important military programmes (EFA, JSF, Tornado and Neuron) and the B787 civil programme that have been commissioned by customers and research and development into technologies for innovative aerostructures using composite materials and system integration also continued.

The **workforce** at 30 September 2010 numbered 12,856, a net decrease of 290 from the 13,146 at 31 December 2009, essentially due to the start of the efficiency-based reorganisation of resources.

SPACE

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	762	703	265	138	1,145
Order backlog	1,775	1,483	n.a.	n.a.	1,611
Revenues	616	639	204	204	909
Adjusted EBITA	15	19	9	6	47
R.O.S.	2.4%	3.0%	4.4%	2.9%	5.2%
R&D	39	53	13	23	87
Workforce (no.)	3,636	3,679	n.a.	n.a.	3,662

Finmeccanica operates in the space industry through the *Space Alliance* between Finmeccanica and Thales through two joint ventures in the space industry dedicated, respectively, to satellite services (Telespazio Holding Srl, which is based in Italy and has its main industrial facilities in Italy, France, Germany and Spain and in which Finmeccanica SpA holds 67% and Thales 33%) and to manufacturing (Thales Alenia Space SAS, which is based in France and has its main industrial facilities in France, Italy, Belgium and Spain, in which Finmeccanica SpA holds 33% and Thales 67%). More specifically, Telespazio Holding Srl focuses on satellite services in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, valued-added services), satellite operations (in-orbit satellite control, earth centre management, telemetry services, command and control and Launch and Early Operation Phase (LEOP) services), earth observation (data, thematic maps, operational services) and navigation and infomobility (Galileo services).

Thales Alenia Space SAS focuses on manufacturing (design, development and production) in the following segments: telecommunications satellites (commercial, governmental and military), scientific programmes, earth observation systems (optical

and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

From a commercial perspective, in the first nine months of the year, the Group acquired **new orders** in the amount of €nil. 762, up €nil. 59 over the same period of 2009 (€nil. 703) due to more new orders for the period in the *manufacturing segment*, particularly in the earth observation and commercial telecommunications systems and in the *satellite services segments*.

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

- in the *commercial telecommunications segment*: the contracts for the provision of the W6A satellites for Eutelsat (Q2) and the APSTAR 7B satellites for APT Satellite Company Limited (Q2); the contract for the YAMAL programme (Q2); the contract to supply the Poseidon3B altimeter (Q1); the additional lots for the O3B constellation (Q1-Q3); the order to provide maintenance services under operational conditions for the Cosmo System (Q2-Q3); the order to provide telecommunications satellite services to TIM Brasile (Q1);
- in the *military and government telecommunications segment*: first lot of the order for the Sicral 2 programme (Q3); new orders for military telecommunications satellite services based on the capacity of the Sicral 1B (Q1-Q2-Q3);
- in the *earth observation segment*: the contract from the French Space Agency (CNES) for the Jason 3 earth observation satellite (Q1); the contract from the ESA to supply the second satellite for the Sentinel 3 mission under the Kopernikus programme (previously named GMES) (Q1);
- in the *satellite navigation segment*: the “Support System” contract for the Full Operation Capacity (FOC) phase under the Galileo Programme (Q1);
- in the *orbital infrastructure segment*: the additional lot of the order from Orbital Science Corporation to provide NASA (CYGNUS COTS programme) with pressurised modules for transport connected with the International Space Station (Q1);

- in the *science programmes segment*: additional lot for the Bepi-Colombo programme; the order from ESA for the development of a prototype of the atmospheric re-entry vehicle called the Intermediate eXperimental Vehicle (IXV) (Q1).

Finally, in May 2010, the Group received the order to design and build the IRIDIUM NEXT constellation, composed of 81 satellites for providing mobile telecommunications services. At 30 September 2010, new orders included only the work on engineering systems and satellite development.

The **order backlog** at 30 September 2010 totalled €mil. 1,775, an increase of €mil. 164 over the same figure at 31 December 2009 (€mil. 1,611). The backlog at 30 September 2010 is composed of manufacturing activities (56%) and satellite services (44%).

Revenues in the first nine months of 2010 came to €mil. 616 from €mil. 639 of the corresponding period of the previous year. Production mainly related to the continuation of activities in the following segments:

- in the *commercial telecommunications segment* for the Yahsat, Globalstar, W3B and W3C satellites for Eutelsat, Rascom 1R and APSTAR 7; development of the payloads for the Arabsat 5A/6B satellites; the provision of telecommunications satellite services and the resale of satellite capacity;
- in the *military telecommunications segment* for the Satcom BW and CSO (post Helios) programmes; the provision of military telecommunications satellite services based on the capacity of the Sicral 1B;
- in the *earth observation segment* for the COSMO-SkyMed programme, the satellites for the Sentinel 1 (radar) and 3 (optics) of the Kopernikus programme, earth monitoring services;
- in the *science programmes segment* for the Bepi-Colombo and Exomars programmes;
- in the *satellite navigation segment* for the system engineering and earth mission segment work on the IOV phase of the Galileo programme;

- in the *orbital infrastructure segment* for the CYGNUS COTS programme connected with the International Space Station;
- in the *equipment and devices segment* for the development of onboard equipment.

Adjusted EBITA at 30 September 2010 came to €nil. 15 (€nil. 19 at 30 September 2009). It is particularly affected by the aforementioned lower production volumes and the different mix of services within the satellite services segment. As a result, **R.O.S.** came to 2.4%, compared with the 3.0% reported at 30 September 2009.

Research and development costs at 30 September 2010 came to €nil. 39, a decrease of €nil. 14 from the figure posted for the same period of 2009 (€nil. 53).

Activities in this area largely included the development of systems, solutions and applications for security, emergency management, homeland security (Kopernikus programme) and for navigation/infomobility services (Galileo programme); processing systems for earth observation SAR data (COSMO-SkyMed); flexible payloads for military telecommunications applications; Phase A studies for the second-generation COSMO-SkyMed system; studies on landing systems for planetary exploration, on technologies for orbiting structures and life-support systems, and on the treatment of space debris.

The **workforce** at 30 September 2010 came to 3,636, a decrease of 26 employees from the 3,662 reported at 31 December 2009.

DEFENCE SYSTEMS

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	661	685	247	119	1,228
Order backlog	3,748	3,820	n.a.	n.a.	4,010
Revenues	802	767	266	253	1,195
Adjusted EBITA	61	58	24	17	130
R.O.S.	7.6%	7.6%	9.0%	6.7%	10.9%
R&D	189	178	64	59	235
Workforce (no.)	4,096	4,061	n.a.	n.a.	4,098

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 countermeasures) and sonar systems.

New orders at 30 September 2010 came to €mil. 661 compared to €mil.685 at 30 September 2009; they show growth in *land, sea and air weapons systems segment*, due to a new order from the UK Ministry of Defence, as well as in *underwater systems* due to the receipt of a sizeable foreign order, and a decline in *missile systems*, where, in the first nine months of 2009, significant new foreign orders were reported. .

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

- in the *missile systems segment*: the initial orders from the UK Ministry of Defence to develop and supply new complex weapons (Q1) and various orders for customer support activities (Q1-Q2-Q3);
- in the *land, sea and air weapons systems segment*: the order for the third lot of 38 MAVs for the Italian Army (Q3); orders for PDA kits for Libya (Q1);

orders for two 76/62 SR naval cannons from Fincantieri for the United Arab Emirates (Q1); order for Mom-Sapom ammunition for Singapore (Q1) and significant logistics orders from various customers;

- in *underwater systems*: the order for 128 upgrade kits for the A244 light torpedo from a foreign customer (Q2).

The **order backlog** at 30 September 2010 came to €nil. 3,748 (€nil. 4,010 at 31 December 2009), of which about 60% related to *missile systems*.

Revenues at 30 September 2010 came to €nil. 802, up about 4.6% from 30 September 2009 (€nil. 767); this increase is due essentially to *missile systems*.

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

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

Adjusted EBITA at 30 September 2010 totalled €nil. 61, an increase over the figure reported for the same period of 2009 (€nil. 58), due mainly to higher volumes and improved industrial profitability in *missile systems*, although there was a decline in *underwater systems* as a result of lower volumes of activity and a drop in profitability,

as well as higher costs for non-operational items pertaining to the previous year. As a result, **R.O.S.** amounted to 7.6% at 30 September 2010, in line with a year earlier.

Research and development costs at 30 September 2010 totalled €mil. 189, an increase of about 6% over the figure posted at 30 September 2009 (€mil. 178). Some of the key activities included those for the MEADS air defence programme, the development programme for the UK Ministry of Defence and the continuation of development of the Meteor air-to-air missile in the *missile systems segment*; activities for guided munitions programmes and for the development of the 127/64 LW cannon in the *land, sea and air weapons systems segment*; and activities relating to the Black Shark heavy torpedo in the *underwater systems segment*.

The **workforce** at 30 September 2010 came to 4,096, in line with the figure reported at 31 December 2009 (4,098).

ENERGY

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	610	951	236	553	1,237
Order backlog	2,950	3,487	n.a.	n.a.	3,374
Revenues	994	1,216	317	396	1,652
Adjusted EBITA	92	114	25	37	162
R.O.S.	9.3%	9.4%	7.9%	9.3%	9.8%
R&D	25	23	9	7	36
Workforce (no.)	3,427	3,451	n.a.	n.a.	3,477

Ansaldo Energia and its subsidiaries make up the division of Finmeccanica specialising in providing *plants and components* for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), *post-sale services* and *nuclear* activities (plant engineering, services, waste and decommissioning) and services related to power generation from renewable resources. The scope of the companies directly controlled by Ansaldo Energia includes Ansaldo Nucleare SpA, Ansaldo Fuel Cells SpA, Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen group.

At 30 September 2010 there were **new orders** of €mil. 610, a decrease of €mil. 341 compared with the same period of the previous year (€mil. 951), due to delays in receiving several important contracts. In regard to this, it is noted that in October 2010, a contract was acquired for the supply of components for one plant, including assembling, start-up and spare parts, for the Sousse site in Tunisia.

The most significant new orders received during the period include:

- in the *plants and components segment*: a turbogroup with a AE94.2 turbine (formerly V94.2) for the Shyllet site (Bangladesh) (Q1); two turbogroups with a AE94.2 turbine for the Fingrid site (Finland) (Q1); two turbogroups with a AE94.3 turbine for the Deir Ali site (Syria) (Q3); three 200 MW steam turbines for a geothermal plant at the Lardarello site (Pisa) (Q3);
- in the *service segment*: new solution contracts (changing parts of the turbine) and spare parts contracts (Q1-Q2-Q3); a long-term service agreement (LTSA) for the Ballylumford plant (Ireland)(Q2);
- in the *nuclear segment*: as regards the power station side, new engineering contracts from China as part of the partnership with Westinghouse on the Sanmen project (Q1-Q2) and new engineering order for the Mochovce plant (Slovakia) (3T); on the service-related side, the new Superphoenix reactor support contract for the Creyes Malville power station in France (Q1-Q2-Q3) and scheduled maintenance contracts for the Embalse (Argentina) power station (Q1); as regards the waste and decommissioning side, there were contract changes for the Ignalina site (Lithuania)(Q2) and an order for resin treatment at Trino (Vercelli)(Q2) and at Caorso (Piacenza) (Q3).
- in the *renewable energy segment*: orders for the construction of two photovoltaic plants and related maintenance for the Martano and Soleto sites (both in Lecce) (Q2-Q3).

The **order backlog** at 30 September 2010 came to €nil. 2,950 compared with €nil. 3,374 at 31 December 2009.

The composition of the backlog is attributable for 37.4% to plant and manufacturing-related activities, 58.9% to service activities (largely scheduled maintenance contracts), 2.5% to nuclear work processes, and the remaining 1.2% to renewable energy.

Revenues at 30 September 2010 amounted to €nil. 994, a decrease of €nil. 222 from the €nil. 1,216 reported for the same period of 2009, attributable to lower production volumes in the plants and components, resulting from a decline in component sub-supply contracts for foreign “sites”. This trend, seen in the first half of 2010, worsened in the third quarter of 2010.

Activities mainly regarded the following segments:

- *plants and components*: orders for the Batna, Larbaa and M'Sila plants (all in Algeria), the Bayet plant (France) and the Aprilia, Turano and San Severo plants (Italy);
- *service*: the LTSAs for Sparanise, Moncalieri, and Rosignano (Italy);
- *nuclear*: as to power plants, engineering activities continued on the Sanmen project in China with Westinghouse and on the Mochovce power station in Slovakia; as to services, activity involved the Embalse (Argentina) and Creys Malville (France) plants; and in waste and decommissioning, work involved resin treatment at Trino (Vercelli).
- *renewable energy*: the Martano and Soletto (Lecce) orders for the construction of two photovoltaic plants.

Adjusted EBITA at 30 September 2010 came to €nil. 92, down €nil. 22 from the same period of the previous year (€nil. 114), due mainly to the decline in production volumes. **R.O.S.** at 30 September 2010 stood at 9.3%, substantially in line with the first nine months of 2009.

Research and development costs at 30 September 2010 totalled €nil. 25, up €nil. 2 from the figure reported for the first nine months of 2009, and represent 2.5% of revenues.

Research and development activities focused primarily on large gas and steam turbine development programmes and continued work on the new model of air-cooled alternator.

The **workforce** stood at 3,427 at 30 September 2010, compared with 3,477 at 31 December 2009, due to routine turnover.

TRANSPORTATION

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	2,026	2,086	1,293	896	2,834
Order backlog	6,684	5,583	n.a.	n.a.	5,954
Revenues	1,373	1,328	447	433	1,811
Adjusted EBITA	57	60	22	5	65
R.O.S.	4.2%	4.5%	4.9%	1.2%	3.6%
R&D	55	39	19	15	110
Workforce (no.)	7,243	7,194	n.a.	n.a.	7,295

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

New orders at 30 September 2010 came to €mil. 2,026, slightly down compared with the same period of 2009 (€mil. 2,086).

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

- in the *signalling and transport systems segment*:
 - in *signalling*: the order for the Sirth-Benghazi line in Libya (Q3); the order to upgrade the technology for the Genoa railway hub (Q2); orders from Australian Rail Track Corporation (ARTC) in Australia; various components orders and service and maintenance orders;
 - in *transport systems*: the contract for the operation and maintenance of the Copenhagen driverless metro system (Q1); orders relating to the Naples Line 6 project (Q2) and the Genoa metro project (Q1-Q3);
- in the *vehicles segment*: the order from Trenitalia for 50 high-speed trains as part of the temporary joint venture with Bombardier (Q3); the order for revamping the Milan tram (Q2) and other service orders;

- in the *bus segment*: various orders for a total of 285 buses.

At 30 September 2010 the **order backlog** amounted to €nil. 6,684, up €nil. 730 over 31 December 2009 (€nil. 5,954). The order backlog breaks down as follows: 59% for systems and signalling, 40% for vehicles and 1% buses.

Revenues at 30 September 2010 were equal to €nil. 1,373, up €nil. 45 over the first nine months of 2009 (€nil. 1,328), essentially due to the *signalling and transport systems segment*.

Major orders include:

- in the *signalling and transport systems segment*:
 - in the *signalling*: high-speed train orders and orders for automated train control systems (SCMT) for Italy; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; the contract for the Ras Ajdir-Sirt coastal line and the Al-Hisha-Sabha inland line in Libya; orders for ARTC in Australia; the Cambrian Line in the UK; the high-speed Zhengzhou-Xi'an line in China; the contract for Lines 7 and 12 of the São Paulo metro in Brazil; various orders for components;
 - in the *transport system*: the metro systems of Naples Line 6, Riyadh, Copenhagen, Rome Line C, Brescia, Milano Line 5 and Genoa;
- in the *vehicles segment*: trains for the Dutch and Belgian railways; trains for the Danish railways; trains for the Milan and Rome Line C metros; trains for regional service for Ferrovie Nord of Milan; various Sirio orders and service orders;
- in the *bus segment*: revenues were generated by a number of orders for buses (83% of revenues for the segment) and for post-sales services.

Adjusted EBITA stood at €nil. 57 at 30 September 2010, essentially in line with the €nil. 60 reported for the same period of the previous year. **R.O.S.** for the sector came to 4.2%, compared with 4.5% at 30 September 2009.

Research and development costs at 30 September 2010 were equal to €nil. 55 (€nil. 39 at 30 September 2009) and mainly regarded signalling projects in the *signalling*

and transport systems segment and continuation of development of certain products in the railway side of the *vehicles segment*.

The **workforce** stood at 7,243 at 30 September 2010, a 52 employee decrease from the 7,295 reported at 31 December 2009.

OTHER ACTIVITIES

€million	30 Sept. 2010	30 Sept. 2009	Q3 2010	Q3 2009	31 Dec. 2009
New orders	68	78	30	4	113
Order backlog	132	210	n.a.	n.a.	172
Revenues	159	301	45	104	410
Adjusted EBITA	(118)	(117)	(35)	(42)	(127)
R.O.S.	n.s.	n.s.	n.s.	n.s.	n.s.
R&D	5	1	4	-	1
Workforce (no.)	805	803	n.a.	n.a.	799

The division includes, *inter alia*: Finmeccanica Group Services SpA, the Group services management company; Finmeccanica Finance SA and Meccanica Holdings USA Inc, which provide financial support to the Group; Finmeccanica Group Real Estate SpA, which manages, rationalises 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.

The Elsacom NV group, which manages satellite telephony services also falls within the division. On 28 September 2010, Elsacom SpA was placed into voluntary liquidation.

The division also includes the **Fata** group, which provides machinery and plants for processing aluminium and steel products and contracting services for the electricity generation and primary aluminium production industries.

From a commercial standpoint, Fata received **new orders** totalling €mil. 68 at 30 September 2010.

Fata's **revenues** at 30 September 2010 came to €nil. 107, down €nil. 100 from the previous year (€nil. 207).

Fata's **workforce** at 30 September 2010 totalled 300 employees, compared with 291 employees at 31 December 2009.

This division's figures also include those of **Finmeccanica SpA**, which for some years has been undergoing an extensive transformation process, altering its focus from a financial company to that of an industrial company. This process received a boost during the preceding fiscal years 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 29 January 2010, the purchase of 87.67% of **PZL - SWIDNIK**, a Polish company which produces helicopters and aerostructures, was completed after the necessary antitrust approval was obtained. This stake is in addition to the 6.2% already held by AgustaWestland. This acquisition should further solidify AgustaWestland's leadership by extending its geographical positioning in Europe and through making it more industrially competitive by leveraging PZL-SWIDNIK unique technical expertise in the manufacture of aerostructures and the efficiencies to be obtained from a competitive cost structure.

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

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

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

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

In line with its programme to optimise its industrial structures in the Defence and Security Electronics and Space sectors, as previously announced at the 30 April 2010 Shareholders' Meeting, on 20 May 2010, Finmeccanica's Board of Directors approved a rationalisation process intended to improve its business model and the industrial performance of the companies involved. In particular, the organisational rationalisation will involve a number of specific business lines, enabling the Group to take advantage of the technological complementarity within its structure and to define clear responsibilities to end customers. The Group companies involved in the optimisation programme are SELEX Sistemi Integrati, SELEX Galileo, Elsag Datamat and Telespazio. The first part of the operation, which involved the Defence and Security Electronics sector, was completed on 1 July 2010. The reorganisation of the Space sector, necessarily involving Thales, should be completed by the end of the year.

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

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

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

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

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

Financial transactions

In the first nine months of 2010 there were important new transactions to obtain funds in the bond markets and in the banking market.

Bond market

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

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

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

Below is a list of bonds outstanding at 30 September 2010, which shows, respectively, the euro-denominated bonds issues by Finmeccanica and by the subsidiary Finmeccanica Finance, the pound sterling-denominated bond issue by Finmeccanica

Finance, the remaining amounts of the dollar-denominated bond issues by DRS, as well as the 10-year and 30-year bonds issued by Meccanica Holdings USA for the US market:

Issuer		Year of issue	Maturity	Nominal amount (€mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (10)
Finmeccanica Finance SA	(1)	2003	2018	500	5.75%	European institutional	519
Finmeccanica SpA	(2)	2005	2025	500	4.875%	European institutional	508
Finmeccanica Finance SA	(3)	2008	2013	1.000	8.125%	European institutional	1.068
Finmeccanica Finance SA	(4)	2009	2022	600	5.25%	European institutional	622

Issuer		Year of issue	Maturity	Nominal Amount (GBPmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (10)
Finmeccanica Finance SA	(5)	2009	2019	400	8.00%	European institutional	470

Issuer		Year of issue	Maturity	Nominal Amount (GBPmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (10)
DRS Technolgies Inc	(6)	2006	2016	12	6.625%	American institutional	8
DRS Technolgies Inc	(6)	2006	2018	5	7.625%	American institutional	5
Meccanica Holdings USA Inc	(7)	2009	2019	500	6.25%	American institutional Rule 114A/Reg. S	366
Meccanica Holdings USA Inc	(8)	2009	2039	300	7.375%	American institutional Rule 114A/Reg. S	218
Meccanica Holdings USA Inc	(9)	2009	2040	500	6.25%	American institutional Rule 114A/Reg. S	366

- (1) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of

the loan. The transaction was authorised pursuant to 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 up to 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 around 5.8%.

- (2) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange. The amount of €nil. 250 of this issue was converted to a floating rate to hedge against increases in the interest rate.
- (3) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. Of the issue, €nil. 750 was converted to a floating rate, with a benefit of over 2 percentage points. The proceeds of the issues (the US dollar equivalent) were originally used to refinance (through an intercompany loan agreement) the DRS bonds redeemed early in January 2009.
- (4) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. No rate transactions on the issue were made. The proceeds of the issue were partly used to repay the Senior Loan Facility, signed on the occasion of the acquisition of the DRS group.
- (5) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and were completely used to partially repay the Senior Loan Facility. Rate transactions were made to optimise the total cost of the debt and were completed during the first half of 2010. These transactions generated revenues of around €nil. 24, for a profit of around €nil. 37. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.
- (6) DRS requested and received permission to delist these bond issues on regulated US markets in December 2008. Therefore, the outstanding DRS bonds are no longer covered by the US Securities Act of 1933 and are no longer registered with the Securities and Exchange Commission (SEC).
- (7) Bonds issued under Rule 144A and Regulation S of the US Securities Act. No rate transactions on the issue were made.
- (8) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds of this issue, as well as of that referred to in footnote (7), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted to DRS by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.

- (9) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (8). No rate transactions on the issue were made.
- (10) The difference between the face value of bonds and book value is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt.

All the bond issues of Finmeccanica Finance, DRS and Meccanica Holdings, are irrevocably and unconditionally secured by Finmeccanica, and are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service, Standard and Poor's and Fitch. More specifically, at the date of this report, these credit ratings were: A3 (Moody's), BBB+ (Fitch) and BBB (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, Group issuers, Finmeccanica SpA and their material subsidiaries (companies whose issuer or guarantor owns more than 50% of share capital or represents at least 10% of total revenues) are expressly prohibited from pledging collateral security to secure financial transactions to the partial benefit of one or more creditors, without prejudice to the generalities of the foregoing. Exceptions to this prohibition are securitisation and, starting from July 2006, the establishment of assets for the use indicated in 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 events.

Banking market

In the banking market, in 2009, Finmeccanica signed a €mil. 500 loan agreement with the European Investment Bank (EIB) for Alenia Aeronautica (100%-owned by

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

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

- amount: €nil 2.400
- maturity: 5 years ending 21 September 2015;
- type: revolving credit permitting utilisations of 1, 3 and 6 months;
- margin: 75 basis points above the Euribor for the chosen period of use; the margin will increase to 95 b.p. and 115 b.p, where use exceeds, respectively, 33% or 66% of the nominal value of the credit line;
- commission if not used: 26.25 b.p. on the unused amount.

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

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

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

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

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

Other significant financial transactions during the period include:

In January 2010, Finmeccanica's board of directors authorised the issue of a guarantee, up to €bil. 1, to support the issuance of "commercial paper" up to the same amount, with maturities of between one day and one year, and for amounts divisible based on the issuer's needs and the market's receptiveness. The transaction is still being defined. If completed, the Programme will be listed on the Luxembourg Stock Exchange and the individual issues will be placed by Finmeccanica Finance on Euro market and/or on the French financial market with institutional investors. The Programme augments the range of the Group's short-term financing sources, particularly unconfirmed lines of credit from banks.

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

In July, the Euro Medium Term Note (EMTN) programme was extended for a further 12 months. The maximum amount was set at €bil. 3.8 of which a total of around €mil.3,050 was already used at 30 June 2010 with respect to existing euro and pound sterling bond issues. The programme allows Finmeccanica and Finmeccanica Finance, secured by Finmeccanica, to act as issuer on the European bond market.

Outlook

Performance in the first nine months of 2010 was substantially the same as that during the corresponding period of the previous year, in line with forecasts made at that time.

The continued search for greater efficiency while carrying out productive activities and executing contracts and the achievement of targeted performance levels are fundamental for ensuring that the Group's financial soundness can be maintained.

The volume of the order backlog stands near €bil. 46 at 30 September 2010, ensuring that a high degree (over 95%) of expected production for the last three months of the year will be covered.

At present, therefore, there would appear to be no circumstances that would alter the forecasts made for the Group for 2010; as a result, Group revenues are expected to be between 17.8 and 18.6 billions of euros and adjusted EBITA between 1,520 and 1,600 millions of euros.

Finally, we expect FOCF to generate a cash surplus of about 200 millions of euros, given the considerable investment in the development of products necessary to sustain growth that, as in 2009, will focus on the Helicopters, Aeronautics, and Defence and Security Electronics divisions in particular.

Analysis of the financial statements at 30 September 2010

Income Statement

<i>(€ million)</i>	<i>Note</i>	<i>For the nine months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
		<i>2010</i>	<i>of which with related parties</i>	<i>2009</i>	<i>of which with related parties</i>
Revenue		12,924	973	12,640	974
Raw materials and consumables used and personnel costs	24	(11,606)	(74)	(11,325)	(95)
Amortisation, depreciation and impairment	25	(491)		(473)	
Other operating income (expenses)	23	(59)	1	(28)	-
		768		814	
Net finance income (costs)	26	(208)	(3)	(244)	(1)
Share of profit (loss) of equity accounted investments		(14)		14	
<i>Profit before taxes and the effect of discontinued operations</i>		546		584	
Income taxes	27	(225)		(220)	
(Loss) Profit from discontinued operations		-		-	
<i>Net profit</i>		321		364	
. <i>equity holders of the Company</i>		284		328	
. <i>minority interests</i>		37		36	
Earnings per Share	29				
<i>Basic</i>		0.492		0.568	
<i>Diluted</i>		0.492		0.567	

<i>(€ million)</i>	<i>Note</i>	<i>For the three months ended 30 September</i>		<i>For the three months ended 30 September</i>	
		<i>2010</i>	<i>of which with related parties</i>	<i>2009</i>	<i>of which with related parties</i>
Revenue		4,234	290	4,154	333
Raw materials and consumables used and personnel costs	24	(3,815)	(29)	(3,736)	(28)
Amortisation, depreciation and impairment	25	(160)		(155)	
Other operating income (expenses)	23	(20)	1	(5)	1
		239		258	
Net finance income (costs)	26	(25)	(1)	(77)	-
Share of profit (loss) of equity accounted investments		(11)		2	
<i>Profit before taxes and the effect of discontinued operations</i>		203		183	
Income taxes	27	(78)		(59)	
(Loss) Profit from discontinued operations		-		-	
<i>Net profit</i>		125		124	
<i>. equity holders of the Company</i>		<i>112</i>		<i>111</i>	
<i>. minority interests</i>		<i>13</i>		<i>13</i>	
Earnings per Share	29				
<i>Basic</i>		<i>0.194</i>		<i>0.193</i>	
<i>Diluted</i>		<i>0.194</i>		<i>0.192</i>	

Statement of Comprehensive Income

€million	<i>For the nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
Profit (loss) for the period	321	364
Reserves of income (expense) recognised in equity		
- Financial assets available for sale:	-	64
. <i>sale of shares</i>	-	-
. <i>fair value adjustment</i>	-	64
- Actuarial gains (losses) on defined-benefit plans:	(95)	(104)
. <i>plan measurement</i>	(91)	(114)
. <i>exchange gains (losses)</i>	(4)	10
- Changes in cash-flow hedges:	(41)	105
. <i>fair value adjustment</i>	(44)	120
. <i>transferred to income statement</i>	3	(14)
. <i>exchange gains (losses)</i>	-	(1)
- Translation differences	186	(37)
Tax on expense (income) recognised in equity	28	1
. <i>fair value adjustment/measurement</i>	28	11
. <i>transferred to income statement</i>	(1)	(7)
. <i>exchange gains (losses)</i>	1	(3)
Income (expense) recognised in equity	<u>78</u>	<u>29</u>
Total comprehensive income /(expense) for the period	<u>399</u>	<u>393</u>
Attributable to:		
- Equity holders of the Company	356	357
- Minority interests	43	36

Balance Sheet

(€million)	Note	<u>30 Sept. 2010</u>	<i>of which with related parties</i>	<u>31 Dec. 2009</u>	<i>of which with related parties</i>
<i>Non-current assets</i>					
Intangible assets	9	8,765		8,367	
Property, plant and equipment	10	3,228		3,125	
Financial assets at fair value					
Deferred tax assets		663		673	
Other assets	12	824	11	791	12
		<u>13,480</u>		<u>12,956</u>	
<i>Current assets</i>					
Inventories		4,809		4,662	
Trade receivables, including net contract work in progress	13	9,883	467	8,481	523
Financial receivables		770	51	797	34
Derivatives	14	329		193	
Other assets	15	923	25	759	9
Cash and cash equivalents		860		2,630	
		<u>17,574</u>		<u>17,522</u>	
Non-current assets held for sale		-		7	
Total assets		<u>31,054</u>		<u>30,485</u>	
<i>Shareholders' equity</i>					
Share capital	16	2,512		2,512	
Other reserves		3,981		3,839	
<i>Capital and reserves attributable to equity holders of the Company</i>		<u>6,493</u>		<u>6,351</u>	
<i>Minority interests in equity</i>		236		198	
Total shareholders' equity		<u>6,729</u>		<u>6,549</u>	
<i>Non-current liabilities</i>					
Borrowings	17	4,617		4,604	
Employee liabilities	19	1,185		1,136	
Provisions for risks and charges	18	376		364	
Deferred tax liabilities		464		488	
Other liabilities	20	655		651	
		<u>7,297</u>		<u>7,243</u>	
<i>Current liabilities</i>					
Trade payables, including net advances from customers	21	12,680	102	12,400	99
Borrowings	17	1,911	710	1,904	679
Income tax payables		149		126	
Provisions for risks and charges	18	595		595	
Derivatives	14	159		88	
Other liabilities	20	1,534	9	1,580	13
		<u>17,028</u>		<u>16,693</u>	
<i>Liabilities directly correlated with assets held for sale</i>					
Total liabilities		<u>24,325</u>		<u>23,936</u>	
Total liabilities and shareholders' equity		<u>31,054</u>		<u>30,485</u>	

Cash Flow Statement

(€ million)

	Note	<i>For the nine months ended 30 September</i>			
		<u>2010</u>	<i>of which with related parties</i>	<u>2009</u>	<i>of which with related parties</i>
<i>Cash flow from operating activities:</i>					
Gross cash flow from operating activities	28	1,446		1,445	
Changes in working capital	28	(1,286)	61	(1,483)	46
Changes in other operating assets and liabilities and provisions for risks and charges		(511)	(22)	(178)	59
Finance costs paid		(124)	(123)	(171)	(87)
Income taxes paid		(214)		(299)	
Net cash used in operating activities		(689)		(686)	
<i>Cash flow from investing activities:</i>					
Acquisitions of subsidiaries, net of cash acquired	11	(98)		(23)	
Purchase of property, plant and equipment and intangible assets		(655)		(658)	
Proceeds from sale of property, plant and equipment and intangible assets		19		43	
Acquisition of equity investments		-		(145)	
Other investing activities		19	1	(9)	(1)
Net cash used in investing activities		(715)		(792)	
<i>Cash flow from financing activities:</i>					
Dividends paid to shareholders of the Company		(237)		(237)	
Dividends paid to minority interests		(20)		(17)	
Repayment of bonds		(503)		(868)	
Issue of bonds		-		1,262	
Net change in other borrowings		369	2	(435)	(59)
Net cash used in financing activities		(391)		(295)	
Net increase (decrease) in cash and cash equivalents		(1,795)		(1,773)	
Exchange gains/losses		25		(13)	
Cash and cash equivalents at 1 January		2,630		2,297	
Cash and cash equivalents at 30 September		860		551	

Statement of changes in shareholders' equity

	Share capital	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 capital and reserves attributable to equity holders of the Company	Minority interests in equity
<i>1 January 2009</i>	2,519	4,183	-	23	19	41	(811)	5,974	156
Dividends paid		(237)						(237)	(17)
Capital increases									9
Repurchase of treasury shares, less shares sold	(13)							(13)	-
Profit/Loss for the period		328						328	36
Other comprehensive income			64	78		(73)	(40)	29	1
Stock options/grant plans:									
- services rendered					20			20	1
Other changes	(2)	(3)					5	-	(2)
<i>30 Sept. 2009</i>	2,504	4,271	64	101	39	(32)	(846)	6,101	184
<i>1 January 2010</i>	2,512	4,605	-	60	24	(81)	(769)	6,351	198
Dividends paid		(237)						(237)	(20)
Capital increases								-	15
Profit/Loss for the period		284						284	37
Other comprehensive income				(30)		(77)	179	72	6
Stock options/grant plans:									
- services rendered					30			30	2
Other changes		(9)		2				(7)	(2)
<i>30 Sept. 2010</i>	2,512	4,643	-	32	54	(158)	(590)	6,493	236

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 Exchange (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 and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 30 September 2010 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. This interim financial 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 they relate only to those items whose amount, breakdown or changes are key to the understanding of the financial condition of the Group. Therefore, this interim financial report must be read in conjunction with the 2009 consolidated financial statements.

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

The accounting principles and basis of accounting that have been used in the preparation of this interim financial report are the same as those used in the preparation of the consolidated financial statements at 31 December 2009 and the interim financial report at 30 September 2009, except as indicated below (Note 4).

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

This interim financial report is unaudited.

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

Treatment of income taxes

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

Cash flows relating to operations

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

4. EFFECT OF CHANGES IN ACCOUNTING POLICIES ADOPTED

As from 1 January 2010, the Group has adopted a series of new accounting policies and interpretations, including the following:

- the Revised IAS 27 - *Consolidated and separate financial statements*, which provides that transactions with minority shareholders shall not give rise to a gain recognised in the individual income statement nor shall it be recognised as additional goodwill;
- the Revised IFRS 3 - *Business combinations*, which provides that transaction costs shall be recognised in the income statement, no longer requires that the subsidiary's individual assets and liabilities be measured at fair value in step

acquisitions and requires that contingent liabilities be recognised on the acquisition date;

- the amendments to IAS 32 - *Financial instruments: presentation*, permit, *inter alia*, option rights issued as part of a capital increase to be treated as a component of shareholders' equity.

These, as well as other, changes to the accounting standards and interpretations applicable as from 1 January 2010 had no effect on this interim financial report.

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

No significant non-recurring transactions were carried out during the period under review, while in the corresponding prior year period the following is noted:

- collection in June 2009 of the remaining €mil. 64 relating to the receivable arising from the settlement of the dispute with ENEA initiated in 1995 following the rescission of the contract for the construction of the nuclear power plant named PEC, signed in previous years between ENEA and Finmeccanica;
- in January 2009 the amounts due as of 31 December 2008 were repaid in line with the allocations made in the Group's financial statements. These repayments resulted from the decision made by the European Commission on 11 March 2008 in relation to the individual aid granted by the Italian government as financing under Law 808/1985.

6. 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
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.A.S SA	Grace Hollogne (Belgium)		100	100
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		100	100
AGUSTA SPA	Casina Costa (Varese)		100	100
AGUSTA US INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AMERICA LLC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (Australia)		100	100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND INC	New Castle, Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (the Netherlands)	100		100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER S.C.A.R.L.	Milan		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (U.K.)		100	100
ALENIA AERMACCHISPA	Venegono Superiore (Varese)		99.998	99.998
ALENIA AERONAUTICA SPA	Pomigliano D'Arco (Naples)	100		100
ALENIA MOVEMENT SPA	Pomigliano D'Arco (Na)		98	98
ALENIA NORTH AMERICA INC	New 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	Wurenlingen (Switzerland)		100	100
ANSALDO FUEL CELLS SPA	Genoa		99.515	99.515
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)		100	40.0655
ANSALDO STS AUSTRALIA PTY LTD	Birbane (Australia)		100	40.0655
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0524
ANSALDO STS CANADA INC.	Kings tone, Ontario (Canada)		100	40.0655
ANSALDO STS DEUTSCHLAND GMBH	Munich (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 SAS	Les Ulis (France)		100	40.0655
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0655
ANSALDO STS SOUTH AFRICA (PTY) LTD ex ANS. STS INFRADEV SOUTH AFRICA (PTY) LTD	Sandton (ZA - South Africa)		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 SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana - Africa)		100	40.0655
ANSALDO STS SWEDEN AB	Solna (Sweden)		100	40.0655
ANSALDO STS TRASP. SYST. INDIA 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	Rheden (the Netherlands)		100	100
ANSALDO THOMASSEN GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	100
ANSALDO BREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDO BREDA FRANCE SAS	Marseille (France)		100	100
ANSALDO BREDA INC	Pittsburg, California (USA)		100	100
ANSALDO BREDA SPA	Naples	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	Les Ulis (France)		99.999	40.0651
BREDAMENARINBUS SPA	Bologna	100		100
DAVIES INDUSTRIAL COMMUNICATIONS LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS CONDOR HOLDCO LLC	Wilmington, Delaware (USA)		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)		100	100

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

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS ICAS LLC	Wilmington, Delaware (USA)		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)		100	100
DRS MOBILE ENVIRONMENTAL SYSTEMS CO	Cleveland, Ohio (USA)		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
DRS RSTA INC	Wilmington, Delaware (USA)		100	100
DRS SENSORS & TARGETING SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
DRS SONETICOM INC	Tallahassee, Florida (USA)		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS TACTICAL SYSTEMS GLOBAL SERVICES INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden, Wurttemberg (Germany)		100	100
DRS TECHNICAL SERVICES INC	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 TRAINING & CONTROL SYSTEMS LLC	Plantation, Florida (USA)		100	100
DRS TS INTERNATIONAL LLC	Wilmington, Delaware (USA)		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
ED CONTACT SRL	Rome		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SPA (IN LIQ.)	Rome		100	100
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG NORTH AMERICA LLC	Madison, North Carolina (USA)		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED ELECTRIC COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED SUPPORT SYSTEMS INC	Clayton, Missouri (USA)		100	100
E-SECURITY SRL	Montesilvano (Pesca)		79.688	79.688
ESSIRE SOURCES LLC	Louisville, Kentucky (USA)		100	100
FATA ENGINEERING SPA	Pienezza (Turin)		100	100
FATA HUNTER INC	Riverside, California (USA)		100	100
FATA LOGISTIC SYSTEMS SPA	Pienezza (Turin)		100	100
FATA SPA	Pienezza (Turin)	100		100
FNMECCANICA FINANCE SA ex AEROMECCANICA SA	Luxembourg (Luxembourg)	100		100
FNMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FNMECCANICA GROUP SERVICES SPA	Rome	100		100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	45.089
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
LASERTEL INC	Tucson, Arizona (USA)		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)		80	80
MECCANICA HOLDINGS USA INC	Wilmington, Delaware (USA)	100		100
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)		100	100
MSSC COMPANY	Philadelphia, Pennsylvania (USA)		51	51
NET SERVICE SRL	Bologna		70	70
NIGHT VISION SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
ORANGEE SRL	Rome		70	70
OTE MOBILE TECHNOLOGIES LIMITED (IN LIQ.)	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

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

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)		100	100
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)		100	100
PRZEDSIĘBIORSTWO USŁUG TRANSPORTOWYCH "SWIDTRANS" SP. Z O.O.	Lotnikow Polskich 1- AL, Swidnik (Poland)		100	100
PZL INWEST SP. Z O.O.	Lotnikow Polskich 1- AL, Swidnik (Poland)		100	100
REGIONALNY PARK PRZEMYSŁOWY SWIDNIK SP. Z O.O.	Mechaniczna B - Ul. Swidnik (Poland)		72.0588	72.0588
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 (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
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 (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELEX GALILEO INC	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (U.K.)	100		100
SELEX GALILEO SPA	Campi Bisenzio (Florence)	100		100
SELEX KOMUNKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SELEX SYSTEMS INTEGRATION GMBH	Neuss (Germany)		100	100
SELEX SYSTEMS INTEGRATION INC	Delaware (USA)		100	100
SELEX SYSTEMS INTEGRATION LTD	Poetsmouth, Hampshire (U.K.)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMIE TELEMATICA SPA	Genoa		92.793	92.793
SO.GE.P.A. SOC. GEN. DIP ARTECI/AZIONISPA (*)	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
T-S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM LLC	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC	Wilmington, Delaware (USA)		100	40.0655
UNIVERSAL POWER SYSTEMS INC	Wilmington, Delaware (USA)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH ex VEGA DEUTSCHLAND HOLDING GMBH	Cologne (Germany)		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	Geneva (Switzerland)		94.944	94.944
WYTWORNIA SPRZETU KOMUNKACYJNEGO "PZL-SWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)		93.8748	93.8748
ZAKLAD NARZEDZIOWY W SWIDNIKU SP. Z O.O.	Narzedzio wa 16 - Ul. Swidnik (Poland)		5165785	5165785
ZAKLAD OBROBKIP LASTYCZNEJ SP. Z O.O.	Kuznica B - Ul. Swidnik (Poland)		100	100
ZAKLAD REMONTOWY SP. Z O.O.	Mechaniczna B - Ul. Swidnik (Poland)		100	93.8748
ZAKLAD UTRZYMANIA RUCHU SP. Z O.O.	Lotnikow Polskich 1- AL, Swidnik (Poland)		100	100
(*) Put in liquidation in October 2010				

List of companies consolidated using the proportionate method

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gikking, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E - GEOS SPA	Matera		80	53.6
EURIMAGE SPA	Rome		100	60.166
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	67
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.774	66.1786
TELESPAZIO NORTH AMERICA INC	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SAT. TELECOM. LTD	Budapest (Hungary)		100	67
RARTELSA	Bucarest (Romania)		61061	40.911
FILEAS SA	Paris (France)		100	67
AURENSIS SL	Barcelona (Spain)		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (U.K.)		100	25
MBDA FRANCE SAS	Paris (France)		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		99.9	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		100	25
MBDA UAE LTD ex MARCONI UAE LTD	London (U.K.)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		99.99	25
MBDA SERVICES SA	Paris (France)		99.68	24.92
LFK-LENKFLUGKORPER SYSTEME 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 GE e SPE	Toulouse (France)	50		50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)	51		51
ROTORSIM SRL	Sesto Calende (Varese)	50		50
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)	40		16.0262

List of companies consolidated using the equity method

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
ABRUZZO ENGINEERING SCPA	L'Aquila		30	30
ABUDHABISYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)	43.043		43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	DarulEhsan (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
ALFANA DUE SCRL	Naples	53.34		21371
ALFANA SCRL	Naples	65.85		26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)	99.993		99.993
ANSALDO ELECTRIC DRIVES SPA	Genoa	100		100
ANSALDO - E.M.IT. 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	Basildon, Essex (U.K.)	100		100
CISDEG SPA	Rome	87.5		87.5
COMLENIA SENDRIAN BERHAD	Selangor Darul Ehsan (Malaysia)	30		30
CONSORZIO START SPA	Rome	40		40
CONTACT SRL	Naples	30		30
DIGINT SRL	Milan	49		49
DOGMATX LEASING LIMITED	Mauritius Islands	100		50
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)	100		100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	100		100
ECOSEN CA	Caracas (Venezuela)	48		19.23
ELETRONICA SPA	Rome	31333		31333
ELSACOM HUNGARIA KFT	Budapest (Hungary)	100		100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)	100		100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	49		49
EURISS NV	Leiden (the Netherlands)	25		8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Halbergmoos (Germany)	21		21
EUROFIGHTER INTERNATIONAL LTD	London (U.K.)	21		21
EUROFIGHTER JAGDFLUGZEUG GMBH	Halbergmoos (Germany)	21		21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)	24		24
EUROMIDS SAS	Paris (France)	25		25
EURO PATROL AIRCRAFT GMBH (IN LIQ.)	Munich (Germany)	50		50
EUROSATELLITE FRANCE SA	France	100		33
EUROSYSNAVSAS	Paris (France)	50		50
EUROTECH SPA	Amaro (Udine)	1108		1108
FATA HUNTER INDIA PVT LTD	New Delhi (India)	100		100
FNMECCANICA CONSULTING SRL	Rome	100		100
FNMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	99.999		99.999
FNMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	100		100
FNMECCANICA UK LTD	London (U.K.)	100		100
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)	100		67
IAMCO SCRL	Mestre (Venice)	20		20
KARUS SCPA	Turin	49		49
IMMOBILIARE CASCINA SRL	Gallarate (Va)	100		100
IMMOBILIARE FONTEVERDE SRL (IN LIQ.)	Rome	60		48
INDRA ESPACIO SA	France	49		16.17
INTERNATIONAL LAND SYSTEMS INC	Wilmington, Delaware (USA)	28.365		15.204
INTERNATIONAL METRO SERVICE SRL	Milan	49		19.63
IM. INTERMETRO SPA	Rome	33.332		23.343
IVECO - OTO MELARA SCRL ex IVECO FIAT - OTO MELARA SCRL	Rome	50		50
JIANGXI CHANGE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)	40		40
JOINT STOCK COMPANY SUKHOICIVIL AIRCRAFT	Moscow (Russian Federation)	25.0001		23.735

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

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
KAZAKHASTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)		49	19.632
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	25	25	50.000
LMATTS LLC	Georgia (USA)		100	88.409
MACCHIHUREL DUBOIS SAS	Paris (France)		50	49.99
MEDESSAT SAS	Toulouse (France)		28.801	19.296
METRO 5 SPA	Milan		319	17.156
MUSINET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NAHUELSAT SA (IN LIQ.)	Buenos Aires (Argentina)	33.332		33.33
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NKCO 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
ORZZONTE - SISTEMINAVALI SPA	Genoa		49	49
PEGASO SCRL	Rome		46.87	18.778
POLARIS SRL	Genoa		49	49
QUADRICS LTD (IN LIQ.)	Bristol (U.K.)		100	100
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SCUOLA ICT SRL (IN LIQ.)	L'Aquila	20		20
SELEX GALLEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALLEO INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX GALLEO PROJECTS LTD	Basildon, Essex (U.K.)		100	100
SELEX GALLEO SAUDI ARABIA COMPANY LTD	Riyadh (Arabia Saudita)		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (U.K.)		100	100
SELEX SISTEM INTEGRATIDE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y ESPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SISTEMIDNAMCISPA	S. Piero a Grado (Pisa)		40	40
SPACEOPALGMBH	Munich (Germany)		50	33.5
TELBIOS SPA	Milan		34.471	23.096
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
TRADE FATA BV	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (U.K.)		100	100
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)		99.99	99.99
WITG LP .INC	Kent, Dover, Delaware (USA)		24	212.8
WITG LP .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

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
BCV INVESTMENTS SCA	Luxembourg (Luxembourg)		4.321	4.321
BCV MANAGEMENT SA	Luxembourg (Luxembourg)		4.999	4.999

List of subsidiaries and associates valued at cost

Company name	Registered office	% Group ownership		% Group shareholding
		Direct	Indirect	
A4ESSOR SAS	Neully Sur Seine (France)		21	21
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwajji (United Arab Emirates)		49	49
AGUSTAWESTLAND ESPANA SL	Madrid (Spain)		100	100
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	88.409
ANSALDOSYS SISTEMAS DE TRANSPORTE E SINALIZACAO LTDA	Rio De Janeiro (Brazil)		100	40.0655
COREAT S.C.A.R.L.	Rieti		30	30
CCRT SISTEMISPA (IN FALL)	Milan		30.34	30.34
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A.R.L.	Brindisi		24	24
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.94	25.189
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LQ.)	Bruxelles (Belgium)	18.939	18.94	25.189
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
SELEXSISTEMI INTEGRATIDO BRASIL LTDA	Rio De Janeiro (Brazil)		99.9998	99.9998
SELPROC SCRL	Rome		100	100
SESM - SOLUZIONIEVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN FALL)	San Giorgio Jonico (Taranto)		50.614	50.614

For ease of understanding and comparability of the information reported, below are the main changes in the scope of consolidation that have occurred since September 2009:

- on 1 October 2009, Ansaldo Signal NV was merged with Ansaldo STS Spa;
- on 7 October 2009, Ansaldo-breda France SAS was formed and is consolidated on a line-by-line basis;
- on 19 October 2009, Meccanica Reinsurance SA was formed and is consolidated on a line-by-line basis;
- on 21 December 2009, Global Aeronautica LLC was deconsolidated upon sale to third parties;
- on 28 December 2009, SELEX Sensors and Airborne Systems SpA was deconsolidated following its removal from the Company Register;
- starting from 1 January 2010 Quadrics Ltd (in liquidation), consolidated through the 2009 financial statements on an equity basis, was deconsolidated;
- on 1 January 2010, Alenia Composite SpA and Alenia Aeronavali SpA were merged with Alenia Aeronautica Spa;
- on 1 January 2010, DRS Intelligence & Avionic Solutions Inc and DRS Codem Systems Inc were merged with DRS Icas LLC;
- on 1 January 2010, DRS C3&A Intermediary LLC and DRS Data & Imaging Systems Inc were merged with DRS C3 & Aviation Company;
- on 1 January 2010, CISDEG was transformed from a consortium into a joint-stock company and is consolidated using the equity method;
- on 1 January 2010, AgustaWestland Politecnico Advanced Rotorcraft, consolidated until 31 December 2009 using the equity method, is consolidated on a line-by-line basis;
- on 1 January 2010 Sogeli Spa, consolidated using the equity method, was merged into SO.GE.PA. Spa;
- on 29 January 2010, the Wytwornia Sprzetu Komunikacyjnego "PZL - SWIDNIK" Spolka Akcyjna group (PZL - SWIDNIK) was acquired and is consolidated on a line-by-line basis;
- on 5 March 2010, Lasertel Inc was purchased and is consolidated on a line-by-line basis;

- on 11 March 2010, Ansaldo STS SpA took part in the formation of Kazakhstan TZ-AnsaldoSTS Italy LLP which enters the scope of consolidation and is valued using the equity method;
- on 15 March 2010, SELEX Galileo Saudi Arabia Company Ltd was formed and is consolidated using the equity method;
- on 1 April 2010, ISAF Srl was merged into Telespazio SpA;
- on 12 April 2010, Groupment Immobilier Aeronautique SA, consolidated until 31 December 2009 using the equity method, was deconsolidated upon sale to third parties;
- on 13 April 2010, the company Win Bluewater Services Private Limited was acquired and is consolidated at equity;
- on 1 June 2010, Finmeccanica Do Brasil Ltda was incorporated and is consolidated at equity;
- on 8 June 2010, Mecfint (Jersey) SA was removed from the Company Register and deconsolidated accordingly;
- on 21 June 2010, Fata DTS Spa (in liquidation) was removed from the Company Register and deconsolidated accordingly;
- on 22 June 2010, Finmeccanica Finance SA was merged with Aeromeccanica SA. At the same time Aeromeccanica SA changed its corporate name becoming Finmeccanica Finance SA;
- on 30 June 2010, the companies Vedecon GmbH, Vega Deutschland Management GmbH and Vega Deutschland GmbH & Co. KG were merged into Vega Deutschland Holding GmbH. At the same time Vega Deutschland Holding GmbH changed its corporate name becoming Vega Deutschland GmbH;
- on 11 August 2010, Thomassen Service Australia PTY Ltd was removed from the Company Register and deconsolidated accordingly;
- on 27 September 2010, DRS Condor Holdco LLC was formed and is consolidated on a line-by-line basis.

During 2010 the following companies were put in liquidation:

- Ote Mobile Technologies Ltd;
- Davies Industrial Communications Ltd;

- SELEX Communications Secure Systems Ltd;
- SELEX Communications (International) Ltd;
- Scuola ICT Srl;
- Immobiliare Fonteverde Srl;
- I.M.Intermetro Spa;
- Elsacom Spa.

The following companies changed their names during 2010:

- SELEX Sistemi Integrati Inc became SELEX Systems Integration Inc;
- Galileo Avionica Spa became SELEX Galileo Spa;
- SELEX Sensors and Airborne Systems Ltd became SELEX Galileo Ltd;
- SELEX Sensors and Airborne Systems Infrared Ltd became SELEX Galileo Infrared Ltd;
- SELEX Sensors and Airborne Systems Electro Optics (Overseas) Ltd became SELEX Galileo Electro Optics (Overseas) Ltd;
- Selex Sensors and Airborne Systems (US) Inc. became Selex Galileo Inc.;
- SELEX Sensors and Airborne Systems (Projects) Ltd became SELEX Galileo (Projects) Ltd;
- Aeromeccanica SA became Finmeccanica Finance SA;
- Vega Deutschland Holding GmbH became Vega Deutschland GmbH.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first nine months of 2010 were again marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 30 September 2010 and the average exchange rates for the period showed, for the main currencies, these changes from 2009: final exchange rates for the period (euro/US dollar -5.26% and euro/sterling pound -3.17%); average exchange rates for the period (euro/US dollar -3.58% and euro/sterling pound -3.24%).

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

	At 30 September 2010		At 31 December 2009	At 30 September 2009	
	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	1.31609	1.36480	1.44060	1.36498	1.46430
Pound sterling	0.85779	0.85995	0.88810	0.88649	0.90930

8. SEGMENT INFORMATION

In accordance with the compliance model followed, Management has adopted operating segments that correspond to the business sectors in which the Group operates: Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy, Transportation and Other Activities.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the interim report on operations.

The Group assesses the performance of its operating segments and the allocation of the financial resources based on revenues and adjusted EBITA (refer also to the “*Non-GAAP performance indicators*” section in the interim report on operations).

The results for each segment at 30 September 2010, as compared with those of the same period of the previous year, are as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
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For the nine months ended 30 Sept. 2010

Revenues	2,556	4,978	1,857	616	802	994	1,373	159	(411)	12,924
<i>of which from other segments</i>	<i>120</i>	<i>537</i>	<i>493</i>	<i>15</i>	<i>95</i>	<i>-</i>	<i>52</i>	<i>72</i>	<i>(411)</i>	973
Adjusted EBITA	252	426	71	15	61	92	57	(118)	-	856
Investments	114	161	210	30	24	24	33	13	-	609

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
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For the nine months ended 30 Sept. 2009

Revenues	2,499	4,526	1,768	639	767	1,216	1,328	301	(404)	12,640
<i>of which from other segments</i>	<i>34</i>	<i>461</i>	<i>563</i>	<i>18</i>	<i>110</i>	<i>1</i>	<i>99</i>	<i>92</i>	<i>(404)</i>	974
Adjusted EBITA	237	394	120	19	58	114	60	(117)	-	885
Investments	103	168	305	24	32	43	20	7	-	702

The portion of fixed assets referring to intangible assets, property, plant and equipment and investment properties attributable to the segments at 30 September 2010 and at 31 December 2009 is as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
<u>30 Sept. 2010</u>										
Fixed assets	2,358	5,674	2,084	504	590	196	312	275	-	11,993
<u>31 Dec. 2009</u>										
Fixed assets	2,182	5,455	2,004	496	595	189	296	275	-	11,492

The reconciliation between adjusted EBITA and the result before taxes, finance income and costs and the effects of equity investments measured using the equity method (“EBIT”) for the periods shown is as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Total
<u>For the nine months ended 30 Sept. 2010</u>									
Adjusted EBITA	252	426	71	15	61	92	57	(118)	856
Impairment									
Amortisation of intangible assets acquired through a business combination	6	57	-	-	1	-	-	-	64
Restructuring costs	12	8	1	-	2	-	1	-	24
EBIT	234	361	70	15	58	92	56	(118)	768
<u>For the nine months ended 30 Sept. 2009</u>									
Adjusted EBITA	237	394	120	19	58	114	60	(117)	885
Impairment									
Amortisation of intangible assets acquired through a business combination	6	53	-	1	1	-	-	-	61
Restructuring costs	-	2	1	3	2	-	2	-	10
EBIT	231	339	119	15	55	114	58	(117)	814

9. INTANGIBLE ASSETS

Below is a breakdown of intangible assets:

	<i>30 Sept. 2010</i>	<i>31 Dec 2009</i>
Goodwill	6,076	5,821
Development costs	692	624
Non-recurring costs	623	545
Concession of licences and trademarks	112	119
Acquired through business combinations	952	975
Other	310	283
Total intangible assets	8,765	8,367

The most significant changes were, in particular, as follows:

- net increase in goodwill (€nil. 225), mainly due to the business combinations in Note 11 and to the positive translation differences on goodwill arising on assets denominated in pounds sterling and US dollar;
- amortisation of €nil. 190 (€nil. 192 at 30 September 2009) (Note 25);
- investments in the overall amount of €nil. 267 (€nil. 345 at 30 September 2009), broken down as follows:

	<i>For the nine months ended 30 Sept.</i>	
	<i>2010</i>	<i>2009</i>
Development costs	107	156
Non-recurring costs	95	122
Concession of licences and trademarks	7	7
Other	58	60
Total intangible assets	267	345

Purchase commitments of intangible assets are recorded in the amount of €nil. 21 (€nil. 23 at 31 December 2009).

10. PROPERTY, PLANT AND EQUIPMENT

Below is a breakdown of property, plant and equipment:

	<u>30 Sept. 2010</u>	<u>31 Dec 2009</u>
Land and buildings	1,197	1,174
Plant and machinery	705	666
Equipment	662	657
Other	664	628
Total property, plant and equipment	<u>3,228</u>	<u>3,125</u>

In particular, in addition to the positive difference attributable mainly to assets denominated in pound sterling and US dollars, the most significant changes were as follows:

- depreciation of €nil. 285 (€nil. 264 at 30 September 2009);
- the change in the scope of consolidation for the contribution of the Polish group PZL - SWIDNIK in the amount of €nil. 41;
- investments in the overall amount of €nil. 342 (€nil. 357 at 30 September 2009), broken down as follows:

	<u>For the nine months ended 30 Sept.</u>	
	<u>2010</u>	<u>2009</u>
Land and buildings	11	19
Plant and machinery	42	32
Equipment	60	53
Other	229	253
Total property, plant and equipment	<u>342</u>	<u>357</u>

Property, plant and equipment includes €nil. 59 (€nil. 58 at 31 December 2009) of assets held under contracts that can be qualified as finance leases, and “other assets” includes €nil. 69 (€nil. 98 at 31 December 2009) for aircraft owned by the GIE ATR group as well as for those that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, to recognise the sale, despite the fact that sales

contracts have been concluded with external customers, and €mil. 38 (€mil. 25 at 31 December 2009) for aircraft owned by the AgustaWestland group.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 78 (€mil. 130 at 31 December 2009).

11. BUSINESS COMBINATIONS

During the period, AgustaWestland formalised the purchase of the PZL - SWIDNIK group, now owned with an interest of 93.87% (the Group owned 6.2% at 31 December 2009), with a net cash outlay of €mil. 77 (in addition to the transaction costs charged to the separate income statement totalling €mil. 15) and the assumption of borrowings of €mil.38. SELEX Galileo Ltd also acquired 100% of the US company Lasertel Inc. The overall effect on the balance sheet and the cash flow statement was as follows:

<i>€millions</i>	<i>Temporary fair values</i>		
	<i>PZL - SWIDNIK</i>	<i>Lasertel</i>	<i>Cash-flow</i>
Cash and cash equivalents	5		
Net working capital	(3)	3	
Property, plant and equipment and intangible assets	54	3	
Deferred tax assets, net	6		
Borrowings	(38)		
Minority interests	(2)		
<i>Net assets acquired</i>	<u>22</u>	<u>6</u>	
Group	<u>21</u>	<u>6</u>	
Price paid	82	6	88
Price paid for the share acquired in 2009	7		
Cash acquired			(5)
Transaction costs			15
Total cost of the acquisition	<u>89</u>	<u>6</u>	<u>98</u>
Goodwill deriving from acquisition	68	-	

To that end, it must be noted that the process for the identification of the fair values of the assets and liabilities acquired is not complete yet, as permitted under IFRS3.

Therefore, the fair values of the individual assets and liabilities and the residual value now assigned to goodwill might be different at the end of the allocation process.

During the corresponding period of the previous year, the Group, through its subsidiary DRS Signal Solutions, acquired Soneticom Inc., a US company operating in the military telecommunications sector. The cash outlay for the first nine months of 2009 also includes the payment of the remaining transaction costs for the acquisition of DRS.

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

<i>€ millions</i>	<i>2010</i>		<i>2009</i>	
	Goodwill	Cash effect	Goodwill	Cash effect
Acquisition of PZL-SWIDNIK	68	92	-	-
Other acquisitions	-	6	9	23
Total	68	98	9	23

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	<i>30 Sept. 2010</i>	<i>31 Dec. 2009</i>
Third-party financing	58	69
Security deposits	24	26
Receivables for finance leases	5	3
Deferred receivables under Law 808/85	78	62
Net assets of defined-benefit retirement plans (Note 19)	-	11
Financial receivables from related parties (Note 22)	10	12
Other	31	29
Non-current receivables	206	212
Deferred expenses	21	4
Equity investments	316	343
Non-recurring costs awaiting interventions under Law 808/1985	280	232
Other receivables from related parties (Note 22)	1	-
Non-current assets	618	579
Total receivables and other non-current assets	824	791

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

The item “Deferred receivables under Law 808/85” includes the receivables from the Ministry for Economic Development relating to the current value of the interventions pursuant to Law 808/85 in national security and similar projects for which collections were deferred. The portion for which collection is expected within 12 months (€nil. 23, compared with €nil. 35 at 31 December 2009) is classified among other current assets (Note 15). Non-recurring expenses awaiting interventions under Law 808/1985 include the portion of non-recurring expenses paid on programmes that benefit from the provisions of Law 808/85, are classified as being functional to national security, and whose expenses have not been assessed yet by the issuer. After the legal requirements for the recognition of the receivable from the Ministry are fulfilled, the recognised amount is reclassified as a receivable (current or non-current, based on the expected payment schedule). The amount shown is calculated based on an estimate made by management that reflects the reasonable probability that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

Equity investments decreased mainly due to the consolidation of the PZL-Swidnik group (€nil. 7), writedowns (€nil. 14) and dividends received (€nil. 10).

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	<u>30 Sept. 2010</u>	<u>31 Dec. 2009</u>
Receivables	4,808	4,433
Impairment	(194)	(188)
Receivables from related parties (Note 22)	467	523
	<u>5,081</u>	<u>4,768</u>
Work in progress (gross)	9,699	8,499
Advances from customers	(4,897)	(4,786)
Work in progress (net)	<u>4,802</u>	<u>3,713</u>
Total trade receivables and net contract work in progress	<u>9,883</u>	<u>8,481</u>

Trade receivables from related parties refer specifically to the non-eliminated portion of receivables from joint ventures and associated companies, lead companies or consortiums of major programmes in which the Group participates. The most important of these relate to the Eurofighter (EFA programme) totalling €mil. 87 (€mil. 81 at 31 December 2009) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Iveco/Oto Melara consortium amounting to €mil. 39 (€mil. 55 at 31 December 2009) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on VBM Freccia and PZH2000 self-propelled vehicle for the Italian Army); receivables from Metro 5 amounting to €mil. 17 (€mil. 34 at 31 December 2009) for the designing, construction and operation of the new line 5 of the Milan metro; receivables from Orizzonte-Sistemi Navali amounting to €mil. 21 (€mil. 21 at 31 December 2009) relating to the FREMM programme and from NH Industries amounting to €mil. 35 (€mil. 18 at 31 December 2009) for transactions for the final sale of the NH90 helicopter and from Abruzzo Engineering amounting to €mil. 20 (€mil. 17 at 31 December 2009) relating to the project for the construction of regional infrastructures serving the resolution of the Digital Divide, commissioned by the Abruzzo region.

14. DERIVATIVES

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

	<i>30 Sept. 2010</i>		<i>31 Dec. 2009</i>	
	Assets	Liabilities	Assets	Liabilities
Forward forex instruments	148	138	86	64
Forex options	9	4	-	5
Embedded derivatives	40	-	58	-
Interest rate swaps	125	10	42	19
Options on STM	-	-	-	-
Other equity derivatives	7	7	7	-
	329	159	193	88

The change in the fair value of forward instruments is mainly due to the volatility of the US dollar against the euro: the exchange rate went from 1.4406 at 31 December 2009 to 1.2271 at 30 June 2010 and then reached 1.3648 at 30 September 2010.

The interest rate swaps with a total notional value of €nil. 1,200 were placed into effect to hedge the bonds issues. The change in the fair value was mainly affected by the current favourable spreads between long-term fixed rates and short-term floating rates.

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.

Under the STM sale contract (effective 22 December 2009), Finmeccanica benefited from an earn-out mechanism - on 29,768,850 shares - equal to 50% of the positive difference, if any, between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011, and €7.00. This led to the recognition of a derivative whose fair value is positive in the amount of €nil. 7. In the first quarter of 2010, Finmeccanica

sold a mirror option in the market to strengthen the amount valued in the previous period. This led to the recognition of a derivative offsetting the previous one.

15. OTHER CURRENT ASSETS

	<u>30 Sept. 2010</u>	<u>31 Dec. 2009</u>
Income tax receivables	177	142
Assets available for sale	1	11
Other current assets:	745	606
<i>Accrued income - current portion</i>	<i>111</i>	<i>104</i>
<i>Receivables for contributions</i>	<i>78</i>	<i>69</i>
<i>Receivables from employees and social security</i>	<i>48</i>	<i>32</i>
<i>Indirect tax receivables</i>	<i>272</i>	<i>198</i>
<i>Deferred receivables under Law 808/85</i>	<i>23</i>	<i>35</i>
<i>Equity investments</i>	<i>1</i>	<i>1</i>
<i>Other receivables from related parties (Note 22)</i>	<i>25</i>	<i>9</i>
<i>Other assets</i>	<i>187</i>	<i>158</i>
Total other current assets	<u>923</u>	<u>759</u>

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

Other assets include, among others, insurance payment receivables of €nil. 3 (€nil. 20 at 31 December 2009) and sundry advances in the amount of €nil. 9 (€nil. 13 at 31 December 2009) and receivables for disputes for €nil. 5 (€nil. 6 at 31 December 2009).

16. SHAREHOLDERS' EQUITY

	Number of ordinary shares	Par value €mil.	Treasury shares €mil.	Costs incurred net of tax effect €mil.	Total €mil.
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(1,144,077)	-	(13)	-	(13)
<i>31 December 2009</i>	<u>577,006,318</u>	<u>2,544</u>	<u>(13)</u>	<u>(19)</u>	<u>2,512</u>
Repurchase of treasury shares, less shares sold	-	-	-	-	-
<i>30 September 2010</i>	<u>577,006,318</u>	<u>2,544</u>	<u>(13)</u>	<u>(19)</u>	<u>2,512</u>
<i>broken down as follows:</i>					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(1,144,077)	-	(13)	-	(13)
	<u>577,006,318</u>	<u>2,544</u>	<u>(13)</u>	<u>(19)</u>	<u>2,512</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 30 September 2010, the Ministry for Economy and Finance held 30.204%, Capital Research and Management Co. held 4.879% and BlackRock Investment Management (UK) Limited held 2.246% of the shares.

The statement of changes of other reserves and minority interests is provided in the accounting statements section.

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

	<i>Group</i>			<i>Minority interests</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	-	-	-	-	-	-
Actuarial gains (losses) on defined-benefit plans	(94)	17	(77)	(1)	-	(1)
Changes in cash-flow hedges	(42)	12	(30)	1	(1)	-
Exchange gains/losses	179	-	179	7	-	7
Total	43	29	72	7	(1)	6

17. BORROWINGS

	<i>30 Sept. 2010</i>	<i>31 Dec. 2009</i>
Bonds	4,150	4,476
Bank borrowings	1,429	913
Finance leases	3	4
Borrowings from related parties (Note 22)	710	679
Other borrowings	236	436
Total borrowings	6,528	6,508
Of which:		
Current	1,911	1,904
Non-current	4,617	4,604

The decrease in the value of bonds is essentially related to the net effect deriving from the repayment of the bond exchangeable into STM shares at maturity in the amount of €nil. 501 and from the appreciation of the US dollar against the euro at the end of the period.

The increase in bank borrowings essentially relates to the net effect of the repayment of the Revolving Credit Facility - a line of credit resulting from the transformation of the last tranche (tranche C) of the Senior Term Loan Facility originally acquired in connection with the acquisition of American company DRS (see the "Financial

transactions” section for more information) -, the use of loans granted to Finmeccanica by the European Investment Bank (EIB) (see the “Financial transactions” section for more information) and the use of short-term lines of credit to finance Group activities.

The decrease in other borrowings is the result of the net effect of reimbursements in the period and the change in the scope of consolidation due to the inclusion of the Polish group PZL - SWIDNIK.

Borrowings from related parties of €mil. 710 (€mil. 679 at 31 December 2009) include the amount of €mil. 638 (€mil. 646 at 31 December 2009) of the Group companies from MBDA and Thales Alenia Space joint ventures, for the unconsolidated portion, and payables of €mil. 68 (€mil. 23 at 31 December 2009) to Eurofighter, held by Alenia Aeronautica (21%), which, due to the new cash pooling agreement, distributed the cash surplus available from time to time.

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

<i>€ million</i>	<u><i>30 Sept. 2010</i></u>	<u><i>31 Dec. 2009</i></u>
Cash and cash equivalents	(860)	(2,630)
Securities held for trading	(1)	(11)
LIQUIDITY	<u>(861)</u>	<u>(2,641)</u>
CURRENT FINANCIAL RECEIVABLES	(770)	(797)
Current bank payables	815	200
Current portion of non-current borrowings	272	713
Other current borrowings	824	991
CURRENT FINANCIAL DEBT	<u>1,911</u>	<u>1,904</u>
CURRENT NET FINANCIAL DEBT (CASH)	280	(1,534)
Non-current bank payables	614	713
Bonds issued	3,878	3,763
Other non-current payables	125	128
NON-CURRENT FINANCIAL DEBT	<u>4,617</u>	<u>4,604</u>
NET FINANCIAL DEBT	<u><u>4,897</u></u>	<u><u>3,070</u></u>

18. PROVISIONS FOR RISKS AND CHARGES

	<i>30 September 2010</i>		<i>31 December 2009</i>	
	Non-current	Current	Non-current	Current
Guarantees given	22	33	24	34
Restructuring	9	14	12	15
Penalties	62	20	62	20
Product guarantees	106	126	106	117
Other	177	402	160	409
	376	595	364	595

Other provisions for risks and charges came to a total of €mil. 579 (€mil. 569 at 31 December 2009) and specifically include:

- the provision for risks on the business of GIE ATR in the amount of €mil. 68 (unchanged from 31 December 2009);
- the provision for risks and contractual charges in the amount of €mil. 80 (€mil.84 at 31 December 2009) related, in particular, to business in the Defence and Security Electronics, Space, Defence Systems and Other Activities divisions;
- the provision for losses related to shares of €mil. 17 (€mil. 15 at 31 December 2009);
- the provision for taxes in the amount of €mil. 75 (€mil. 72 at 31 December 2009);
- the provision for litigation with employees and former employees in the amount of €mil. 29 (€mil. 30 at 31 December 2009);
- the provision for pending litigation in the amount of €mil. 121 (€mil. 96 at 31 December 2009);
- the provisions for risk on contract-related losses in the amount of €mil. 22 (€mil. 36 at 31 December 2009);

- other provisions in the amount of €nil. 167 (€nil. 168 at 31 December 2009).

With regard to the risk provisions, the Group's operations regard industries and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity.

Of course, in application of related accounting standards, provisions have been made for obligations related to probable and quantifiable risks. Likewise, to the best of our knowledge, regarding other disputes against the Group, no specific allocation has been made since the Group reasonably believes that such disputes may be resolved satisfactorily and without any significant impact on the results.

The situations below, in which there have been changes since the preparation of the 2009 annual financial statements (which should be consulted for further information), are mentioned here for the purposes of full disclosure:

Of particular note:

- the dispute initiated by former Oto Melara SpA, later merged into Finmeccanica in 2001, in relation to the VAT adjustment notification for the year 1988 for about €nil. 11, with which the Tax Authority mainly claimed the alleged non-deductibility of VAT paid on the fees given as part of a lease-back agreement, which was mistakenly considered by the Tax Office as a (VAT-free) financial transaction. The courts of first and second instance both found in favour of the company, but the Central Tax Commission accepted the Tax Office's appeal with a ruling filed in October 2009. The company will challenge this ruling based on the belief that there are valid grounds for which its own reasons can be accepted, even considering consolidated case law and the Tax Authority's guidelines. Following the Central Tax Commission's decision, the Tax Authority served the company with a tax collection notice for a total of around €nil. 12 containing the challenged amount, plus penalties and interest. In turn, the company has taken steps to have the tax collection notice nullified;

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

The tax officials, receiving the auditors’ report and without carrying out any further analysis of the matter although it involves a rather complex contractual relationship, issued the notice of assessment against the company. The court of first instance upheld the company’s appeal with ruling filed in October 2008. However, the Regional Tax Commission issued a decision in September 2010 granting the tax

office's appeal. The company is currently considering the most appropriate course of action for opposing a tax claim it believes to be baseless;

- the dispute initiated by Telespazio SpA against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2000, which contained a demand for a total of about €mil. 30 consisting of additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2001 in which the Tax Authority challenged the deductibility of the loss regarding receivables from a foreign company taken by Telespazio SpA within the context of a non-recourse sale carried out following many fruitless attempts to recover these receivables. Specifically, the Tax Authority, deeming the actions undertaken by the Company to forcibly collect the receivables and therefore the evidence of the foreign debtor's solvency or lack thereof to be insufficient, found that the requirements of certainty and precision under the law were not met to allow the loss to be fully deducted, regardless of the fact that the loss was conclusively realised by Telespazio SpA within the context of the non-recourse sale of the receivables arguing that sale per se guarantees certainty only of the legal loss of the receivable but not the financial loss. The court of first instance upheld the company's appeal with ruling filed on 25 September 2008. The ruling was appealed by the Tax Authority, an appeal the regional Tax Commission denied on 30 March 2010. The deadline for appeal of the decision to the Supreme Court by the Tax Authority has not yet expired;
- with regard to work to build Line 6 of the Naples metro, in 1995 the Regional Prosecutor's Office attached to the State Auditors' Court brought an action against the directors of Azienda Tranvie Autofilovie Napoli (now Azienda Napoletana Mobilità) and the former Ansaldo Trasporti seeking compensation for damages amounting to €mil. 100 from all the defendants jointly and severally. In the first instance, the State Auditors' Court rejected the petition due to lack of jurisdiction. The Regional Prosecutor's Office attached to the State Auditors' Court challenged the decision, bringing Finmeccanica into the action as successor to Ansaldo Trasporti as a result of the merger in September 2001. The Company objected, arguing that it lacked capacity to be sued since, prior to the merger, the contract

was transferred to Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS), which would be the company to suffer any negative consequences. On 20 March 2007, the Appellate Section of the State Auditors' Court reversed the decision of the court of first instance and found the existence of accounting jurisdiction, even against the former directors of Ansaldo Trasporti. It referred the action to the court of first instance of the local Section for a decision on the merits. This finding was challenged before the Supreme Court, which affirmed, in its decision of 18 July 2008, that the State Auditor's Court had jurisdiction. The State Attorney's Office attached to the State Auditors' Court reinstated the action before the Jurisdictional Section of the State Auditors' Court of Campania for the decision on the merits. The State Auditors' Court issued a decision on 14 July 2010 rejecting the tax claims and finding in favour of all the defendants;

- in May 2007 Finmeccanica voluntarily intervened in a suit brought by Calyon SA (now Credit Agricole Corporate and Investment Bank) against the Agenzia delle Entrate before the Court of Rome seeking payment of a tax receivable of roughly €mil. 71, plus interest of €mil. 34, transferred by Finmeccanica in May 2004. The Agenzia delle Entrate challenged on the grounds that Calyon lacked standing since Finmeccanica had, in the past, transferred the same tax receivable to Mediofactoring SpA (the sale was later rescinded due to breach and the receivable was returned to Finmeccanica) and that the action on the receivable was time-barred. Finmeccanica intervened in the civil suit on behalf of Calyon and to protect its own interests related to any resulting right to restitution of the credit by Calyon. On 30 December 2009, the Tax Authorities repaid the credit to Calyon, partly in view of the successful action brought simultaneously by Calyon before the tax court.

The judge dismissed the action due to the parties' failure to appear for a second time at the 30 September 2010 hearing. The decision will be set aside if the action is revived within one year's time.

- in November 1997, in relation to a contract commissioned by Prepa, the Puerto Rican Electric Power Authority, the company Abengoa awarded to Ansaldo

Energia a sub-supplier contract for expansion work on the San Juan, Puerto Rican power plant. In connection with the contract between Abengoa and Prepa, American International Insurance Company of Puerto Rico (“AIIP”), a member of the AIG Group, issued a performance bond and a payment bond, each in the amount of USD mil. 125, in favour of Prepa which Ansaldo Energia, as a supplier, counter-guaranteed in relation to the sub-supply. In 2000, Abengoa unilaterally terminated its contract without informing Ansaldo Energia and filed suit against the customer in the Court of Puerto Rico seeking compensation for damages it allegedly suffered. Prepa in turn filed an appeal demanding that Abengoa be sentenced to pay the compensation for damages and filed suit against AIIP to obtain the payment of the bonds issued by it as a security for the proper performance of work. Ansaldo Energia is not a party to the suit. In 2001, Ansaldo Energia initiated arbitration proceedings in Paris seeking a finding that Abengoa breached the contract by terminating its agreement with Prepa without notifying Ansaldo Energia in advance. The arbitration award, issued in March 2003, came out in favour of Ansaldo Energia. In order to avoid any enforcement of the aforementioned counter-guarantee, on 13 May 2005, Ansaldo Energia brought an action against Abengoa, AIG and AIIP before the Court of Milan, requesting that the same be found void, or, in the alternative, that the amount of the guarantee be assessed up to US\$mil. 36 and that it be held harmless by Abengoa. In this suit AIIP asked that Ansaldo Energia be held jointly liable to hold harmless AIG in the event it loses the case. A decision was due after the final part of the pre-trial hearing of 22 December 2009. In the opinion of its legal team, even if the court does not accept the company’s arguments and if the counter-guarantee is enforceable, the company could, in any case, initiate an action against Abengoa based on the aforementioned arbitration award. On 9 July 2010, the Court of Milan issued its decision finding that the first demand guarantee cannot be enforced and that Ansaldo Energia has an obligation to pay AIIP only if the Court of Puerto Rico should order it Abengoa to make payment and it fails to do so. The decision rejected Ansaldo Energia’s motion to establish the amount up to US\$mil. 36.

The company's legal advisors believe that this is a positive decision since it defines Ansaldo Energia's obligation as a resource guarantor with a right to seek compensation from Abengoa, which is a solvent company;

- in January 2009, Pont Ventoux Scrl initiated an arbitration with the joint venture formed by Ansaldo Energia, as representative (31%), Alstom Power Italia SpA (17%) and Voith Siemens Hydro Power Generation SpA (52%) concerning a contract worth €mil. 15 to supply two electric generators as part of the project to build a hydroelectric plant in Val di Susa (Italy). The plaintiff is seeking payment for alleged damages, both direct and consequential, and harm to its image, totalling about €mil. 90. It asserts that the serious fault renders the clause that limits the liability of the joint venture to the contract amount inapplicable. Ansaldo Energia maintains that it supplied the products required and that it carried out its responsibilities as representative with the greatest diligence, underlining that it has nothing to do with the objections raised by Pont Ventoux regarding delays and non-performance of the contract. The court expert's report was submitted at the most recent hearing held on 12 May 2010 and is currently being examined;
- in December 2007, EADS ATR initiated arbitration proceedings with the International Chamber of Commerce of Paris (Lausanne branch) to challenge an alleged breach by Alenia Aeronautica in relation to an agreement signed in May 2001 for the transfer to GIE ATR (in which EADS ATR and Alenia own a 50% stake) of ATR 42 and ATR 72 aircraft components made by Alenia Aeronautica and EADS ATR. The plaintiff claimed that Alenia Aeronautica had withdrawn from its contractual obligation to renegotiate the prices established in that contract. These prices have not been valid since 2003 and the plaintiff demanded that the company be ordered to pay US\$mil. 32, plus interest, as compensation for the damages resulting from that breach. EADS ATR also demanded that the arbitration panel determine a new price for the transfer to GIE ATR of the components made by the parties based on their actual industrial costs. In its appeal, Alenia Aeronautica challenged the plaintiff's claim and filed counterclaims. On 29 September 2008, EADS ATR served on Alenia Aeronautica a brief increasing the amount of damages from US\$mil. 32 to US\$mil. 55. On 20 October 2009, the

arbitration panel rendered its partial award rejecting EADS ATR's claims and partially upholding Alenia Aeronautica's claims (Alenia quantified its counterclaim in the amount of US\$mil. 2). On 20 November 2009 the counterparty challenged this award before the Federal Court of Lausanne which, on 18 March 2010, denied EADS ATR's appeal. Having assessed the situation, the company continued the arbitration solely as to the issue of legal costs and, on 11 August 2010, the arbitration panel issued its final decision, requiring EADS to pay 70% of the expenses incurred by Alenia Aeronautica in the course of the arbitration proceeding.

Finally, on 10 March 2010, the Tax Investigation Unit of the Tax Police of Genoa conducted an audit of the former Datamat SpA (merged with the present EltagDatamat SpA in 2007) for the years 2003 and 2004.

Specifically, investigators allege that invoices were issued for non-existent transactions, which could result in a finding that tax laws were violated.

These violations are alleged to have occurred prior to Finmeccanica's acquisition of Datamat in 2005. Therefore, Finmeccanica has initiated procedures aimed at protecting its financial position, based, among other things, on the purchase agreement signed.

19. EMPLOYEE LIABILITIES

	<i>30 September 2010</i>			<i>31 December 2009</i>		
	<i>Liabilities</i>	<i>Assets</i>	<i>Net</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Net</i>
Severance obligations	652	-	652	640	-	640
Defined-benefit retirement plans	418	-	418	382	11	371
Share of MBDA joint-venture pension obligation	95	-	95	88	-	88
Other employee funds	20	-	20	26	-	26
	1,185		1,185	1,136	11	1,125

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

	<u>30 Sept. 2010</u>	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>	<u>31 Dec. 2007</u>	<u>31 Dec. 2006</u>
Present value of obligations	1,616	1,409	1,055	1,038	1,126
Fair value of plan assets	(1,198)	(1,038)	(846)	(886)	(796)
Plan excess (deficit)	<u>(418)</u>	<u>(371)</u>	<u>(209)</u>	<u>(152)</u>	<u>(330)</u>
<i>of which related to:</i>					
- net liabilities	(418)	(382)	(248)	(152)	(330)
- net assets	-	11	39	-	-

The total net deficit mainly relates to plans for which the Group is a sponsor in the United Kingdom (€nil. 228) and in the USA (€nil. 80).

The increase in the net deficit is essentially due to the effect of the appreciation of the US dollar and the pound sterling against the euro and is attributable for €nil. 10 to the provision of Westland Helicopters Ltd, for €nil. 9 to the provision of Selex Galileo Ltd and for €nil. 3 to the provision of DRS Technologies Inc. The increase is also the result of the change in the scope of consolidation following the acquisition of the PZL - SWIDNIK group for €nil. 7.

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

	<i>For the nine months ended 30 September</i>	
	<u>2010</u>	<u>2009</u>
Costs of current services	46	36
Total "personnel costs"	<u>46</u>	<u>36</u>
Interest expense	79	81
Expected return on plan assets	(54)	(52)
Costs booked as "finance costs"	<u>25</u>	<u>29</u>
	<u>71</u>	<u>65</u>

20. OTHER LIABILITIES

	Non-current		Current	
	30 Sept. 2010	31 Dec 2009	30 Sept. 2010	31 Dec 2009
Employee obligations	57	59	498	468
Deferred income	30	25	77	82
Social security payable	7	5	267	302
Payable to MED Law 808/85	270	267	36	36
Payable to MED for monopoly rights Law 808/85	83	77	36	35
Other liabilities Law 808/85	117	113	-	-
Indirect tax payables	-	-	151	182
Other payables to related parties (Note 22)	-	-	9	13
Other payables	91	105	460	462
	655	651	1,534	1,580

The payables to the Ministry of Economic Development (MED) relate to the payables for royalties accrued pursuant to Law 808/85 for "national security" and similar projects, in addition to payables for disbursement received from the MED supporting development of non-national security and similar programmes eligible for the incentives under Law 808/85. The payables are reimbursed on the basis of a scheduled repayment plan, without the payment of finance costs.

The item Other liabilities Law 808/1985 includes the differential between the monopoly rights charged for the programmes of national security and the effective payable accrued based on the established reimbursement ratio.

Other payables include:

- the payable to Bell Helicopters of €nil. 67 (€nil. 78 at 31 December 2009), of which €nil. 50 carried as a non-current liability (€nil. 64 at 31 December 2009), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW139, previously owned by Bell Helicopters;

- 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. 22 (€mil. 6 at 31 December 2009);
- the payable for customer deposits in the amount of €mil. 44 (€mil. 28 at 31 December 2009);
- the payable for contractual penalties in the amount of €mil. 15 (€mil. 15 at 31 December 2009);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 7 (€mil. 8 at 31 December 2009);
- commissions due in the amount of €mil. 30 (€mil. 24 at 31 December 2009);
- royalties due in the amount of €mil. 22 (€mil. 28 at 31 December 2009);
- payables for insurance in the amount of €mil. 5 (€mil. 16 at 31 December 2009).

21. TRADE PAYABLES, INCLUDING NET ADVANCES FROM CUSTOMERS

	<i>30 Sept. 2010</i>	<i>31 Dec 2009</i>
Trade payables	4,373	4,512
Trade payables to related parties (Note 22)	102	99
	<u>4,475</u>	<u>4,611</u>
Advances from customers (gross)	17,802	16,929
Work in progress	(9,597)	(9,140)
Advances from customers (net)	<u>8,205</u>	<u>7,789</u>
Total trade payables	<u>12,680</u>	<u>12,400</u>

Trade payables to related parties mainly refer to the non-eliminated portion of payables to joint ventures and to the Start Consortium for the supply of software for Defence and Security Systems.

22. 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.

<i>(millions of euros)</i> RECEIVABLES AT 30 SEPTEMBER 2010	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
<u>Subsidiaries</u>						
Cisdeg SpA				9		9
Alifana Due Scarl				5		5
Other companies with unit amount lower than €mil. 5			11	3		14
<u>Associates</u>						
Eurofighter Jagdflugzeug GmbH				87		87
Iveco - Oto Melara Scarl				39		39
NH Industries Sarl				35		35
Orizzonte - Sistemi Navali SpA				21		21
Abruzzo Engineering Scpa				20		20
Metro 5 SpA		1		17		18
Eurosisnav SAS				11		11
Joint Stock Company Sukhoi Aircraft				8		8
Euromids SAS				5		5
Other companies with unit amount lower than €mil. 5	2		1	26	1	30
<u>Joint ventures (*)</u>						
MBDA SAS				87		87
Thales Alenia Space SAS	3		6	20		29
GIE ATR				13	21	34
Telespazio SpA			21	1	1	23
Rotorsim Srl			10	2		12
Aviation Training International Ltd.	5		1			6
Superjet International SpA				5		5
Other companies with unit amount lower than €mil. 5				1		1
<u>Consortiums (**)</u>						
Ferrovionario Vesuviano				13		13
Saturno				12	1	13
Trevi - Treno Veloce Italiano				9		9
S3Log				5		5
Other consortiums with unit amount lower than €mil. 5			1	13	1	15
Total	10	1	51	467	25	554
<i>% incidence on the total for the period</i>	<i>13.8</i>	<i>3.1</i>	<i>6.6</i>	<i>9.2</i>	<i>0.1</i>	

(millions of euros)
PAYABLES AT 30 SEPTEMBER 2010

	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total	Guarantees
<u>Subsidiaries</u>							
Alifana Due Scrl				6		6	
Other companies with unit amount lower than €mil. 5			1	16		17	
<u>Associates</u>							
Eurofighter Jagdflugzeug Gmbh			68	4		72	
Consorzio Start SpA				28		28	
Iveco - Oto Melara Scrl					5	5	
Other companies with unit amount lower than €mil. 5			3	13		16	
<u>Joint ventures (*)</u>							
MBDA SAS			566	9	1	576	90
Thales Alenia Space SAS			72	12		84	1
Telespazio SpA							211
Rotorsim Srl				5		5	
Other companies with unit amount lower than €mil. 5				3	2	5	
<u>Consortiums (**)</u>							
Other consortiums with unit amount lower than €mil. 5				6	1	7	
Total	-	-	710	102	9	821	302
% incidence on the total for the period			37.2	2.3	0.6		

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

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

(millions of euros)
RECEIVABLES AT 31 DECEMBER 2009

	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
<u>Subsidiaries</u>						
Other companies with unit amount lower than €mil. 5			11	6	1	18
<u>Associates</u>						
Eurofighter Jagdflugzeug GmbH				81		81
Iveco - Oto Melara Scarl				55		55
Metro 5 SpA				34		34
Orizzonte - Sistemi Navali SpA				21		21
NH Industries Sarl				18		18
Abruzzo Engineering Scpa				17		17
Euromids SAS				7		7
Joint Stock Company Sukhoi Aircraft				6		6
Eurosynnav SAS				5		5
Other companies with unit amount lower than €mil. 5	2		1	24		27
<u>Joint ventures (*)</u>						
MBDA SAS				75		75
Thales Alenia Space SAS	5		5	32		42
GIE ATR				11	6	17
Rotorsim Srl			10	1		11
Aviation Training International Ltd	5					5
Other companies with unit amount lower than €mil. 5			6	8		14
<u>Consortiums (**)</u>						
Saturno				67	2	69
Ferrovuario Vesuviano				14		14
Trevi - Treno Veloce Italiano				12		12
Cisdeg				10		10
S3Log				5		5
Other consortiums with unit amount lower than €mil. 5			1	14		15
Total	12	-	34	523	9	578
% incidence on the total for the period	14.3		4.3	11.0	0.1	

(millions of euros)
PAYABLES AT 31 DECEMBER 2009

	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total	Guarantees
<u>Subsidiaries</u>							
Other companies with unit amount lower than €mil. 5			1	18		19	
<u>Associates</u>							
Eurofighter Jagdflugzeug GmbH			23	3		26	
Consorzio Start SpA				22		22	
Eurosynav SAS			6			6	
Other companies with unit amount lower than €mil. 5			1	12	5	18	
<u>Joint ventures. (*)</u>							
MBDA SAS			601	9	1	611	116
Thales Alenia Space SAS			45	16		61	1
Telespazio SpA				2	2	4	164
Other companies with unit amount lower than €mil. 5			2	5	5	12	
<u>Consortiums (**)</u>							
Other consortiums with unit amount lower than €mil. 5				12		12	
Total	-	-	679	99	13	791	281
% incidence on the total for the period	-	-	35.6	2.1	0.9		

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

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

For the nine months ended 30 September 2010

(millions of euros)

	Revenue	Other operating income	Costs	Other operating expenses	Finance income	Finance costs
<u>Subsidiaries</u>						
Alifana Due Scrl	5		7			
Finmeccanica UK Ltd			6			
Finmeccanica North America Inc.			6			
Other companies with unit amount lower than €mil. 5	3		9			
<u>Associates</u>						
Eurofighter Jagdflugzeug Gmbh	477					
NH Industries Sarl	123					
Orizzonte Sistemi Navali SpA	68		1			
Iveco - Oto Melara Scarl.	65		1	1		1
Metro 5 SpA	14					
Eurofighter Simulation Systems GmbH	13					
Macchi Hurel Dubois SAS	10					
Eurosynnav SAS	6					
A4Essor SAS	6					
Consorzio Start SpA	1		20			
Other companies with unit amount lower than €mil. 5	9	1	8			
<u>Joint ventures (*)</u>						
GIE ATR	53					
MBDA SAS	64					3
Thales Alenia Space SAS	21		3			
Telespazio SpA			5			
Rotorsim Srl		1	5			
Other companies with unit amount lower than €mil. 5	2				1	
<u>Consortiums (**)</u>						
Saturno	26		2			
Other consortiums with unit amount lower than €mil. 5	7		1			
Total	973	2	74	1	1	4
<i>% incidence on the total for the period</i>	<i>7.5</i>	<i>0.6</i>	<i>0.9</i>	<i>0.2</i>	<i>0.1</i>	<i>0.4</i>

(*) 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 nine months ended 30 September 2009

(millions of euros)

Subsidiaries

	Revenue	Other operating income	Costs	Other operating expenses	Finance income	Finance costs
Alifana Due Scrl	8		8			
Finmeccanica UK Ltd			6			
Sel Proc Scrl	6					
Other companies with unit amount lower than €mil. 5	1		8			

Associates

Eurofighter Jagdflugzeug GmbH	468					
Iveco - Oto Melara Scrl	88		1			1
Orizzonte - Sistemi Navali SpA	39					
NH Industries Sarl	38					
International Metro Service Srl			27			
Metro 5 S.p.A.	21		1			
Macchi Hurel Dubois SAS	16					
Eurofighter Simulation System GmbH	14					
Eurosnav SAS	11					
Consorzio Start SpA	1		16			
Euromids SAS	9					
Other companies with unit amount lower than €mil. 5	14		13	1	5	1

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GIE ATR	77		5			
MBDA SAS	61					5
Thales Alenia Space SAS	23		3			
Other companies with unit amount lower than €mil. 5	5	1	2		1	

Consortiums ()**

Saturno	59		2			
Ferroviano Vesuviano	5					
Other consortiums with unit amount lower than €mil. 5	10		3			

Total	974	1	95	1	6	7
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% incidence on the total for the period	7.7	0.3	1.2	0.3	0.8	0.7
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(*) 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

23. OTHER OPERATING INCOME (EXPENSES)

These regard:

	<i>For the nine months ended 30 September</i>					
	<i>2010</i>			<i>2009</i>		
	Income	Expense	Net	Income	Expense	Net
Grants for research and development	55	-	55	33	-	33
Exchange rate difference on operating items	169	(175)	(6)	146	(142)	4
Indirect taxes	-	(37)	(37)	-	(32)	(32)
Gains/losses on sales of assets	-	(3)	(3)	3	(1)	2
Insurance reimbursements	18	-	18	27	-	27
Reversal of impairment of receivables	8	-	8	4	-	4
Gains/losses on operating receivables	-	-	-	-	-	-
Restructuring costs	-	(4)	(4)	-	(3)	(3)
Reversals of/Accruals to provisions	41	(103)	(62)	37	(98)	(61)
Other operating income (expenses)	54	(83)	(29)	96	(98)	(2)
Other operating income (expenses) attributable to related parties	2	(1)	1	1	(1)	-
Total	347	(406)	(59)	347	(375)	(28)

The “reversals of provisions for risks and charges” regarded, among other things, the provision for product guarantees, the provision for guarantees given and the provision for penalties. The “accruals of provisions for risks and charges” regarded, among other things, the provision for product guarantees, the provision for guarantees given, the provision for penalties, and the provision for risks and contractual charges.

Other “operating income and expenses” includes, among others, interest income and expense on commercial transactions and contractual penalties. Restructuring costs also include reversals and accruals to the “provision for restructuring risks”.

“Other operating income and expenses” for the third quarter of 2010 came to €nil. 20 in net expenses (€nil. 75 in income and €nil. 95 in expenses) compared with €nil. 5 in net expenses (€nil. 109 in income and €nil. 114 in expenses) for the third quarter of 2009.

24. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

In particular, these include:

	<i>For the nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
Raw materials and consumables used	4,293	4,682
Purchase of services	4,073	3,886
Costs to related parties (Note 22)	74	95
Personnel costs	3,572	3,450
<i>Wages, salaries and contributions</i>	<i>3,263</i>	<i>3,196</i>
<i>Cost of stock grant plans</i>	<i>38</i>	<i>25</i>
<i>Costs related to defined-benefit plans</i>	<i>46</i>	<i>36</i>
<i>Costs related to defined-contribution plans</i>	<i>105</i>	<i>87</i>
<i>Restructuring costs</i>	<i>20</i>	<i>7</i>
<i>Other personnel costs</i>	<i>100</i>	<i>99</i>
Changes in inventories of work in progress, finished and semi-finished products	(27)	(308)
Work performed by the Group and capitalised	(379)	(480)
Total raw materials and consumables used and personnel costs	<u>11,606</u>	<u>11,325</u>

Regarding personnel, the average workforce went from 72,732 in the first nine months of 2009 to 75,359 in the same period of the current year, with a net increase in the foreign component of the Group, essentially due to the acquisition of the Polish group PZL - SWISNIK in January 2010.

The workforce at 30 September 2010 came to 75,733 from 73,056 at 31 December 2009, showing an increase deriving from a positive net change in the scope of consolidation, offset by a general decrease in various Group segments as a result of rationalisation and efficiency boosting processes underway and due to turnover, in particular in the Aeronautics, Helicopters and Defence and Security Electronics divisions.

Personnel costs of €mil. 3,572 in the first nine months of 2010 as compared with €mil.3,450 in the same period of 2009, with a change of €mil. 122, essentially reflect the increase in average workforce.

Cost of stock grant plans relates to the third tranche of the stock-grant plan 2008-2010.

Restructuring costs include the costs of company reorganisations, affecting, in particular, the Helicopters, Aeronautics and Defence and Security Electronics divisions.

Personnel costs for the third quarter of 2010 came to €mil. 1,147 compared with €mil.1,100 for the same period of 2009.

Purchase of services include, among other things, costs for acquisition of satellite capacity of the Telespazio joint venture, which are more than offset by revenue from sales (€mil. 48 from €mil. 46 at 30 September 2009), costs for airplane leases of GIE ATR (€mil. 3 from €mil. 7 at 30 September 2009) and costs of rents, operating leases and hires (€mil. 170 from €mil. 155 at 30 September 2009).

Purchases of raw materials and consumables and services in the third quarter of 2010 came to €mil. 2,832 compared with €mil. 2,819 for the same period of 2009.

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	<i>For the nine months ended 30 Sept.</i>	
	<u>2010</u>	<u>2009</u>
Depreciation and amortisation:		
• Amortisation of intangible assets (Note 9)	190	192
<i>Development costs</i>	42	-
<i>Non-recurring costs</i>	19	20
<i>Acquired through a business combination</i>	64	61
<i>Other</i>	65	111
• Depreciation of property, plant and equipment	285	264
Impairment:		
• non-current assets and investment properties	4	5
• goodwill	-	-
• operating receivables	12	12
Total amortisation, depreciation and impairment	<u>491</u>	<u>473</u>

Amortisation and depreciation for the period amounted to €nil. 156 (amortisation €nil.54 and depreciation €nil. 81) compared to €nil. 153 (amortisation €nil. 62 and depreciation €nil. 91) in the corresponding prior year period. Impairment totalled €nil.4 vs. €nil. 2 in the third quarter of 2009.

26. FINANCE INCOME AND COSTS

Below is a breakdown of finance income and costs:

	<i>For the nine months ended 30 September</i>					
	<i>2010</i>			<i>2009</i>		
	Income	Costs	Net	Income	Costs	Net
Dividends	3	-	3	5	-	5
Gains on investments and securities	-	-	-	4	-	4
Discounting of receivables, payables and provisions	3	(3)	-	6	(13)	(7)
Interest	47	(280)	(233)	34	(305)	(271)
Commissions (including commissions on non-recourse items)	1	(34)	(33)	1	(40)	(39)
Fair value adjustments through profit or loss	114	(85)	29	133	(37)	96
Premiums paid/received on forwards	5	(4)	1	11	(6)	5
Exchange-rate differences	508	(465)	43	569	(576)	(7)
Adjustments of equity investments	-	(2)	(2)	-	(1)	(1)
Interest cost on defined-benefit plans (less expected returns on plan assets - Note 19)	-	(25)	(25)	-	(29)	(29)
Finance income (costs) - related parties (Note 22)	1	(4)	(3)	6	(7)	(1)
Other finance income and (costs)	12	-	12	2	(1)	1
	694	(902)	(208)	771	(1,015)	(244)

During the period the Group reported a decrease in net finance costs as compared with the first nine months of 2009, mainly due to lower interest.

This is broken down as follows:

- net interest costs of €nil. 233 (€nil. 271 at 30 September 2009) inclusive of the premiums collected/paid on the hedging of interest-rate risk (interest-rate swaps)

for a net costs of €nil. 2 (net cost of €nil. 47 in the same period of 2009). In particular, the figure for the first nine months of 2010 includes €nil. 215 (€nil.148 at 30 September 2009) of interest on bonds.

The improvement is essentially due to the combined effect of the low floating rates to which some of the bond issues were converted, lower costs for premiums collected/paid on the hedging of interest rate risk (interest rate swaps) and the closing of floating rate IRSs on the pound sterling bond issue, resulting in income of around €nil. 24.

- net income arising from exchange-rate differences of €nil 43 (€nil. 7 in net costs for the corresponding period of 2009). The improvement is due mainly to the impact of the exchange rate on derivatives hedging the pound sterling bond issue and is offset by an analogous opposite effect reflected in the fair value (exchange rate swaps).
- net income arising from the application of fair value to the income statement of €nil. 29 (€nil. 96 of net income in the same period of 2009), as detailed below:

	<i>For the nine months ended 30 September</i>					
	<i>2010</i>			<i>2009</i>		
	Income	Costs	Net	Income	Costs	Net
Exchange rate swaps	7	(47)	(40)	5	(10)	(5)
Forex options	9	(1)	8	34	-	34
Interest rate swaps	94	-	94	76	-	76
Options on STM	-	-	-	-	(9)	(9)
Ineffective component of hedging on swaps	4	(12)	(8)	18	(7)	11
Embedded derivatives	-	(18)	(18)	-	(11)	(11)
Other equity derivatives	-	(7)	(7)	-	-	-
	114	(85)	29	133	(37)	96

- net costs on exchange rate swaps include 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;
- net costs on forex options relating to options obtained to hedge underlying instruments in foreign currencies 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;
 - net income from interest-rate swaps reflects the significant reduction of interest rates (estimated on the forward curve for future rates) of which the Group could benefit thanks to the increase of the portion of bond issues transformed into variable-rate instruments via the use of derivatives (Note 14);
 - the embedded derivatives are related 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;
 - in the first quarter, Finmeccanica sold an option mirroring the earn out option held under the agreement signed with Cassa Depositi e Prestiti for the sale of its stake in STM at the end of 2009. As a result of this transaction, Finmeccanica received a total of around €mil. 8 - with the recognition of an expense over the fair value of €mil. 7, correlated with income of €mil. 8 reported among other financial income - thereby almost completely neutralising any further change in value.

During the third quarter of 2010, the Group reported a €mil. 52 decrease in net finance costs compared with the same period of 2009 (€mil. 25 in net costs in the third quarter of 2010 compared with €mil. 77 in Q3 2009). This change is mainly due to lower costs for premiums collected/paid on the hedging of interest-rate risk (interest-rate swaps), to higher net income relating to exchange-rate differences, as well as the effects of the application of the fair value method. Interest on bond issues came to €mil. 69, compared with €mil. 60 in interest in the third quarter of 2009.

27. INCOME TAXES

Income taxes amounted to €nil. 225 (€nil. 220 for the corresponding period of 2009).

The algebraic sum breaks down as follows:

	<i>For the nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
Corporate income tax (IRES)	129	190
Regional tax on productive activities (IRAP)	74	78
Benefit under consolidated tax mechanism	(51)	(83)
Other income taxes	78	63
Tax related to previous periods	(24)	(3)
Provisions for tax disputes	2	5
Deferred tax liabilities (assets) - net	17	(30)
	225	220

The decline in IRES is due to the deterioration in the tax base, while the decrease in the consolidated tax mechanism benefit was instead caused by fewer losses generated during the period and by the exhaustion of available tax losses carried forward.

Income taxes for the third quarter of 2010 amounted to €nil. 78, compared with €nil.59 for the same period of 2009.

28. CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities	<i>For the nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
Net result	321	364
Depreciation, amortisation and impairment	491	473
Share of profit (loss) of equity accounted investments	14	(14)
Income taxes	225	220
Costs of pension and stock grant plans	86	61
Net finance costs (income)	208	244
Other non-monetary items	101	97
	1,446	1,445

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 classified among “cost of services” (€mil. 2).

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 nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
Inventories	(78)	(649)
Contract work in progress and advances received	(725)	(671)
Trade receivables and payables	(483)	(163)
Changes in working capital	(1,286)	(1,483)

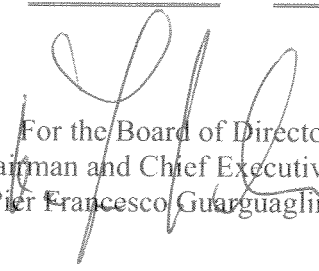
29. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

<i>Basic EPS</i>	<i>For the nine months ended 30 Sept.</i>	
	<i>2010</i>	<i>2009</i>
Average number of shares for the period (in thousands)	577,006	577,031
Net result (not including minority interests) (€mil.)	284	328
Result of continuing operations (not including minority interests) (€mil.)	284	328
<i>Basic EPS</i>	0.492	0.568
<i>Basic EPS from continuing operations</i>	0.492	0.568

<i>Diluted EPS</i>	<i>For the nine months ended 30 Sept.</i>	
	<i>2010</i>	<i>2009</i>
Average number of shares for the period (in thousands)	577,665	577,690
Adjusted result (not including minority interests) (€mil.)	284	328
Adjusted result of continuing operations (not including minority interests) (€mil.)	284	328
<i>Diluted EPS</i>	0.492	0.567
<i>Diluted EPS from continuing operations</i>	0.492	0.567


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

Declaration of the officer responsible for the interim financial report at 30 September 2010 pursuant to art. 154-bis, paragraph 2 of Legislative Decree 58/98, as amended

I, Alessandro Pansa, as joint General Manager for Finmeccanica SpA and the officer in charge of preparing the company's accounting documents, hereby declare, in accordance with the provisions of Article 154-*bis*, paragraph 2, of Legislative Decree 58/98, that the interim financial report for the period ended 30 September 2010 corresponds to the related accounting records, books and supporting documentation.

Rome, 3 November 2010

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

