

**HALF - YEAR FINANCIAL REPORT**  
**AT 30 JUNE 2012**  
**FINMECCANICA**

*Disclaimer*

*This Half-Year Financial Report at 30 June 2012 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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## Boards and Committees

### BOARD OF DIRECTORS (for the period 2011- 2013)

GIUSEPPE ORSI (1)  
Chairman and Chief Executive Officer

ALESSANDRO PANSA  
Director - Chief Operating Officer

CARLO BALDOCCI (1)  
Director (\*)

FRANCO BONFERRONI (3)  
Director

PAOLO CANTARELLA (1) (2)  
Director

GIOVANNI CATANZARO (2)  
Director

DARIO GALLI (1) (3)  
Director

IVANHOE LO BELLO  
Director (\*\*)

SILVIA MERLO (2)  
Director

FRANCESCO PARLATO (1) (3)  
Director

CHRISTIAN STREIFF (3)  
Director

GUIDO VENTURONI (2)  
Director

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LUCIANO ACCIARI  
Segretary of the Board of Directors

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MARCO IANSITI  
Director and Member of the Strategic Committee up to 11.05.2012

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### BOARD OF STATUTORY AUDITORS <sup>(i)</sup> (for the period 2012 - 2014)

#### Regular Statutory Auditors

RICCARDO RAUL BAUER  
Chairman

NICCOLO' ABRIANI

MAURILIO FRATINO

SILVANO MONTALDO

EUGENIO PINTO

#### Alternate Statutory Auditors

STEFANO FIORINI

VINCENZO LIMONE

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### INDEPENDENT LEGAL AUDITORS KPMG S.p.A. <sup>(ii)</sup> (for the period 2012 - 2020)

(\*) Director without voting right appointed by Ministerial Decree on 27.04.2011, effective from the date of appointment of the Board of Directors by the Shareholders' Meeting, pursuant to Art. 5.1-ter letter d) of the Article of Association.

(\*\*) Appointed Director, pursuant to Art. 2386 c.c., by the Board of Directors on 16.05.2012.

(1) Member of the Strategic Committee

(2) Member of the Internal Audit Committee

(3) Member of the Remuneration Committee

(i) The former Board of Statutory Auditors, whose mandate is expired with the Shareholders' Meeting as of 16.05.2012, was composed as follows: Regular Statutory Auditors - LUIGI GASPARI Chairman, GIORGIO CUMIN, MAURILIO FRATINO, SILVANO MONTALDO, ANTONIO TAMBORRINO; Alternate Statutory Auditors - MAURIZIO DATTILO, PIERO SANTONI.

(ii) The Independent Auditors' engagement entrusted to the PRICEWATERHOUSECOOPERS S.p.A. expired with the Shareholders' Meeting as of 16.05.2012.

## Finmeccanica Group

### Directors' report at 30 June 2012

#### Financial performance and financial position

##### Key performance indicators

| <i>€ million</i>                         | <b>30 June<br/>2012</b> | <b>30 June<br/>2011</b> | <b>Change</b>   | <b>2011</b>    |
|------------------------------------------|-------------------------|-------------------------|-----------------|----------------|
| <b>New orders</b>                        | <b>7,678</b>            | <b>7,566</b>            | <b>1%</b>       | <b>17,434</b>  |
| <b>Order backlog</b>                     | <b>46,060</b>           | <b>44,981</b>           | <b>2%</b>       | <b>46,005</b>  |
| <b>Revenue</b>                           | <b>8,027</b>            | <b>8,432</b>            | <b>(5%)</b>     | <b>17,318</b>  |
| <b>Adjusted EBITA</b>                    | <b>459</b>              | <b>440</b>              | <b>4%</b>       | <b>(216)</b>   |
| <b>ROS</b>                               | <b>5.7%</b>             | <b>5.2%</b>             | <b>0.5 p.p.</b> | <b>(1.2%)</b>  |
| <b>EBIT</b>                              | <b>375</b>              | <b>321</b>              | <b>17%</b>      | <b>(2,386)</b> |
| <b>Profit (loss) for the period/year</b> | <b>70</b>               | <b>456</b>              | <b>(85%)</b>    | <b>(2,306)</b> |
| <b>Net invested capital</b>              | <b>9,325</b>            | <b>11,297</b>           | <b>(17%)</b>    | <b>8,046</b>   |
| <b>Net financial position</b>            | <b>4,656</b>            | <b>4,189</b>            | <b>11%</b>      | <b>3,443</b>   |
| <b>FOCF</b>                              | <b>(1,208)</b>          | <b>(1,184)</b>          | <b>(2%)</b>     | <b>(358)</b>   |
| <b>ROI</b>                               | <b>10.6%</b>            | <b>8.2%</b>             | <b>2.4 p.p.</b> | <b>(2.4%)</b>  |
| <b>ROE</b>                               | <b>3.0%</b>             | <b>0.4%</b>             | <b>2.6 p.p.</b> | <b>(39.4%)</b> |
| <b>EVA</b>                               | <b>(48)</b>             | <b>(198)</b>            | <b>76%</b>      | <b>(956)</b>   |
| <b>Research and development expense</b>  | <b>943</b>              | <b>882</b>              | <b>7%</b>       | <b>2,020</b>   |
| <b>Workforce (no.)</b>                   | <b>68,813</b>           | <b>71,933</b>           | <b>(4%)</b>     | <b>70,474</b>  |

The income statement figures for the first half of 2012 for Ansaldo Energia group are consolidated at 55%, compared to 100% in the first half of 2011.

Reference should be made to the section entitled Non-IFRS alternative performance indicators for definitions thereof.

The results of operations of Finmeccanica group (the "group") for the first half of 2012 were better than those for the corresponding period of the previous year and in line with 2012 budget forecasts for the first half of the year.

Some of the events described in the Outlook section of the 2011 annual consolidated financial statements affected the first half of this year and will impact 2012 full-year performance. Specifically, the budget cuts for military and security investment spending since 2010 in the group's key markets (Italy, Great Britain and the United States of America), the consequent increase in

customers' attention to product performance/cost sustainability ratios and the shift in demand towards emerging countries with intense competition between companies, which is pushing prices downwards. More generally, the persistent and worsening recession in the Eurozone is making it more difficult (yet, at the same time, vital) to roll out the restructuring initiatives and even more important for companies to achieve a sound financial position.

Initiatives undertaken by Finmeccanica group during 2011 enabled the group to improve its efficiency and streamline its corporate structure by drawing up and rolling out in-depth plans (detailing actions, costs/benefits, timeframes, constraints and how the roll out is to take place) to improve competitiveness and efficiency and to reorganise each company.

Guidance and monitoring undertaken during the reporting period by the parent (as well as the improvement in the key production indicators for the companies) confirm the steps are being rolled out as scheduled in terms of physical progress and that the trend of financial statements figures is consistent with the quantitative targets in terms of overall benefits. As early as this reporting period, the results were especially strong in the Aerospace and Defence segments. However, their impact on the interim consolidated financial statements is still limited, as their progressive growth is closely related to revenue volumes in certain cases, such as purchases and controllable costs.

Even though the group's consolidated results for the first half of the year generally do not give an accurate representation of full year performance (as more than half of the group's operations take place in the second half of the year), it should be noted that the benefits seen in the second quarter of 2012 exceed those of the first quarter of the year.

Before analysing the key performance indicators, it should be noted that average euro exchange rates decreased against both the US dollar (around 8%) and the pound sterling (around 5%). The difference in the closing rates applied to statement of financial position items between 30 June 2012 and 31 December 2011 shows that the euro depreciated by 3% against both the US dollar and the pound sterling

Again for comparative purposes, it should be noted that a joint venture agreement with a leading international private equity investor specialised in the energy and natural resources sector, First Reserve Corporation, for the sale of 45% of Ansaldo Energia, was executed on 13 June 2011. Accordingly, the results of operations of Ansaldo Energia group were consolidated on a line-by-line basis until the transaction date. After such date, they were consolidated on a proportionate basis (55%). Statement of financial position items were consolidated on a proportionate basis from the transaction date. Specifically, the sale resulted in the recognition of a €443 million gain, net of taxes, in the income statement for the first half of 2011 and an overall positive impact on net financial debt of €344 million.

The main changes affecting the group's performance compared to the corresponding period of the previous year are set out below. They are analysed in greater detail in the section describing the trend of each business segment.

The following table sets out the key performance indicators by business segment:



## Key performance indicators by Finmeccanica group business segment Primary

**1st half 2012** (€million)

|                                  | New orders   | Order backlog | Revenue      | Adj. EBITA | ROS %       | R&D        | Workforce (no.) |
|----------------------------------|--------------|---------------|--------------|------------|-------------|------------|-----------------|
| Helicopters                      | 1,780        | 12,153        | 1,912        | 219        | 11.5%       | 228        | 13,091          |
| Defence Electronics and Security | 2,342        | 9,322         | 2,734        | 143        | 5.2%        | 382        | 26,037          |
| Aeronautics                      | 1,556        | 8,994         | 1,318        | 49         | 3.7%        | 148        | 12,131          |
| Space                            | 241          | 2,242         | 462          | 30         | 6.5%        | 25         | 4,172           |
| Defence Systems                  | 522          | 3,629         | 564          | 54         | 9.6%        | 125        | 3,995           |
| Energy                           | 445          | 2,077         | 306          | 21         | 6.9%        | 8          | 1,850           |
| Transportation                   | 938          | 8,336         | 940          | 8          | 0.9%        | 25         | 6,642           |
| Other activities                 | 31           | 207           | 144          | (65)       | n.a.        | 2          | 895             |
| Eliminations                     | (177)        | (900)         | (353)        |            |             |            |                 |
|                                  | <b>7,678</b> | <b>46,060</b> | <b>8,027</b> | <b>459</b> | <b>5.7%</b> | <b>943</b> | <b>68,813</b>   |

**1st half 2011** (€million)

|                                  | New orders   | Order backlog<br>at 31.12.2011 | Revenue      | Adj. EBITA | ROS %       | R&D        | Workforce (no.)<br>at 31.12.2011 |
|----------------------------------|--------------|--------------------------------|--------------|------------|-------------|------------|----------------------------------|
| Helicopters                      | 1,247        | 12,121                         | 1,831        | 188        | 10.3%       | 203        | 13,303                           |
| Defence Electronics and Security | 2,538        | 9,591                          | 2,923        | 181        | 6.2%        | 332        | 27,314                           |
| Aeronautics                      | 1,588        | 8,656                          | 1,297        | 41         | 3.2%        | 156        | 11,993                           |
| Space                            | 371          | 2,465                          | 480          | 10         | 2.1%        | 31         | 4,139                            |
| Defence Systems                  | 318          | 3,656                          | 558          | 49         | 8.8%        | 124        | 4,066                            |
| Energy                           | 798          | 1,939                          | 562          | 42         | 7.5%        | 12         | 1,872                            |
| Transportation                   | 844          | 8,317                          | 953          | 9          | 0.9%        | 24         | 6,876                            |
| Other assets                     | 230          | 256                            | 131          | (80)       | n.a.        | -          | 911                              |
| Eliminations                     | (368)        | (996)                          | (303)        |            |             |            |                                  |
|                                  | <b>7,566</b> | <b>46,005</b>                  | <b>8,432</b> | <b>440</b> | <b>5.2%</b> | <b>882</b> | <b>70,474</b>                    |

## Changes

|                                  | New orders<br>change % | Order backlog<br>change % | Revenue<br>change % | Adj. EBITA<br>change % | ROS<br>p.p. change | R&D<br>change % | Workforce (no.)<br>change % |
|----------------------------------|------------------------|---------------------------|---------------------|------------------------|--------------------|-----------------|-----------------------------|
| Helicopters                      | 43%                    | n.s.                      | 4%                  | 16%                    | 1.2 p.p.           | 12%             | (1.6%)                      |
| Defence Electronics and Security | (8%)                   | (3%)                      | (6%)                | (21%)                  | (1.0) p.p.         | 15%             | (4.7%)                      |
| Aeronautics                      | (2%)                   | 4%                        | 2%                  | 20%                    | 0.6 p.p.           | (5%)            | 1.2%                        |
| Space                            | (35%)                  | (9%)                      | (4%)                | 200%                   | 4.4 p.p.           | (19%)           | 0.8%                        |
| Defence Systems                  | 64%                    | (1%)                      | 1%                  | 10%                    | 0.8 p.p.           | 1%              | (1.7%)                      |
| Energy                           | (44%)                  | 7%                        | (46%)               | (50%)                  | (0.6) p.p.         | (33%)           | (1.2%)                      |
| Transportation                   | 11%                    | n.s.                      | (1%)                | (11%)                  | (0.1) p.p.         | 4%              | (3.4%)                      |
| Other assets                     | (87%)                  | (19%)                     | 10%                 | (19%)                  | n.a.               | n.a.            | (1.8%)                      |
|                                  | <b>1%</b>              | <b>n.s.</b>               | <b>(5%)</b>         | <b>4%</b>              | <b>0.5 p.p.</b>    | <b>7%</b>       | <b>(2.4%)</b>               |

In commercial terms, the group's **new orders** of the first half of 2012 totalled €7,678 million, with a €12 million increase over the €7,566 million figure for the corresponding period of the previous year. On a like-for-like basis, new orders at 30 June 2011 would have been approximately €7,207 million.

New orders increased in the following business segments:

- *Helicopters*: mainly due to orders for the new AW169 and AW189 models (for a total of 62 units) which represent around 32% of the total amount thereof;
- *Defence Systems*: due to the agreement of an important contract with the Indian Air Force for *missile systems* and an order to supply additional VBM armoured vehicles to the Italian Army in the *land weapon systems*;
- *Transportation*: due mainly to the *signalling and transportation solutions* line;

This improvement is partially offset by the decrease seen mainly in the following business segments:

- *Space*: related solely to the *manufacturing* line, due to the decreased purchases in the *commercial telecommunications* and *earth observation* areas. Moreover, the *manufacturing* line had benefitted from an important new satellite navigation order related to the Galileo programme (group's portion of €1 million) in the first half of 2011;
- *Other activities*: which had benefitted from FATA's significant new orders in Oman in the first half of 2011.

The *Defence Electronics and Security*, *Aeronautics* and *Energy* business segments were substantially stable (on a like-for-like basis).

\* \* \* \* \*

The **order backlog** at 30 June 2012 totalled €46,060 million, up €55 million over the €46,005 million figure at 31 December 2011.

The net increase is also affected by the translation of foreign currency orders following the appreciation of both the US dollar and the pound sterling against the euro at 30 June 2012 (€64 million).

The orders backlog, considered in terms of its workability, ensures around two and a half years of production for the group.

\* \* \* \* \*

| <i>Reclassified income statement</i><br>€million                            | Note  | <i>For the first six months of</i> |                   |
|-----------------------------------------------------------------------------|-------|------------------------------------|-------------------|
|                                                                             |       | <u>2012</u>                        | <u>2011</u>       |
| <b>Revenue</b>                                                              | 23    | 8,027                              | 8,432             |
| Purchases and personnel expense                                             | (*)   | (7,268)                            | (7,671)           |
| Amortisation and depreciation                                               | 26    | (279)                              | (294)             |
| Other net operating expense                                                 | (**)  | (21)                               | (27)              |
| <b>Adj. EBITA</b>                                                           |       | <u><b>459</b></u>                  | <u><b>440</b></u> |
| Non-recurring expense                                                       |       | -                                  | (51)              |
| Restructuring costs                                                         |       | (40)                               | (27)              |
| Amortisation of intangible assets acquired as part of business combinations | 26    | (44)                               | (41)              |
| <b>EBIT</b>                                                                 |       | <u><b>375</b></u>                  | <u><b>321</b></u> |
| Net financial income (expense)                                              | (***) | (219)                              | 251               |
| Income taxes                                                                | 29    | (86)                               | (116)             |
| <b>PROFIT FOR THE PERIOD BEFORE DISCONTINUED OPERATIONS</b>                 |       | <u><b>70</b></u>                   | <u><b>456</b></u> |
| Profit (loss) from discontinued operations                                  |       | -                                  | -                 |
| <b>PROFIT FOR THE PERIOD</b>                                                |       | <u><b>70</b></u>                   | <u><b>456</b></u> |

Notes to the reconciliation between the reclassified income statement and the income statement included in the condensed consolidated interim financial statements:

(\*) The captions "Purchases and personnel expense" are recognised net of "Restructuring costs".

(\*\*) Includes the net amount of "Other operating income" and "Other operating costs" (net of restructuring costs, impairment of goodwill, non-recurring income (expense) and gross of impairment losses).

(\*\*\*) Includes the captions "Financial income, "Financial expense" and "Share of profits (losses) of equity-accounted investees".

**Revenue** for the first half of 2012 totalled €8,027 million, compared to €8,432 million for the corresponding period of the previous year, with a €405 million decrease (-4.8%). On a like-for-like basis, consolidated revenue for the first half of 2011 would have amounted to roughly €8,179 million.

The decrease in revenue is largely related to the *Defence Electronics and Security* business segment due to decreased DRS activities related to programmes for the US Armed Forces, as forecast, as and the drop in production volumes in the *command and control systems* and *information technology and security* lines, which were also impacted by the freezing of the Ministry for the Environment, Land and Sea concerning the SISTRI programme.

On a like-for-like basis, operations were largely in line with those of the corresponding period of the previous year in all the other business segments, except for Helicopters, which increased due to the different revenue mix.

**Adjusted EBITA** for the first half of 2012 totalled €459 million, compared to €440 million in the corresponding period of the previous year, with a net increase of €19 million. On a like-for-like basis, the group's adjusted EBITA for the first half of 2011 would have been €421 million.

Adjusted EBITA increased in the following business segments:

- *Helicopters*: partly due to the increase in production volumes and partly to the streamlining and cost-saving initiatives rolled out at the end of last year;
- *Aeronautics*: mainly due to the improvement in operating costs and efficiency, thanks to the restructuring and reorganisation process underway;
- *Space*: due to the greater profit margins on certain *manufacturing* lines and the benefits brought by the streamlining actions, especially in the *satellite services* line;
- *Other activities*: substantially attributable to the parent for the positive outcome of the streamlining and cost-saving actions, which are progressing as expected.

Adjusted EBITA in the *Defence Electronics and Security* business segment decreased mainly due to DRS's drop in production volumes. The lower volumes and deterioration in the mix in the *command and control systems, information technology and security* and *integrated communication systems and networks* lines were substantially offset by savings generated by the competitiveness, efficiency and reorganisation plans underway.

The *Defence Systems, Transportation* and *Energy* business segment results were substantially stable (on a like-for-like basis).

As a result of these changes, **ROS** came to 5.7%, compared to 5.2% in the first half of 2011.

The €4 million increase in **EBIT** follows the improvement in the adjusted EBITA (€19 million) and lower restructuring/adjustment costs (€35 million) incurred during the reporting period.

**Net financial expense** of €19 million increased €12 million over the corresponding period of 2011 (net financial expense of €207 million, net of the effect of the sale of the 45% stake in Ansaldo Energia, which generated a €458 million gain). This trend related particularly to the group's share of losses of equity-accounted investees, which totalled €13 million, compared to €9 million in the first half of 2011.

The effective **tax rate** for the first half of 2012 was -55.13% (-20.28% for the first half of 2011; -88.6% net of the gain on the partial sale of Ansaldo Energia). The tax rate is impacted by the seasonal nature of results of operations and should come into line with historical rates over the course of 2012.

Taxes (a total of €36 million in the first half of 2012 compared to €16 million in the first half of 2011) and the effective tax rate are as follows for each tax type:

- IRAP (regional tax on production activities): €46 million, or -29.49% (€50 million for the first half of 2011, or -8.74%).

- o IRES (Corporate income tax) and deferred taxes: net benefit of €12 million, or 7.69% (€ million for the first half of 2011, or 0.35%);
- o Other taxes (mainly relating to foreign companies): €52 million, or -33.33% (€68 million for the first half of 2011, or -11.89%).

The **profit for the period** came to €70 million (€13 million in the corresponding period of the previous year, net of the effect of the sale of the 45% stake in Ansaldo Energia, which generated a €443 million net gain). The net increase was mainly due to the improvement in EBIT (€54 million), the increase in net financial expense (€12 million) and the decrease in taxes (€15 million, net of the tax effect of the gain on sale).

\* \* \* \* \*

| <b>Reclassified statement of financial position</b><br>€ million | <b>Note</b> | <b>30.06.2012</b> | <b>31.12.2011</b> |
|------------------------------------------------------------------|-------------|-------------------|-------------------|
| Non-current assets                                               |             | 13,738            | 13,543            |
| Non-current liabilities                                          | (*)         | (4,167)           | (4,145)           |
|                                                                  |             | <b>9,571</b>      | <b>9,398</b>      |
| Inventories                                                      |             | 4,895             | 4,486             |
| Trade receivables                                                | (**) 13     | 9,450             | 8,932             |
| Trade payables                                                   | (***) 21    | (13,070)          | (13,162)          |
| <b>Working capital</b>                                           |             | <b>1,275</b>      | <b>256</b>        |
| Current provisions for risks and charges                         | 18          | (899)             | (932)             |
| Other current liabilities, net                                   | (****)      | (622)             | (676)             |
| <b>Net working capital</b>                                       |             | <b>(246)</b>      | <b>(1,352)</b>    |
| <b>Net invested capital</b>                                      |             | <b>9,325</b>      | <b>8,046</b>      |
| Equity attributable to the owners of the parent                  |             | 4,361             | 4,301             |
| Equity attributable to non-controlling interests                 |             | 309               | 303               |
| <b>Equity</b>                                                    | 16          | <b>4,670</b>      | <b>4,604</b>      |
| <b>Net financial debt</b>                                        | 17          | <b>4,656</b>      | <b>3,443</b>      |
| <b>Net assets held for sale</b>                                  | (*****)     | <b>(1)</b>        | <b>(1)</b>        |

Notes to the reconciliation between the reclassified statement of financial position and the statement of financial position included in the condensed consolidated interim financial statements:

(\*) Includes all non-current liabilities net of “Non-current loans and borrowings”

(\*\*) Includes “Contract work in progress, net”

(\*\*\*) Includes “Progress payments and advances from customers, net”

(\*\*\*\*) Includes “Tax assets”, “Other current assets” and “Derivative assets”, net of “Tax liabilities”, “Other current liabilities” and “Derivative liabilities”.

(\*\*\*\*\*) Includes the net amount of “Non-current assets held for sale” and “Liabilities associated with assets held for sale”.

At 30 June 2012, **net invested capital** totalled €9,325 million, compared to €8,046 thousand at 31 December 2011, with a net increase of €1,279 million. An in-depth review of the group’s invested capital (both non-current and working capital) was carried out at 31 December 2011, leading to the

recognition of impairment losses on development expense for products whose commercial outlook in terms of cost/performance no longer offered an adequate return on the investment, and significant impairment losses on goodwill recognised in relation to specific assets following defence and security budget cuts in the group's main markets which impacted the companies' growth prospects.

Net invested capital was also impacted by the accruals made for the roll out of the restructuring plans involving the Aeronautics, Defence Electronics and Security and Transportation (*vehicle* line) business segments in particular. This resulted in the amount of net invested capital being more sustainable and consistent with the forecast growth in the group's profitability and the indicators adequately represent the return on invested capital. The increase in net invested capital in the first half of 2012 is substantially due to the typically negative performance of the Free Operating Cash Flow (FOCF) as a component of net working capital in this part of the year, as described below.

**Net working capital** consequently increased by €1,106 million (a negative €246 million at 30 June 2012 and a negative €1,352 million at 31 December 2011).

**Non-current assets, net** increased by a net €173 million (€9,571 million at 30 June 2012 and €9,398 million at 31 December 2011), mainly due to investments, net of amortisation/depreciation of the period and the exchange rate differences arising from the translation of financial statements prepared in currencies other than the euro (particularly following the appreciation of both the US dollar and pound sterling against the euro), which resulted in goodwill for the foreign companies higher by €10 million.

In respect of the increase in net invested capital compared to 30 June 2011 (amounts in brackets), ROI was 10.6% (8.2%), EVA was a negative €48 million (negative €198 million) and ROE was 3.0% (0.4%).

**FOCF** should be considered in terms of the period of the year (seasonality), when there are significantly more payments of trade payables than collections of trade receivables. At 30 June 2012, FOCF was therefore a negative (use of cash) €1,208 million, compared to a negative €1,184 million at 30 June 2011, with a net deterioration of €24 million due mainly to cash flows used in operating activities (increase of €52 million), while cash flows used in investing activities improved.

In the first half of the year, investment activities necessary to develop products were concentrated in the Aeronautics business segment (around 38%), while the Defence Electronics and Security and Helicopters business segments accounted for 23% each.

|                                                                                           | <i>For the first six months of</i> |                |
|-------------------------------------------------------------------------------------------|------------------------------------|----------------|
|                                                                                           | <u>2012</u>                        | <u>2011</u>    |
| <b>Opening cash and cash equivalents</b>                                                  | <b>1,331</b>                       | <b>1,854</b>   |
| Gross cash flows from operating activities                                                | 818                                | 802            |
| Change in other operating assets and liabilities and provisions for risks and charges (*) | (497)                              | (619)          |
| <b>Funds from operations (FFO)</b>                                                        | <b>321</b>                         | <b>183</b>     |
| Change in working capital                                                                 | (1,186)                            | (996)          |
| <b>Cash flows used in operating activities</b>                                            | <b>(865)</b>                       | <b>(813)</b>   |
| Cash flows used in ordinary investing activities                                          | (343)                              | (371)          |
| <b>Free operating cash flow (FOCF)</b>                                                    | <b>(1,208)</b>                     | <b>(1,184)</b> |
| Strategic transactions                                                                    | -                                  | 473            |
| Change in other investing activities (**)                                                 | (6)                                | 21             |
| <b>Cash flows generated by (used in) investing activities</b>                             | <b>(349)</b>                       | <b>123</b>     |
| Net change in loans and borrowings                                                        | 694                                | (127)          |
| Dividends paid                                                                            | (17)                               | (258)          |
| <b>Cash flows generated by (used in) financing activities</b>                             | <b>677</b>                         | <b>(385)</b>   |
| Exchange rate gains and losses                                                            | 20                                 | (45)           |
| <b>Closing cash and cash equivalents</b>                                                  | <b>814</b>                         | <b>734</b>     |

(\*) Includes the amounts of "Change in other operating assets and liabilities", "Dividends paid", "Income taxes paid" and "Change in provisions for risks and charges".

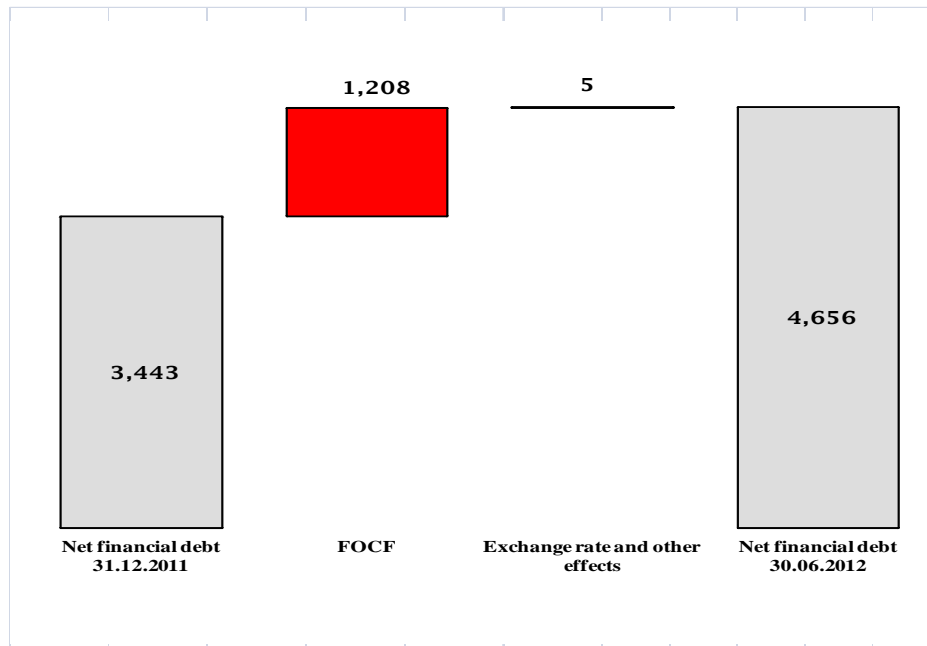
(\*\*) Includes "Other investing activities", dividends received by subsidiaries and coverage of losses carried out in subsidiaries.

\* \* \* \* \*

The group's **net financial debt** (greater loans and borrowings than loans and receivables and cash and cash equivalents) at 30 June 2012 was €4,656 million (€3,443 million at 31 December 2011), with a net increase of €1,213 million.

The following graph shows the most significant changes affecting net financial debt:

*Net financial debt at 30 June 2012 - € million.*



Net financial debt may be analysed as follows:

| <i>€ million</i>                                            | <u>30.06.2012</u> | <u>31.12.2011</u> |
|-------------------------------------------------------------|-------------------|-------------------|
| Current loans and borrowings                                | 1,026             | 414               |
| Non-current loans and borrowings                            | 4,409             | 4,397             |
| Cash and cash equivalents                                   | (814)             | (1,331)           |
| <b>NET BANK LOANS AND BORROWINGS AND BONDS</b>              | <b>4,621</b>      | <b>3,480</b>      |
| Securities                                                  | (35)              | (40)              |
| Related party loans and receivables                         | (194)             | (184)             |
| Other loans and receivables                                 | (783)             | (887)             |
| <b>SHORT-TERM CURRENT LOANS, RECEIVABLES AND SECURITIES</b> | <b>(1,012)</b>    | <b>(1,111)</b>    |
| Relates party loans and borrowings                          | 914               | 949               |
| Other current loans and borrowings                          | 75                | 66                |
| Other non-current loans and borrowings                      | 58                | 59                |
| <b>OTHER LOANS AND BORROWINGS</b>                           | <b>1,047</b>      | <b>1,074</b>      |
| <b>NET FINANCIAL DEBT</b>                                   | <b>4,656</b>      | <b>3,443</b>      |

Like in previous reporting periods, the 30 June 2012 net financial debt does not include the fair value (-€20 million; €8 million at 31 December 2011) of derivatives at the reporting date.



The net financial debt at the end of the first half of 2012, which reflects the typically negative impact of the FOCF of the period, is not materially impacted by non-recurring transactions, while it was affected by the appreciation of the US dollar and the pound sterling against the euro compared with 31 December 2011. It also includes the €7 million ordinary dividend paid by Ansaldo STS to its non-controlling shareholders for 2011.

The group factored loans and receivables without recourse during the period for a nominal amount of approximately €364 million (€246 million in the first half of 2011).

The net financial debt also benefitted from the opportunity offered by the national tax consolidation scheme to immediately offset taxes, with a consequent lower outlay of around €101 million during the reporting period.

The net financial debt, and bank loans and borrowings and bonds in particular, which increased from €3,480 million at 31 December 2011 to €4,621 million at 30 June 2012, shows the following main changes:

- current loans and borrowings increased from €114 million at 31 December 2011 to €1,026 million, mainly due to use of the short-term revolving credit facility, as well as the recognition of accrued interest on bonds maturing within one year, net of payments of the period;
- non-current loans and borrowings increased from €4,397 million at 31 December 2011 to €4,409 million, substantially due to the net effect of the repurchase of around €1 million (approximately \$66 million) of bonds maturing in July 2019, bearing interest at 6.25%, issued by Meccanica Holdings USA in 2009 for a total of \$500 million, and the appreciation of the US dollar and pound sterling against the euro;
- cash and cash equivalents decreased from €1,331 million at 31 December 2011 to €814 million, mainly as a result of the funding of cash requirements for the period. Cash and cash equivalents include cash available directly at the parent and the subsidiaries, as well as at companies and joint ventures not part of the centralised treasury system.

“Loans and receivables and securities” of €1,012 million (€1,111 million at 31 December 2011) include, *inter alia*, around €712 million (€764 million at 31 December 2011) due to the MBDA and Thales Alenia Space joint ventures from the other venturers under treasury agreements. Under the consolidation method adopted, these receivables are consolidated by the group on a proportionate basis, as are all other amounts relating to the joint ventures. The caption also includes the amounts

due from the Ansaldo Energia joint venture of €127 million (€126 million at 31 December 2011), representing the portion not eliminated on proportionate consolidation.

“Related party loans and borrowings from related parties” of €14 million (€49 million at 31 December 2011) includes the unconsolidated amount of €703 million (€701 million at 31 December 2011) due from group companies to the MBDA and Thales Alenia Space joint ventures, as well as €61 million (€47 million at 31 December 2011) due to Eurofighter, in which Alenia Aermacchi has a 21% investment. Pursuant to existing agreements, Eurofighter lent excess cash to its shareholders. This caption also includes the unconsolidated portion of amounts due from group companies to the Ansaldo Energia joint venture, of €102 million (€139 million at 31 December 2011).

To fund the group’s ordinary operations, Finmeccanica agreed a Revolving Credit Facility with a pool of domestic and international banks in September 2010 for a total of €2,400 million, with a final maturity date of September 2015. At 30 June 2012, it was used for €30 million.

Finmeccanica also has additional short-term uncommitted credit lines of approximately €32 million which were unused at 30 June 2012. There are uncommitted unsecured credit lines approximating €1,877 million.

\* \* \* \* \*

**Research and development** expense for the first half of 2012 totalled €43 million, up €1 million over the €82 million figure for the corresponding period of the previous year.

In the *Aeronautics* business segment, research and development expense came to €148 million (around 16% of the amount for the entire group) and comprises the progress made on the main programmes under development: M346, C27J, B787 basic version and Unmanned Aerial Vehicles, and in activities related to innovative aerostructures using composite materials and system integration. Development also continued on important military (EFA, AMX and Neuron) and civil (C-Series and B787-9 derivative version) programmes.

In the *Defence Electronics and Security* business segment, research and development expense totalled €82 million (around 41% of the amount for the entire group) and mainly comprises:

- *avionics and electro-optical systems*: EFA programme developments; new systems and sensors for Unmanned Aerial Vehicles; new surveillance and combat electronic-scan radars; improvements to avionics suite to meet the requirements of new fixed-and rotary-wing platforms;
- *major integrated defence and security systems*: the continuation of activities for the Kronos 3D surveillance radar and the active multifunctional MFRA; the upgrade of current SATCAS

products; the programme to develop capabilities and technologies for the architectural design and development of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal); the roll-out of the naval combat systems programme;

- *integrated communication systems and networks*: development of TETRA technology products and software defined radio products; on satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions.

In the *Helicopters* business segment, research and development expense totalled €228 million (around 24% of the amount for the entire group) and mainly related to the following development activities:

- technologies for mainly military use for a new 8 tonne class helicopter (AW149);
- multi-role versions of the AW609 convertiplane for national security which is fully owned by and, since mid-November 2011, under the full responsibility of AgustaWestland.

\* \* \* \* \*

The **workforce** at 30 June 2012 numbered 68,813, with a net decrease of 1,661 employees over the 70,474 employees at 31 December 2011, substantially as a result of the steps taken to reduce and streamline the workforce as part of the group's reorganisation and restructuring plan, especially in the *Defence Electronics and Security*, *Helicopters*, *Defence Systems* and *Transportation* business segments.

A breakdown of the workforce by geographical segment at the end of the first half of 2012 was substantially unchanged from 31 December 2011, with around 58% located in Italy and 42% abroad, mainly in the United States of America (14%), the United Kingdom (13%) and France.

## **Related party transactions**

Finmeccanica S.p.a. acts as a holding company with industrial and strategic coordination of its subsidiaries and joint ventures. Pursuant to IAS 24, as well as those companies in which Finmeccanica S.p.a. has a direct or indirect controlling interest, related parties include associates, joint ventures and consortia, key management personnel and their close family members, as well as entities controlled by the Ministry of Economy and Finance (“MEF”).

Specifically, receivables and payables due from/to investees concern trading, financial and other transactions and relate to ordinary accounts for the settlement of intragroup receivables and payables, ordinary financing granted/obtained and the charging of related interest income or expense and services provided to group companies, including as part of management and coordination activities.

Transactions with investees relate to ordinary operations. They take place on an arm’s length basis (unless governed by specific contractual terms). They also include contractually-governed transactions of a tax nature for those companies participating in the national tax consolidation scheme.

Finmeccanica issued in 2010, and subsequently updated on 13 December 2011, a specific “Procedure for related party transactions” pursuant to CONSOB (the Italian Commission for Listed Companies and the Stock Exchange) Regulation no. 17221 of 12 March 2010 containing provisions on “related party transactions”, subsequent CONSOB Resolution no. 17389 of 23 June 2010, and article 2391-*bis* of the Italian Civil Code - available on the company’s website (under *Investor Relations/Corporate Governance/Related parties transactions*).

Pursuant to article 5.8 of CONSOB Regulation no. 17221 of 12 March 2010, it should be noted that the following significant transactions were carried out in the first half of 2012 and benefitted from the exemption provided for by article 14.2 of the CONSOB Regulation and article 11.2.e) of the Procedure for related party transactions for transactions between Finmeccanica and its subsidiaries or amongst its subsidiaries.

These transactions, performed at carrying amount, did not impact the condensed consolidated interim financial statements at 30 June 2012.

| Parties involved    |                                 | Relationship      | Purpose of the transaction                                                                                    | Transaction consideration |
|---------------------|---------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------|---------------------------|
| Finmeccanica S.p.a. | SELEX Electronic Systems S.p.A. | Subsidiary (100%) | Sale of the SELEX Galileo Ltd equity investment from Finmeccanica S.p.a. to SELEX Electronic System S.p.A.    | €1,177 million (*)        |
| Finmeccanica S.p.a. | SELEX Electronic Systems S.p.A. | Subsidiary (100%) | Sale of the SELEX Galileo S.p.A. equity investment from Finmeccanica S.p.a. to SELEX Electronic System S.p.A. | €365 million (*)          |
| Finmeccanica S.p.a. | SELEX Electronic Systems S.p.A. | Subsidiary (100%) | Granting of financing by Finmeccanica S.p.a. to SELEX Electronic System S.p.A.                                | €82 million               |

(\*) Reference should be made to the section “Significant events of and after the reporting period” for further details on these transactions.

Moreover, the following mergers took place involving companies held by Finmeccanica S.p.a. which did not affect Finmeccanica group’s condensed consolidated interim financial statements at 30 June 2012:

- the wholly-owned subsidiary Alenia Aermacchi S.p.A. (merged company) was merged into the wholly-owned Aeronautica S.p.A. (merging company), subsequently renamed Alenia Aermacchi S.p.A., with effect from 1 January 2012;
- the subsidiary Telespazio Holding S.r.l. (merged company), in which the parent has a 67% investment, was merged into the wholly-owned Telespazio S.p.A. (merging company), held at 67%, with effect from 20 February 2012;
- the subsidiary Ansaldo Energia Holding S.p.A. (merged company), in which the parent has a 55% interest, was merged into Ansaldo Energia S.p.A. (merging company), held at 55%, with effect from 30 June 2012.

No changes or developments have taken place in relation to the related party transactions described in the directors’ report at 31 December 2011 having a significant effect on Finmeccanica group’s financial position at 30 June 2012, or its results of operations and its cash flows for the period then ended.

In the first half of 2012, other key related party transactions performed directly by Finmeccanica S.p.a. or through its subsidiaries are exempt and do not have a material impact. They are described in the section “Significant events of and after the reporting period” (in the section describing the reorganisation of the Aeronautics and Defence Electronics and Security business segments).

## Non-IFRS alternative performance indicators

Finmeccanica's management assesses the performance of the group and the business segments using certain indicators that are not defined by the IFRS. Specifically, adjusted EBITA is used as the main profitability indicator as it enables group profitability to be analysed eliminating the volatility effects of non-recurring items or items unrelated to ordinary activities.

The components of each indicator are described below as required by CESR/05 - 178b Communication:

- **EBIT**: earnings before interest and taxes, before any adjustment. EBIT excludes gains or losses on unconsolidated equity investments and securities, as well as any gains or losses on sales of consolidated equity investments, which are classified under “*financial income and expense*” or “*share of profit (loss) of equity-accounted investees*” if related to equity-accounted investments.
- **Adjusted EBITA (Adj)**: is the EBIT as described above, net of:
  - any impairment of goodwill;
  - amortisation of the portion of purchase price allocated to intangible assets acquired as part of business combinations, pursuant to IFRS 3;
  - restructuring costs in relation to defined and significant plans;
  - other income or expense not of an ordinary nature, i.e., related to particularly significant events unrelated to ordinary activities.

Adjusted EBITA is used to calculate ROS (return on sales) and annualised ROI (return on investments) (the ratio of annualised adjusted EBITA to the average invested capital of the period). Until 30 September 2011, this indicator was calculated based on the last 12 months in the interim reports.

A reconciliation of EBIT and adjusted EBITA for the reporting period and corresponding period of the previous year is set out below:

| <i>€million</i>                                                             | <i>Six months ended 30 June</i> |             |             |
|-----------------------------------------------------------------------------|---------------------------------|-------------|-------------|
|                                                                             | <b>2012</b>                     | <b>2011</b> | <i>Note</i> |
| EBIT                                                                        | 375                             | 321         |             |
| Amortisation of intangible assets acquired as part of business combinations | 44                              | 41          | 26          |
| Non-recurring expense                                                       | -                               | 51          |             |
| Restructuring costs                                                         | 40                              | 27          | 24/25       |
| <b>Adjusted EBITA</b>                                                       | <b>459</b>                      | <b>440</b>  |             |

Specifically, non-recurring expense recognised in the first half of 2011 was generated by the discontinuance of the business of manufacturing non-proprietary civil and military aircraft (Aeronautics division).

Note 8 sets out the EBIT and adjusted EBITA reconciliation by division.

- ***Free Operating Cash Flows (FOCF)***: this indicator is the sum of cash flows generated by (used in) operating activities and cash flows generated by (used in) investing and disinvesting in property, plant and equipment, intangible assets and equity investments, net of cash flows from acquisitions and sales of equity investments which are deemed “*strategic*” due to their nature or importance. The reclassified statement of cash flows set out in the previous paragraph shows how FOCF is arrived at for the current reporting period and corresponding period of the previous year.
- ***Funds From Operations (FFO)***: this indicator is the cash flows generated by (used in) operating activities, net of changes in working capital (see Note 30). The reclassified statement of cash flows set out in the previous paragraph shows how FFO is arrived at for the current reporting period and the corresponding period of the previous year.
- ***Economic value added (EVA)***: is the difference between adjusted EBITA net of income taxes and the cost of the average invested capital (on a like-for-like basis) of the current reporting period and the corresponding period of the previous year measured on the basis of the weighted average cost of capital (WACC).
- ***Working capital***: comprises trade receivables and payables, work in progress and progress payments and advances from customers.
- ***Net working capital***: is working capital less provisions for current risks and other current assets and liabilities.

- ***Net invested capital:*** is the sum of non-current assets, non-current liabilities and net working capital.
- ***Net financial debt:*** the calculation method complies with paragraph 127 of CESR/05-054b recommendations implementing EC Regulation no. 809/2004. See note 17 for its breakdown.
- ***Research and development expense:*** the group classifies all internal and external costs incurred in projects to develop or roll out new technologies, know how, materials, products and process as research and development expense. They may be partially or fully repaid by the customer, funded by public institutions via grants or other incentivising laws or be incurred by the group. Research and development expense may be recognised in the following different ways:
  - they are recognised as “work in progress” if they are repaid by the customer under existing contracts;
  - they are expensed as incurred if they relate to research activities, that is, the activity is at a stage such that it cannot be demonstrated that it will generate future economic benefits;
  - if they qualify as development activities with respect to which the group can demonstrate the technical feasibility, the ability and intention to complete them and there is a potential market such to generate future economic benefits, they are capitalised under “Intangible assets”. Any grants received or to be received related to such expense are recognised as a decrease of the carrying amount of the intangible assets.
- ***New orders:*** are the sum of the contracts agreed with customers during the reporting period that meet the contractual requirements to be recorded in the orders book.
- ***Order backlog:*** is the difference between new orders and revenue (work invoiced for the period, less the change in contract work in progress). This difference is added to the backlog for the previous period.
- ***Workforce:*** is the number of employees recorded in the register on the reporting date.



## Performance by division

### HELICOPTERS

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 1,780      | 1,247      | 3,963      |
| Order backlog            | 12,153     | 11,328     | 12,121     |
| Revenue                  | 1,912      | 1,831      | 3,915      |
| Adjusted EBITA           | 219        | 188        | 417        |
| ROS                      | 11.5%      | 10.3%      | 10.7%      |
| Research and development | 228        | 203        | 472        |
| Workforce (no.)          | 13,091     | 13,419     | 13,303     |

Finmeccanica group is an international leader in the civil and military helicopters segment through its subsidiary AgustaWestland NV and its investees.

The volume of **new orders** for the reporting period came to €1,780 thousand, up 42.7% over the corresponding period of the previous year (€1,247 million). Helicopters (new and upgrades) account for 77.9%, while product support (spare parts and overhauls) engineering and production account for 22.1%. The increase is largely due to the new AW169 and AW189 models (a total of 62 units), which represent 32% of the total new orders of the first half of 2012.

The most important new orders of the period in the *military-government* line include:

- the contract to supply six AW Super Lynx 300 helicopters to a key customer in the southern Mediterranean area (2Q);
- the contract to supply five AW169 units to a United Arab Emirates governmental customer (2Q);
- orders to supply two law enforcement-configured AW139 helicopters to the Japanese National Police Agency (1Q);
- the contract to supply one AW109 helicopter to the Chilean military police (1Q).

New orders were received for 94 units in the *civil-government* line. The most important new orders include:

- the supply of 15 off-shore-configured AW189 helicopters to Gulf Helicopters to support oil platforms in the Middle East (1Q);
- the supply of five AW169 helicopters to the air rescue services provider, Inaer Aviation Spain (1Q).

The **order backlog** at 30 June 2012 came to €2,153 million, in line with 31 December 2011 (€2,121 million). Helicopters (new and upgrades) account for 66%, while product support (spare parts and overhauls), engineering and production account for 34%. This amount ensures around three years of production.

**Revenue** for the six months ended 30 June 2012 came to €1,912 million, up slightly (+4.4%) over the six months ended 30 June 2011 (€1,831 million), due to the different revenue mix, with the helicopter component growing significantly in certain production lines (AW101, AW139); the product support area also performed strongly, with an overall growth of 1.5%.

**Adjusted EBITA** for the six months ended 30 June 2012 came to €219 million, up 16.5% over the six months ended 30 June 2011 (€188 million). This improvement is consistent with the breakdown of revenue and is partially due to the above-mentioned increase in production volumes and partly to the streamlining and restructuring initiatives rolled out at the end of last year. **ROS** consequently increased 1.2% to 11.5%, from 10.3% for the period ended 30 June 2011.

**Research and development** expense for the reporting period came to €228 million (€203 million for the first half of 2011) and mainly relates to the development of:

- technologies for mainly military use for a new 8 tonne class helicopter (AW149);
- multi-role versions of the AW609 convertiplane for national security which is fully owned by and, since mid-November 2011, under the full responsibility of AgustaWestland.

Technology research programmes principally comprise activities concerning the European Clean Sky and ALICIA projects.

The **workforce** at 30 June 2012 numbered 13,091, down a net 212 employees on the 13,303 employees at 31 December 2011. This is mainly due to:

- the restructuring plan at the British site of Yeovil, with the laying off of 351 employees during the period and a forecast further 32 by December 2012, for a total of 383 employees;
- the outsourcing of certain non-core activities of the Polish site of Swidnik.

## **DEFENCE ELECTRONICS AND SECURITY**

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 2,342      | 2,538      | 4,917      |
| Order backlog            | 9,322      | 10,504     | 9,591      |
| Revenue                  | 2,734      | 2,923      | 6,035      |
| Adjusted EBITA           | 143        | 181        | 303        |
| ROS                      | 5.2%       | 6.2%       | 5.0%       |
| Research and development | 382        | 332        | 823        |
| Workforce (no.)          | 26,037     | 28,279     | 27,314     |

Finmeccanica group has several companies operating in the Defence Electronics and Security business segment, including SELEX Galileo group, SELEX Sistemi Integrati group, SELEX Eltag group and DRS Technologies (DRS) group.

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

Security, including protection against threats deriving from the unauthorised use of digital information and communications systems (cyber security), has become a priority issue for governments and decision makers. Capitalising on their core competencies, the companies have developed a range of products and services for government and civil security operators aiming at protecting critical and strategic infrastructures and locations, with particular attention to issues related to the security of telecommunications networks and IT systems that are the crucial core underlying the modern digital economy.

Moreover, after the merger between Eltag Datamat and SELEX Communications in 2011, Finmeccanica transferred its equity investments in SELEX Galileo Ltd, SELEX Galileo S.p.A.,

SELEX Elsag S.p.A. and SELEX Sistemi Integrati S.p.A. to its wholly-owned subsidiary, SELEX Electronic Systems S.p.A. at the beginning of 2012. See the section Industrial transactions for greater details.

**New orders** for the six months ended 30 June 2012 totalled €2,342 million, down by €196 million on those of the corresponding period of the previous year (€2,538 million).

Key new orders include:

- *avionics and electro-optical systems*: orders for the EFA programme related to avionics devices and radars for the third lot, as well as logistics (1-2Q); the order for activities related to the fixed and mobile component of the ground-based part of a ground-to-air surveillance system forming part of NATO's Alliance Ground Surveillance programme (2Q); orders for various space programmes and, specifically, as part of the Aurora Exomars and Galileo programmes (1-2Q); orders for countermeasure systems (1-2Q); the order from SAAB for development activities of the active electronic-scan radar of the Gripen NG multirole fighter (2Q); the order from the Italian Navy for the ground station supporting ATOS surveillance systems on the ATR 72 aircraft as part of its P72A programme (1Q); the order for Unmanned Aerial Vehicle systems for a foreign country (1Q); the order from the British Ministry of Defence for the supply of electro-optical turrets for the fleet of Chinooks (2Q); the order to upgrade the laser targeting capability of the Apache helicopters used by the US army (2Q); customer support orders (1-2Q);
- *command and control systems*: in the defence systems area: the order from the Italian Navy to implement the TESEO system in Orizzonte vessels; orders for the Medium Extended Air Defence System programme (1Q); the order from the Indian navy to supply a RAN 40L ship-detection radar (2Q). In the civil systems area: contracts with Uruguay's Civil Aviation Authority and the Royal Bahraini Air Force for the supply of primary and secondary radar systems to control and manage air and airport traffic (2Q);
- *integrated communication networks and systems*: the order from NATO to develop, implement and manage the Computer Incident Response Capability - Full Operating Capability programme to protect data from threats and weaknesses as part of cyber security at numerous NATO command centres and locations in various countries; the order as part of NATO's above-mentioned Alliance Ground Surveillance programme to supply the broadband data link (2Q); further orders in the EFA programme to supply various communications devices (1-2Q); orders for communications systems of the VBM and VTMM vehicles from the Italian Army (2Q); the order from Ansaldo STS to supply the communication system for the Shah-Habshan-Ruwais

railway section in the United Arab Emirates (2Q); orders for communications systems for helicopter platforms (1-2Q);

- *Information technology and security*: the order to develop and manage the Ministry of Education, University and Research's IT system (1Q); further orders from the Russian postal service to supply systems for their revenue protection programme (1Q); the order for maintenance and technical assistance services for Poste Italiane S.p.A.'s mail sorting lines and equipment (2Q);
- *DRS*: the order to supply modular fuel tanks for the US Army's Modular Fuel System (1Q); the order from the US Navy to supply electronic security services to the Space and Naval Warfare Systems Command (2Q); further orders to supply Thermal Weapon Sight vision systems used by the US Armed Forces (1-2Q); additional orders for the upgrade of the target acquisition sub-systems of the Bradley fighting vehicles (1Q); the order to supply satellite communication services as part of the Future Commercial Satellite Communications Services Acquisition programme (2Q); orders for support, technical assistance and logistics services for the Mast Mounted Sight vision system for OH-58D Kiowa Warrior helicopters (1Q).

The **orders backlog** at 30 June 2012 came to €3,322 million, compared with €3,591 million at 31 December 2011. More than one-third of this amount relates to the *avionics and electro-optical systems* line, and around one-fifth each to *command and control systems*, *major integrated systems* and *DRS* activities.

**Revenue** for the six months ended 30 June 2012 came to €2,734 million, down 6% over the six months ended 30 June 2011 (€2,923 million) due to decreased activities for the US Armed Forces, as forecast, and the fall in production volumes in the *command and control systems* and *information technology and security* lines, which were also impacted by the freezing of the Ministry for the Environment, Land and Sea concerning the SISTRI programme (see also Note 18)

Revenue was mainly generated by:

- *avionics and electro-optical systems*: the continuation of activities for the EFA programme for the production of the Defensive Aids Sub-System, equipment and avionics radars; countermeasure systems; equipment for the helicopter and space programmes; combat and surveillance radars for other fixed-wing platforms; customer support and logistics activities;
- *major integrated defence and security systems*: the continuation of activities for the NEC Force programme; progress on activities related to the Phase 2 Coastal Radar programme; activities related to the Panama Maritime Security System programme;

- *command and control systems*: the continuation of activities on the air traffic control programmes in Italy and abroad; FREMM naval contracts and modernisation of the Italian Navy's vessels; progress on the Medium Extended Air Defence System international cooperation programme; progress on the programme to supply Fixed Air Defence Radar ground radar for the domestic customer; progress on the supply of fighting systems for naval vessels for various foreign customers;
- *integrated communications systems and networks*: continuation of the activities to develop the national TETRA network; the development and manufacture of equipment for EFA and helicopter platforms; the supply of military communication systems both in Italy and the United Kingdom; continuation of activities for the FREMM programme;
- *information technology and security*: activities related to postal and industrial automation in both Italy and abroad; monitoring and physical security services for domestic customers and automation services for the public administration;
- *DRS*: the additional supply of Thermal Weapon Sight vision systems for soldiers; additional deliveries related to the programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; activities for the repair and supply of spare parts for the Mast Mounted Sight vision systems for helicopters; the continuation of the deliveries of rugged computers and monitors; supply of services and products under the Rapid Response contract and satellite communication services.

**Adjusted EBITA** for the period ended 30 June 2012 came to €143 million, down over that for the six months ended 30 June 2011 (€181 million), mainly due to the above-mentioned drop in DRS production volumes, while the impact of the lower volumes and the deterioration of the *mix* of activities in the *command and control systems*, *information technology and security* and *integrated communication systems and networks* lines were largely offset by savings generated by the plans underway to improve competitiveness and efficiency and for restructuring.

**ROS** for the first half of 2012 was 5.2%, representing a decrease over the corresponding period of the previous year of 6.2%.

In addition to implementing competitiveness, streamlining and restructuring plans, the business segment is also seeking to combine SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati into one company, within the set timeframes, while significantly streamlining technologies, product lines and industrial facilities. The aim is to establish a single entity in Europe that operates in conjunction and in coordination with DRS, which will not be affected by the business combination given the special regulations to which it is subject. The single entity will be able to successfully take on key industry players, compete on the main markets and take advantage of a technological, financial and

production structure that will make it possible to generate significant cash flows and an adequate return on invested capital.

**Research and development** expense for the reporting period came to €382 million (€332 million for the first half of 2011) and mainly relates to:

- *avionics and electro-optical systems*: EFA programme developments; new systems and sensors for Unmanned Aerial Vehicles; new surveillance and combat electronic-scan radars; improvements to avionics suite to meet the requirements of new fixed-and rotary-wing platforms;
- *major integrated defence and security systems*: the continuation of activities for the Kronos 3D surveillance radar and the active multifunctional MFRA; the upgrade of current SATCAS products; the programme to develop capabilities and technologies for the architectural design and development of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal); the roll-out of the naval combat systems programme;
- *integrated communication systems and networks*: development of TETRA technology products and software defined radio products; on satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions.

The **workforce** at 30 June 2012 numbered 26,037, down a net 1,277 employees on the 27,314 employees at 31 December 2011, due to the streamlining of the various lines underway, and DRS especially.

## AERONAUTICS

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 1,556      | 1,588      | 2,919      |
| Order backlog            | 8,994      | 8,789      | 8,656      |
| Revenue                  | 1,318      | 1,297      | 2,670      |
| Adjusted EBITA           | 49         | 41         | (903)      |
| ROS                      | 3.7%       | 3.2%       | (33.8%)    |
| Research and development | 148        | 156        | 326        |
| Workforce (no.)          | 12,131     | 12,263     | 11,993     |

*Figures related to the GIE-ATR and Superjet International joint venture are consolidated on a proportionate basis at 50% and 51%, respectively.*

The Aeronautics business segment includes Alenia Aermacchi S.p.A. (production of military aircraft for combat, transport, special missions and training, as well as civil applications such as regional turboprop aircraft, aerostructures and engine nacelles) and its subsidiaries, including the 50% GIE-ATR investment (final assembly of ATR aircraft and marketing), Alenia Aermacchi North America Inc., active on the US market also through joint ventures, and the 51% investment in Superjet International S.p.A. (sales and assistance for Superjet aircraft).

With effect from 1 January 2012, Alenia Aermacchi S.p.A. and Alenia SIA S.p.A. were merged into Alenia Aeronautica S.p.A., which changed its name to “Alenia Aermacchi S.p.A.”.

**New orders** for the reporting period came to €1,556 million, in line with the figure for the corresponding period of 2011 (€1,588 thousand). Specifically, the increased orders in the *military* line, linked to the EFA and C27J programmes, offset the drop in the *civil* line, which had experienced significant purchases of ATR aircraft in the first half of 2011.

Key new orders acquired in the first half of 2012 include:

- in the *military* line:



- for the EFA programme, the contract to supply technical-logistics services for five years. This order forms part of a broader contract agreed by the Eurofighter consortium with NETMA to support the fleet of aircraft of the programme's four partner nations: Italy, Germany, Spain and the United Kingdom (1Q);
- for the C27J programme, the order for ten aircraft for the Australian Air Force via a Foreign Military Sales agreement with the government of the United States, with the contract awarded to the partnership between L-3 - as prime contractor - and Alenia Aermacchi (2Q);
- for the Maritime Patrol version of the ATR 72 aircraft, the additional order for logistical support for the four aircraft under production ordered by the Italian Air Force in 2008 for maritime patrol (1Q);
- in the *civil* line:
  - for the ATR aircraft, GIE-ATR acquired orders for 11 aircraft, including two from the Laos-based Lao Airlines (1Q), nine from the Taiwan-based TransAsia Airways (2Q) and one from the Danish-based Nordic Aviation (2Q);
  - for aerostructures, further lots for the B767, B777, A380, ATR and A321 programmes and the production of engine nacelles (1-2Q).

The Israeli Defence Ministry's decision in February 2012 to exclusively use the M346 aircraft for trainers was a great success for the *military line's* sales area, with the supply of 30 planes. The contract was agreed in July.

The **order backlog** at 30 June 2012 was €8,994 million (€8,656 million at 31 December 2011), covering the medium/long-term. Analysing the breakdown shows a significant proportion of the EFA (41%), B787 (16%), ATR, (16%), M346 (4%) and C27J (5%) programmes.

**Revenue** for the six months ended 30 June 2012 came to €1,318 million, up slightly (+1.6%) over the six months ended 30 June 2011 (€1,297 million) due to increased operations in the *civil* line and the increased production rates for the B787, ATR and A380 aircraft, which offset the drop in activities for EFA military and transport (C27J and G222) aircraft.

**Adjusted EBITA** for the six months ended 30 June 2012 came to €49 million, up €8 million over the six months ended 30 June 2011 (€41 million), mainly due to the decrease in operating costs and the improved industrial efficiency thanks to the reorganisation underway. **ROS** was thus 3.7%, compared to 3.2% for the first half of 2011.

**Research and development** expense for the first half of 2012 came to €148 million (€156 million for the six months ended 30 June 2011) and comprises the progress made on the main programmes under development: M346, C27J, B787 basic version, and Unmanned Aerial Vehicles and in activities related to innovative aerostructures using composite materials and system integration. Development also continued on important military (EFA, AMX and Neuron) and civil (C*Series* and B787-9 derivative version) programmes.

The **workforce** at 30 June 2012 numbered 12,131, up a net 138 employees on the 11,993 employees at 31 December 2011. This is due, *inter alia*, to:

- the hiring of 395 former temporary workers, as per the agreement reached with the trade unions on 8 November 2011;
- the early retirement of 325 employees as part of the reorganisation and business reorganisation underway.

## SPACE

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 241        | 371        | 919        |
| Order backlog            | 2,242      | 2,505      | 2,465      |
| Revenue                  | 462        | 480        | 1,001      |
| Adjusted EBITA           | 30         | 10         | 18         |
| ROS                      | 6.5%       | 2.1%       | 1.8%       |
| Research and development | 25         | 31         | 77         |
| Workforce (no.)          | 4,172      | 4,095      | 4,139      |

Finmeccanica group operates in the space industry through the **Space Alliance** between Finmeccanica and Thales, via two joint ventures focused, respectively, on satellite services (Telespazio S.p.A., into which Telespazio Holding S.r.l., with registered office in Italy and key industrial facilities in Italy, France, Germany and Spain and of which Finmeccanica S.p.a. holds 67% and Thales SAS holds 33%, was merged on 20 February 2012) and manufacturing (Thales Alenia Space SAS, with registered office in France and key industrial facilities in France, Italy, Belgium and Spain, of which Finmeccanica S.p.a. holds 33% and Thales SAS holds 67%).

Telespazio operates in the following areas of the *satellite services* line: networks and connectivity (fixed and mobile telecommunication services, internet services, TV, defence and security and value added services); satellite operations (in-orbit satellite control, telemetry services, command and control, launch and early operation phase services, operating management of satellite infrastructures and telecommunications systems and television broadcasting); satellite systems and applications (design, development and management of earth centres, consulting and engineering services, development of navigation, training and meteorology software) and geoinformation (data, thematic maps, operating services and territorial monitoring and surveillance services).

Thales Alenia Space is focused on the *manufacturing* line (design, development and production) in the following areas: telecommunication satellites (commercial, government, civil and military),

scientific programmes, earth observation systems (optical and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

**New orders** for the first half of 2012 totalled €241 million, down approximately 35% on the corresponding period of the previous year (€371 million). This decrease relates in full to the *manufacturing* line due to the decrease in new orders in the *commercial telecommunications* and *earth observation systems* areas. Moreover, in the corresponding period of the previous year, the *manufacturing* line had benefitted from the significant order related to the Galileo programme (group's portion of €91 million) in the *satellite navigation* area.

The most important new orders of the period were as follows:

- in the *commercial telecommunications* line: the new orders for satellite and satellite TV services capacities (1-2Q) and supply of satellite telecommunications services (1-2Q) ;
- in the *military and government telecommunications* line: additional lots of the contract with the Italian Space Agency and the French Space Agency (CNES) for the Athena Fidus satellite (1Q) and orders for military satellite telecommunications services (1-2Q);
- in the *earth observation* line: additional lots of the order for third-generation Meteosat satellites (1-2Q) ; orders to supply Cosmo data and stations and GeoEye data (1-2Q) ;
- in the *satellite navigation* line: the order for the Egnos programme (1Q);
- in the *scientific programmes* line: an additional lot of orders under the Bepi-Colombo (1Q) and Exomars programmes (1-2Q) .

The **order backlog** totalled €2,242 million at 30 June 2012, down €223 million on the €2,465 million figure at 31 December 2011. Manufacturing activities account for 60%, while satellite services account for the remaining 40%.

**Revenue** for the first half of 2012 totalled €462 million, down €18 million from the €480 million of the corresponding period of the previous year, due to decreased production mainly in the *manufacturing* line. Production mainly related to ongoing activities in the following line:

- *commercial telecommunications*: for the W3D, APSTAR 7 and 7B and Yamal- 401 and 402 satellites and payloads; for the O3B and Iridium NEXT satellite constellations; satellite services for telecommunications and the resale of satellite capacity;
- *military telecommunications*: for the Sicral 2 and Athena Fidus satellites and the supply of satellite services;
- *earth observation*: for Sentinel mission satellites (the Kopernikus programme, previously known as GMES); for the Göktürk satellite system for the Turkish Ministry of Defence (the

programme schedule is currently under review with the latter); for the third-generation Meteosat constellation;

- *scientific programmes*: for the Exomars and Bepi-Colombo programmes;
- *satellite navigation*: for activities in the ground mission line of the Galileo programme and activities related to the Egnos programme.

**Adjusted EBITA** for the six months ended 30 June 2012 came to €30 million, up €20 million over the €10 million figure for the corresponding period of the previous year. The increase is mainly due to the greater profitability of *manufacturing* programmes (€6 million) and the improvements brought by the streamlining actions (€5 million) in the *satellite services* line. **ROS** came to 6.5%, compared to 2.1% at 30 June 2011.

**Research and development** expense for the six months ended 30 June 2012 came to €25 million, down €6 million on the corresponding period of the previous year (€31 million).

Activities mainly comprised the continued development of security systems, solutions and applications, emergency management, the Homeland Security (Kopernikus programme) and for navigation/infomobility (Galileo); aerial communication solutions (SESAR); solutions optimising the satellite band; earth observation SAR data processing systems; flexible payload devices for military communications applications; studies on landing systems for planetary exploration, on technologies for orbital structures and life-support systems.

The **workforce** at 30 June 2012 numbered 4,172, up 33 employees from the 4,139 employees at 31 December 2011.

## **DEFENCE SYSTEMS**

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 522        | 318        | 1,044      |
| Order backlog            | 3,629      | 3,532      | 3,656      |
| Revenue                  | 564        | 558        | 1,223      |
| Adjusted EBITA           | 54         | 49         | 117        |
| ROS                      | 9.6%       | 8.8%       | 9.6%       |
| Research and development | 125        | 124        | 247        |
| Workforce (no.)          | 3,995      | 4,087      | 4,066      |

The Defence Systems business segment includes the activities of MBDA, the joint venture with BAE Systems and EADS in which Finmeccanica S.p.a. has a 25% investment, in missile systems, Oto Melara group in land, sea and air weapons systems and WASS S.p.A. in underwater weapons (torpedoes and countermeasures) and sonar systems.

**New orders** for the first half of 2012 totalled €522 million, an increase over the €318 million figure for the first half of 30 June 2011, due to the agreement of an important contract with the Indian Air Force for *missile systems* and an order to supply additional VBM armoured vehicles to the Italian Army in the *land weapon systems* line. Conversely, the *underwater systems* line decreased over 30 June 2011, which had benefitted from significant foreign orders.

Key new orders of the reporting period include:

- in the *missile systems* line: the order to supply Mica air-to-air missiles as part of the upgrade of the Mirage 2000 fleet used by the Indian Air Force; customer support orders (1-2Q);
- in the *land, sea and air weapons system* line: the order for an additional lot of VBM armoured vehicles for the Italian Army (2Q) and various logistics orders;
- in the *underwater systems* line: various contracts in the heavy torpedoes and countermeasures business areas, orders related to the FREMM programme from France (2Q) and various logistics orders.

The **order backlog** at 30 June 2012 was €3,629 million, compared to €3,656 million at 31 December 2011. Around 64% of this amount relates to the *missile systems* line.

**Revenue** for the first half of 2012 came to €564 million, up slightly on the €558 million figure recognised in the corresponding period of the previous year.

Revenue was mainly generated by:

- *missile systems*: the production of Aster surface-to-air missiles, Spada aerial defence missile systems and Exocet anti-ship missiles; the development of the aerial defence system as part of the Medium Extended Air Defence System programme; customer support;
- *land, sea and air weapons systems*: production related to the VBM armoured vehicles for the Italian army; the Hitfist turret kits for Poland; activities related to the FREMM programme; the production of SampT missile launchers; the production of machine guns for various foreign customers; logistics;
- *underwater systems*: activities related to the Black Shark heavy torpedo and the A244 light torpedoes; countermeasures; FREMM-related activities; logistics.

**Adjusted EBITA** for the first half of 2012 totalled €54 million, higher than the €49 million figure recognised in the corresponding period of the previous year mainly due to the improvement in the profit margins of the *underwater systems*. **ROS** came to 9.6% (8.8% for the six months ended 30 June 2011).

**Research and development** expense for the first half of 2012 came to €125 million (€124 million for the corresponding period of the previous year). Key activities included: in the *missile systems* line, activities for the Medium Extended Air Defence System programmes and development programmes with the British Ministry of Defence, as well as the continued development of the air-to-air Meteor missile; in the *land, sea and air weapons systems* line, activities for the guided munitions programmes and to develop the 127/64 LW cannon; in the *underwater systems* line, activities related to the A244 light torpedo and the Black Shark heavy torpedo.

The **workforce** at 30 June 2012 numbered 3,995, down 71 employees from the 4,066 employees at 31 December 2011.

## **ENERGY**

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 445        | 798        | 1,258      |
| Order backlog            | 2,077      | 1,935      | 1,939      |
| Revenue                  | 306        | 562        | 981        |
| Adjusted EBITA           | 21         | 42         | 91         |
| ROS                      | 6.9%       | 7.5%       | 9.3%       |
| Research and development | 8          | 12         | 23         |
| Workforce (no.)          | 1,850      | 1,860      | 1,872      |

Finmeccanica S.p.a. sold its 45% investment in Ansaldo Energia group to the US investment fund, First Reserve Corporation on 13 June 2011. Ansaldo Energia Holding and its subsidiaries have consequently been consolidated on a proportionate basis since that date. Moreover, the merger of the parent Ansaldo Energia Holding into the subsidiary Ansaldo Energia was finalised on 30 June 2012, as agreed with First Reserve Corporation at the time the joint venture was created.

Finmeccanica group operates in the Energy business segment via Ansaldo Energia S.p.A. (in which it has a 55% investment) and its subsidiaries, Ansaldo Nucleare S.p.A., Asia Power Projects Private Ltd, Ansaldo ESG AG, the Ansaldo Thomassen group and Yeni Aen Insaat Anonim Sirketi.

The Energy business segment is specialised in supplying *plants* and *components* for energy generation (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), post-sales *services*, *nuclear* activities (plant engineering, service, waste and decommissioning) and activities for *renewable energy* generation.

Before analysing the changes between the reporting period and the corresponding period of the previous year, it should be noted that income statement figures for the first half of 2011 were consolidated on a line-by-line basis. Accordingly, to properly present the business segment's performance, changes in income statement figures will be shown and discussed on a like-for-like basis.



**New orders** for the first half of 2012 came to €445 million, down €53 million over the corresponding period of the previous year (€789 million) as a result of the change in consolidation method. On a like-for-like basis, new orders increased €6 million, largely due to purchases in the *plants and components* line and partly to *nuclear*.

Key new orders of the first half of the year include:

- in the *plants and components* line: an open-cycle plant in Algeria (Hassi Messaud) (2Q); supply of a gas turbine and alternator in Algeria (Labreg) (2Q); supply of a steam turbine and alternator in Chile (Cochrane) (2Q);
- in the *service* line, the solution contract (modifying turbine parts) related to the revamping of the nuclear turbo alternator for a power station in Argentina (Embalse) (1Q); field service contracts (1Q, 2Q);
- in the *nuclear* line, the plant engineering order in Argentina (Embalse) (1Q); the order for the full-scale prototype of the divertor's inner vertical target for a nuclear power station in France (Cardache) (2Q).

The **order backlog** at 30 June 2012 totalled €2,077 million, up €138 million over the €1,939 million figure at 31 December 2011. *Plants and components* account for 42%, while *services* account for 55% (70% of which is represented by long-term service agreements - LTSAs - for scheduled maintenance contracts) *nuclear* for 2% and *renewable energies* for the remaining 1%.

**Revenue** for the first half of 2012 came to €306 million, down €56 million over the corresponding period of the previous year (€62 million), due entirely to the change in consolidation method. On a like-for-like basis, revenue is substantially unchanged from the corresponding period of the previous year.

Revenue was mainly generated by:

- *plant and components*: work on contracts in Italy (Aprilia), Tunisia (Sousse), Egypt (El Sabtia – Cairo), Turkey (Gebze) and Algeria (Ain Djasser II, Labreg and Banha);
- *services*: LTSAs in Italy (Rosignano, Rizziconi, Servola, Vado Ligure, Naples, various Enipower facilities), Northern Ireland (Ballylumford ); in the spare part area, the activities on the gas turbines in Spain (Escatron), the Dominican Republic (San Pedro de Macoris) and Turkey (Gebze) and, finally, components for the power station in Argentina (Embalse); activities in Italy (Ferrara and Ravenna) in the *field service* area;
- *nuclear*: in the *plant engineering* area, the continuation of activities for the China project (Sanmen) in conjunction with Westinghouse for the new AP1000 nuclear reactors and

engineering activities in the Slovakia power station to complete the two VVER 440 reactors (Mochovce). In the *services* area, revamping activities at the power station in Argentina (Embalse). In the *waste and decommissioning area*, activities to treat and store radioactive waste from submarines in Russia (Andreeva Bay);

- *renewable energy*: in the *photovoltaic* area, progress on the Siracusa (Francofonte) and Avellino (Bisaccia), Martano and Soletto contracts (both in Lecce); in the *wind* area, work on the Avellino (Bisaccia) contract to build a 66 MW wind farm.

**Adjusted EBITA** for the first half of 2012 came to €21 million, down €21 million from the €42 million figure of the corresponding period of the previous year. On a like-for-like basis, adjusted EBITA is down €2 million, due mainly to the lower profitability of certain contracts in the *plant engineering* and *nuclear* lines.

**ROS** for the reporting period was 6.9%, compared to 7.5% for the first half of 2011.

**Research and development** expense for the reporting period came to €8 million, down €4 million on the corresponding period of the previous year (€12 million). On a like-for-like basis, research and development expense is up €1 million.

The **workforce** at 30 June 2012 numbered 1,850, down 22 employees on the 1,872 employees at 31 December 2011.

## **TRANSPORTATION**

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 938        | 844        | 2,723      |
| Order backlog            | 8,336      | 7,168      | 8,317      |
| Revenue                  | 940        | 953        | 1,877      |
| Adjusted EBITA           | 8          | 9          | (110)      |
| ROS                      | 0.9%       | 0.9%       | (5.9%)     |
| Research and development | 25         | 24         | 46         |
| Workforce (no.)          | 6,642      | 7,045      | 6,876      |

The Transportation business segment comprises Ansaldo STS group (*signalling and transportation solutions*), AnsaldoBreda S.p.A. and its investees (*vehicles*) and BredaMenarinibus S.p.A. (*buses*).

**New orders** for the first half of 2012 totalled €938 million, up €94 million on the €844 million figure of the corresponding period of the previous year, related mainly to the *signalling and transportation solutions* line.

Key new orders of the reporting period include:

- for the *signalling and transportation solutions* line:
  - in the *signalling* area, the order for the first two stages of a signalling system for the train line for heavy traffic use for the Roy Hill Iron Ore project in Australia (2Q); the contract agreed with Southeastern Pennsylvania Transportation Authority for the Positive Train Control integrated signalling system (1Q); the order for the new Shah-Habshan-Ruwais line in the United Arab Emirates (1Q); various components and service & maintenance contracts;
  - in the *transportation solutions* area, the AutoHaul™ contract to develop and supply an automated train management system for the heavy transport of steel for Rio Tinto Iron Ore, awarded as part of the master agreement signed with Rio Tinto Iron Ore, (2Q) and other contracts under the same contract, in Australia;

- in the *vehicles* line, the change to Trenitalia's 2010 order for high-speed trains (2Q); additional vehicles that had already been optioned for the Fortaleza metro system in Brazil (2Q); *service* orders;
- in the *bus* line, orders for five buses and various post-sales orders.

The **order backlog** at 30 June 2012 totalled €8,336 million, up €19 million over the €8,317 million at 31 December 2011. The *signalling and transportation solutions* line accounts for 67.6%, the *vehicles* line for 32.2% and the *bus* line for 0.2%.

**Revenue** for the first half of 2012 came to €40 million, compared to €53 million in the corresponding period of the previous year. Production mainly included:

- for the *signalling* and transportation solutions line:
  - in the *signalling* area, high-speed projects, train control systems and the Turin-Padua stretch in Italy; contracts for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale train lines and for the Ankara metro in Turkey; orders for Australian Rail Track in Australia; the Union Pacific Railroad project in the US; various components contracts;
  - in the *transportation solutions* area, the Copenhagen, Naples Line 6, Rome Line C, Brescia, Genoa, Milan and Riyadh (Saudi Arabia) metros; the Rio Tinto projects in Australia;
- in the *vehicles line*, double-decker carriages for Trenitalia; trains for the Danish railways; trains for the Dutch and Belgian railways; vehicles for the Fortaleza (Brazil), Milan and Riyadh (Saudi Arabia) metros; various service orders;
- in the *bus* line, various bus orders, representing 62% of this line's revenue, and post-sales activities.

**Adjusted EBITA** for the first half of 2012 totalled €8 million, substantially unchanged from the €9 million figure of the corresponding period of the previous year. The adjusted l'EBITA of the individual lines is also consistent with the corresponding period of 2011. The profitability of the *vehicles* line, which is still negative, is impacted by service-related issues, while the streamlining initiatives proceed as planned under the reorganisation plan (EOS project) launched by AnsaldoBreda's management and detailed in the 2011 consolidated financial statements. **ROS** for the business segment was 0.9% (0.9% also at 30 June 2011).

**Research and development** expense for the six months ended 30 June 2012 came to €25 million (€24 million for the first half of 2011) and mainly related to projects in the *signalling and transportation solutions* line.

The **workforce** at 30 June 2012 numbered 6,642, down a net 234 employees on the 6,876 employees at 31 December 2011. This relates to both the *vehicles* line (162 employees), including in relation to AnsaldoBreda France SAS's placement in liquidation and consequent exit from the consolidation scope, and to the *signalling and transportation solutions* line.

## **OTHER ACTIVITIES**

| €million                 | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|--------------------------|------------|------------|------------|
| New orders               | 31         | 230        | 319        |
| Order backlog            | 207        | 289        | 256        |
| Revenue                  | 144        | 131        | 305        |
| Adjusted EBITA           | (65)       | (80)       | (149)      |
| ROS                      | n.a.       | n.a.       | n.a.       |
| Research and development | 2          | -          | 6          |
| Workforce (no.)          | 895        | 885        | 911        |

This business segment includes, *inter alia*, Finmeccanica Group Services S.p.A., which manages group services, Finmeccanica Finance SA and Meccanica Holdings USA Inc, which provide the group with financial support, Finmeccanica Group Real Estate S.p.A. (FGRE), which manages, streamlines and enhances the group's real estate assets and So.Ge.Pa. S.p.A. in liquidation.

It also includes the **FATA** group, which provides plant and equipment for the processing of aluminium and steel and contracting services to electricity generation and primary aluminium production companies.

At 30 June 2012, FATA had received **new orders** of €31 million, down €199 million on the corresponding period of the previous year (€230 million). The first half of 2011 was positively affected by a large new order received from Oman.

**Revenue** for the six months ended 30 June 2012 totalled €83 million, up €30 million on the corresponding period of the previous year (€53 million).

FATA group's **workforce** at 30 June 2012 numbered 378, compared to 346 at 31 December 2011.

This business segment's figures also include **Finmeccanica S.p.a.** which has been undergoing an in-depth transformation process for several years, redirecting its focus from financial to industrial (guidance and coordination). This process was boosted in previous years by management's commitment to continue steps towards industrial, technological and commercial integration. The

group will, therefore, benefit from an additional stimulus to its profitability through streamlining and cost-saving processes. These processes, aimed at reducing costs and which are progressing as planned, also involved Finmeccanica S.p.a. directly, which has already benefitted significantly at 30 June 2012.

## **Key events of and after the reporting period**

### **Industrial transactions**

As part of the reorganisation of the **Aeronautics** business segment commenced in 2010, the merger into Alenia Aeronautica S.p.A. of its subsidiaries Alenia Aermacchi S.p.A. and Alenia SIA S.p.A. took effect on 1 January 2012. Alenia Aeronautica S.p.A. then changed its name to Alenia Aermacchi S.p.A. and transferred its registered office from Pomigliano d'Arco (NA) to Venegono Superiore (VA). The plan to relaunch, reorganise and restructure the business segment was also rolled out near the end of 2011 with a view to recapturing market competitiveness through selected products and top-flight technologies.

The programme to upgrade Finmeccanica's industrial structure in the **Defence Electronics and Security ("ED&S")** business segment launched in 2010 involved the 2011 merger between Eltag Datamat and SELEX Communications and the simultaneous incorporation of SELEX Eltag and transfer thereto of the equity investments in Seicos (100%), SELEX Service Management (100%) and SELEX Eltag Cyberlabs (49%) (the first two were held by Finmeccanica and the third by Finmeccanica Group Services). Starting from 1 February 2012, Seicos was also merged into SELEX Eltag.

Moreover, effective as of 1 April 2012, Amtec S.p.A., which produces telecommunications network equipment (encryption devices, IP routers, set top boxes), was merged into SELEX Eltag S.p.A..

In December 2011, Finmeccanica's board of directors resolved to transfer the equity investments in SELEX Galileo Ltd, SELEX Galileo S.p.A., SELEX Eltag S.p.A. and SELEX Sistemi Integrati S.p.A. from Finmeccanica to its wholly-owned subsidiary SELEX Electronic Systems S.p.A.; the transaction took effect from the beginning of 2012.

The above transactions are part of the group's reorganisation in the ED&S business segment which will culminate in the creation of a single European-level organisation by the end of 2012. This will provide all business areas with consistent guidance and further streamline the business structure and investments and provide a unified approach to domestic and international customers. After having only a marginal impact on the results of the first half of the year, the effects of the streamlining could result in the accruals of provisions as early as the second half of 2012.

On 19 December 2011, Finmeccanica (via SELEX Eltag and Vega) and Northrop Grumman signed a collaboration agreement to meet the NCIRC (NATO Computer Incident Response Capability) - Full Operating Capability (FOC) programme requirements. The programme's aim is to ensure security of the information held at around 50 NATO locations and sites across 28 countries, enabling rapid and effective detection of and response to cyber security risks. On 29 February 2012,



Finmeccanica and Northrop Grumman were awarded the contract by NATO NC3A Agency (Consultation, Command and Control).

On 20 February 2012, in the **Space** business segment, the overhaul of Telespazio group's organisational and management model involved the merger of Telespazio Holding S.r.l., Telespazio group's holding company (67% owned by Finmeccanica and 33% owned by the French company Thales) into the operating company Telespazio S.p.A..

In the **Energy** business segment, the merger of the parent Ansaldo Energia Holding into the subsidiary Ansaldo Energia was finalised on 30 June 2012. One of the aims is to streamline the corporate structure, with a view to decreasing operating costs and increasing profitability.

In the **Transportation** business segment, Ansaldo STS reached a strategic agreement with the China-based Cnr Dalian and the Taiwan-based General Resources Company on 17 July 2012, licensing the "TramWave" technology to the joint venture that will be formed by Cnr Dalian and General Resources. The TramWave solution offers cable-free electric power distribution and was developed and patented by Ansaldo STS for use in urban transport systems, eliminating the visual impact of traditional overhead cables.

On 23 July 2012, Finmeccanica signed a strategic partnership agreement with Poste Italiane S.p.A. and the Russian postal services for its subsidiary SELEX Elsag to supply know how and technologies to develop and modernise the Russian postal network (comprising 42 thousand offices) by upgrading the logistics network and rolling out new digital services. Under this agreement, activities will also be carried out in 2012 to identify further business opportunities where Italian know how can be applied.

### **Financial transactions**

The group did not carry out material transactions on the capital markets in the first half of 2012, with the only transactions of the period being the finalisation of some existing bond repurchase transactions. Specifically, in February and March, Meccanica Holdings USA repurchased, in several instalments, around \$34 million of bonds maturing in July 2019, bearing interest at 6.25%, that it issued in 2009 for a total of \$500 million. In the second quarter, a further approximate \$32 million of the same bonds was repurchased, for a total amount approximating \$66 million (approximately €1 million). The average repurchase price totalled 89.81% of the nominal amount, with an average annual return of 8.13%. Unlike for bonds issued on the Euromarket, these bonds do not have to be cancelled immediately.

With reference to issues on the Euromarket, in 2011, Finmeccanica Finance repurchased on an arm's length basis and subsequently cancelled notes approximating €185 million and maturing in December 2013, bearing interest at 8.125%. They were issued as part of the Euro Medium Term Notes (EMTN) programme, renewed in December 2011 for a ceiling of €3,800 million, of which approximately €2,900 million has been used. In respect of this issue (maturing in December 2013), an approximate further €12 million was repurchased after June 2012 closing, for an average repurchase price of 106.40% of the nominal amount, with an average annual return of 3.21%. The repurchase of a total of €197 million took place at an average repurchase price of 105.74% of the nominal amount, with an average return of 5.21%.

The following table details the bonds outstanding at 30 June 2012 showing, respectively, the Euro bonds issued by Finmeccanica and the subsidiary Finmeccanica Finance, the pound sterling bonds issued by Finmeccanica Finance, and the bonds issued by Meccanica Holdings USA on the US market. The average remaining life of the outstanding bonds at 30 June 2012 is approximately ten years.

During the life of the various bonds, Finmeccanica has undertaken transactions to convert the fixed rate to floating rate, in some cases together with option structures protecting against floating rate rises. The notes to the table describe the transactions in place at 30 June 2012.

| Issuer                  |     | Year of issue | Maturity | Nominal amount (€million) | Annual interest rate | Type of offer          | IFRS carrying amount (€million) (7) |
|-------------------------|-----|---------------|----------|---------------------------|----------------------|------------------------|-------------------------------------|
| Finmeccanica Finance SA | (1) | 2003          | 2018     | 500                       | 5.75%                | European institutional | 513                                 |
| Finmeccanica S.p.a.     | (2) | 2005          | 2025     | 500                       | 4.875%               | European institutional | 502                                 |
| Finmeccanica Finance SA | (3) | 2008          | 2013     | 815(*)                    | 8.125%               | European institutional | 854                                 |
| Finmeccanica Finance SA | (4) | 2009          | 2022     | 600                       | 5.25%                | European institutional | 607                                 |

| Issuer                  |     | Year of issue | Maturity | Nominal amount (£ million) | Annual interest rate | Type of offer          | IFRS carrying amount (€million) (7) |
|-------------------------|-----|---------------|----------|----------------------------|----------------------|------------------------|-------------------------------------|
| Finmeccanica Finance SA | (5) | 2009          | 2019     | 400                        | 8.00%                | European institutional | 492                                 |

| Issuer                     |     | Year of issue | Maturity | Nominal amount (\$million) | Annual interest rate | Type of offer                           | IFRS carrying amount €million (7) |
|----------------------------|-----|---------------|----------|----------------------------|----------------------|-----------------------------------------|-----------------------------------|
| Meccanica Holdings USA Inc | (6) | 2009          | 2019     | 434(**)                    | 6.25%                | American institutional Rule 144A/Reg. S | 350                               |
| Meccanica Holdings USA Inc | (6) | 2009          | 2039     | 300                        | 7.375%               | American institutional Rule 144A/Reg. S | 240                               |
| Meccanica Holdings USA Inc | (6) | 2009          | 2040     | 500                        | 6.25%                | American institutional Rule 144A/Reg. S | 404                               |

(\*) *Residual nominal amount after the repurchase of €185 million in several instalments in the second half of 2011.*

(\*\*) *Nominal amount of \$500 million after the repurchase of approximately \$66 million in several instalments in the first half of 2012*

- Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. The transaction was authorised pursuant to article 129 of Legislative decree no. 385/93. Notes listed on the Luxembourg stock market. Interest rate transactions were undertaken for these notes so that the floating rate remained around 3.25%. From 2006, the effective cost of the loan returned to a fixed rate averaging around 5.6%.
- Notes issued as part of the EMTN programme with a ceiling of €3.8 million. The transaction was authorised pursuant to article 129 of Legislative decree no. 385/93. Notes listed on the Luxembourg stock market. In December 2011, the IRSs converting €250 million to floating rate were redeemed early, thus realising the fair value gain of €6 million.
- Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. Notes listed on the Luxembourg stock market. €750 million of the issue was converted to fixed rate, with a benefit of over 200 basis points in 2011.
- Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. Notes listed on the Luxembourg stock market. No interest rate transactions have been entered into for this issue.
- Notes issued as part of the EMTN programme with a ceiling of €3.8 billion. Notes listed on the Luxembourg stock market. The issue's proceeds were converted into euros and the transaction's currency risk is fully hedged. In the first quarter of 2011, transactions were carried out converting £100 million to floating rate, generating a gain of approximately €4.5 million in the second quarter. Finmeccanica has not excluded the possibility of changing the notes back to pounds sterling to partially hedge the strategic investments in Great Britain.
- Bonds issued pursuant to Rule 144A Regulation S of the US Securities Act. This issue's proceeds have been fully used by Meccanica Holdings USA to fund the subsidiary DRS in place of the US dollar bonds originally issued by the company and for which early redemption was requested following Finmeccanica's purchase of DRS. Accordingly, no currency or interest risk hedging transactions were performed on these issues.
- The difference between the bonds' nominal and carrying amounts is due to the recognition of accrued interest as an increase in the payable amount and the annual amounts of issue discounts as a decrease thereof.

All bonds issued by Finmeccanica Finance and Meccanica Holdings USA are irrevocably and unconditionally secured by Finmeccanica and they have a medium-term credit rating from the international rating agencies Moody's Investor Service (Moody's), Standard and Poor's and Fitch.

At 30 June 2012, Finmeccanica's credit ratings are unchanged from 31 December 2011: Baa2 with negative outlook from Moody's (from A3 with stable outlook at 31 December 2010), BBB- with negative outlook from Fitch (from BBB+ with stable outlook at 31 December 2010) and BBB- with negative outlook from Standard and Poor's (from BBB with negative outlook at 31 December 2010).

In July, following the further downgrading of the Italian Republic, Moody's placed Finmeccanica's debt "on review for downgrade". In rating companies' debt, some agencies use methods such that issuers can be allocated a different rating from that on a "stand alone" basis in the event there are particular relationships linking the issuer to the country to which they belong.

The agencies' rating of Finmeccanica has remained at "Investment Grade", although with negative outlook. This rating could be changed by the rating agencies based not only on the progress of Finmeccanica's restructuring, reorganisation and disinvestment programmes, but also in the event of a deterioration in the macroeconomic context (e.g., national economic system).

A hypothetical further downgrading of Finmeccanica's rating, even to below Investment Grade, would not significantly affect the confirmed outstanding financing. However, it could be more difficult and costly to use some of the credit line sources of financing used to date, requiring the company to seek alternative sources which offer financing also to non-Investment Grade companies under normal market conditions.

The group is actively committed to rolling out the steps of the restructuring plan launched in 2011, which, *inter alia*, include the reduction of debt. Moreover, the group's financial and investment and contract selection policies mean the group constantly monitors the soundness of its financial position, which also enables compliance with the indicators the rating agencies refer to.

All the above bond issues are governed by regulations containing standard legal clauses for this type of corporate transaction on institutional markets. They do not require compliance with specific financial covenants for issues, while they include, *inter alia*, negative pledge and cross default clauses.

Under the negative pledge clauses, group issuers, Finmeccanica and their material subsidiaries (in which Finmeccanica S.p.a. holds more than 50% and the related gross revenue and equity represent

at least 10% of Finmeccanica's consolidated gross revenue and equity) are expressly prohibited from pledging collateral or other guarantees securing bonds or financial instruments that are listed or may be listed, unless such guarantees are extended to all bondholders. Securitisation transactions are excluded from this prohibition and, from July 2006, the earmarking of assets pursuant to article 2447-*bis* and following articles of the Italian Civil Code.

Under the cross default clauses, the bondholders of each issue may request their early repayment if one of the group issuers and/or Finmeccanica and/or a material subsidiary defaults, resulting in the failure to pay exceeding set limits.

### **Other events**

As part of the group's focus on its strategic sectors, on 31 May 2012, Finmeccanica Finance, Fondo Strategico Italiano S.p.A. ("FSI"), Avio S.p.A. ("Avio") and the ultimate parent BCV Investments SCA reached an agreement, with the condition precedent of Avio's listing on the stock exchange before the end of 2012 under favourable market conditions, which will enable FSI to become a shareholder of Avio with a stable approximate 15% investment, taking part in the initial public offering, which includes a share capital increase, and acquiring Finmeccanica's entire investment therein. Finmeccanica will receive an amount equal to the net placement price for the sale of its stake.

The sale by Finmeccanica Finance to FSI (subsidiary of Cassa Depositi e Prestiti, in turn controlled by the Ministry for Economy and Finance, if realised, would be a transaction between related parties - carried out by Finmeccanica S.p.a. through its subsidiary - which would qualify for the exemption available for ordinary transactions that take place at on an arm's length basis (article 13.3.c) of CONSOB Regulation no. 17221/2010 and article 11.2.c) of the company's procedure approved on 26 November 2010.

## Corporate Governance

### Internal control system

Chapter 11 of the 2011 corporate governance report sets out the areas identified for improvement and implementation of the group's internal control system; the related actions were partially undertaken in 2011 (see the report for details) and partly slated for roll out in the first half of 2012.

The activities and initiatives taken after the issue of the report and up to the reporting date, as set out in the original plan, are discussed below.

- In rolling out the 2012 action plan prepared by the internal audit department and approved by the supervisory body, Finmeccanica issued the following group directives and company procedures governing relevant sensitive activities:
  - Directive 22: “Awarding and management of professional services engagements”. This directive relates to all group companies and establishes the guidelines, scope of application, roles and responsibilities related to the awarding and management of professional services engagements other than commercial activities, which are governed by directive 17. Each company is required to implement the directive by 30 September 2012 by issuing or amending their relevant procedure.
  - Directive 23: “Gifts, hospitality and entertainment expenses”. This directive relates to all group companies and establishes the guidelines, scope of application, roles and responsibilities related to gifts, hospitality and entertainment expenses. Each company is required to implement the directive by 30 September 2012 by issuing or amending their relevant procedure.
  - Directive 24: “Sponsorships and publicity initiatives and contributions to associations and bodies”. This directive relates to all group companies and establishes the guidelines, scope of application, roles and responsibilities related to the management of sponsorships and publicity initiatives and contributions to associations and bodies. It establishes rules for the identification and formalisation of the initiatives which consider the beneficiary's profile, also in terms of traceability. Each company is required to implement the directive by 30 September 2012 by issuing or amending their relevant procedure.
  - Directive 25: “M&A transactions”. This directive relates to all group companies and establishes the scope of application, guidelines, roles and responsibilities related to merger & acquisition (M&A) transaction management to ensure transparency and consistency with group strategies. Even when they are included in the strategic plan, each M&A initiative undergoes an analysis and authorisation process comprising several stages and the relevant

specific tasks are allocated to the applicable departments of Finmeccanica and the group companies involved in the transaction. The directive also represents an internal procedure for Finmeccanica S.p.a..

- Procedure 18: Finmeccanica S.p.a.'s "Purchase of goods and services and professional services engagements" procedure comprises two parts: part A) governs purchases made by Finmeccanica S.p.a. both directly and through Finmeccanica Group Services S.p.A. and Finmeccanica Group Real Estate S.p.a.; part B) governs the awarding and management of professional services engagements for both suppliers and professionals and establishes selection criteria, how the relationship is to be formalised, performance checks and traceability.
- As reported in both the 2011 corporate governance report and in the additional disclosures to the annual financial report provided to the shareholders during their meeting held on 16 May 2012, the detection audit activities designed to identify fraud or suspected fraud to the companies' detriment, which are required by Law no. 262/05, commenced with the roll-out of the regular ICFR (Internal Control Financial Reporting) testing of the interim financial report at 30 June 2012.
- In accordance with the "Consultants and agents" guidelines issued by Finmeccanica on 11 January 2012, all group companies confirmed they are progressively aligning the contracts agreed before the directive was issued with the provisions of directive 17.
- With reference to the actions to be implemented for full compliance with the directives and company procedures governing purchasing procedures, which Finmeccanica's chairman and CEO notified to the subsidiaries on 14 March 2012, the companies have generally confirmed their compliance with the procedural requirements governing the "purchases" process.
- With the issue of service order 25 on 15 June 2012 related to Finmeccanica's Legal and corporate affairs department, the position of "Senior Compliance Officer" (SCO), was created, with the following role and responsibilities:
  - ensuring awareness, implementation and monitoring of legislation applicable to company activities by distributing tools to manage legal risks in the group's key operating sectors;
  - ensuring, together with the relevant departments of Finmeccanica and the group companies, that the necessary directives and procedures to adequately protect them against legal risks are identified, prepared and updated, so that the group does not act contrary to legislation;

- supervising the communication and notification mechanisms available to the group companies' compliance officers, acting as a reference point for critical issues in the application of legislation or the adequacy of protocols in terms of the parent's strategies;
- ensuring adequate compliance-related information flows to the company bodies and department heads and reporting regularly to the internal control committee and board of statutory auditors;
- ensuring trade compliance (exports and penalty programmes), providing the necessary legal support in the parent's relevant procedures and activities;
- representing the parent on ethical committees and in initiatives promoting the adoption of domestic and international business ethics principles and codes; providing legal support in projects related to sustainability promotion.

In this field and implementing the provisions of directive 21 governing "trade compliance", each group company has identified and appointed an internal "trade compliance officer", who not only ensures the company complies with domestic and international import/export legislation but also promotes and develops a group-level compliance system in conjunction with Finmeccanica's SCO.

This most recent organisational policy therefore completes Finmeccanica S.p.a.'s corporate governance structure in the compliance area, supplementing the current export control responsibilities and duties respectively allocated to the institutional and trade transaction departments, while the checking and monitoring activities of compliance with current legislative and procedural frameworks remains the responsibility of the internal audit department.



## **Outlook**

Finmeccanica group's results for the first half of 2012 were higher than those of the corresponding period of the previous year and were substantially in line with the forecasts contained in the companies' budgets.

As detailed more fully in the directors' report accompanying the 2011 annual consolidated financial statements, the recession which affected other industries from 2008 extended to the Aerospace and Defence industries in the group's key markets of Great Britain, the United States of America and Italy, where budgets for military and security investment spending were cut in 2010. Customers are also tending to refocus on product performance/cost sustainability ratios.

Current and prospective demand in the sector is shifting towards emerging countries and competition between companies is intense, which is pushing prices downwards.

Particularly in the Eurozone, the current macroeconomic context is more worrying than originally thought, with significant impacts on its markets.

Initiatives undertaken to different extents by the various group companies during 2011 enabled the group to improve its efficiency and simplify the corporate structure by drawing up and rolling out in-depth plans (detailing actions, costs/benefits, timeframes, limitations and how the roll out is to take place) to improve competitiveness and efficiency and to reorganise each company (with expected benefits topping €440 million in 2013).

These plans cover all critical business areas, including production processes (streamlining of facilities, product/component standardisation, lean manufacturing), purchases (streamlining of suppliers and make or buy policies), engineering (lean engineering, streamlining of investments), workforce (streamlining the indirect to direct ratio), controllable costs, overheads and administrative expense (streamlining of personnel and IT systems and the corporate structure).

Guidance and monitoring undertaken during the reporting period by the parent (as well as the improvement in the key production indicators for the companies) confirm the steps are being rolled out as scheduled in terms of physical progress and that the trend of financial statements figures is consistent with the quantitative targets in terms of overall benefits. As early as this reporting period, the results were especially strong in the Aerospace and Defence segments.

The group is also taking the steps necessary for structural and "sustainable" growth, to solve strategic issues, including the consolidation and strengthening of activities in the Defence Electronics and Security business segment, through the combination of SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati into one company, while significantly streamlining technologies, product

lines and industrial facilities, with important synergies and consequent significant reductions in manufacturing costs. The aim is to establish a single entity in Europe that operates in conjunction and in coordination with DRS, which will not be affected by the business combination given the special regulations to which it is subject. The single entity will be able to successfully take on key industry players, compete on the main markets and take advantage of a technological, financial and production structure that will make it possible to generate significant cash flows and an adequate return on invested capital.

Equally important is the roll out of the group's asset portfolio review, concentrating invested capital in those activities and business segments boasting the technological and production capacities to maximise the creation and extraction of value on the market. This could entail the disposal of assets, thus reducing financial debt and thereby improving the overall cash position.

In view of the group's results of operations for the first half of 2012 and its reaching the milestones set out both in its plans to improve competitiveness and efficiency and for restructuring, and the roll out of actions to resolve strategic issues, we confirm the forecasts for the full year prepared at the time the 2011 Annual Report was prepared.

Revenue for the full year is expected to be in the range of €6.9 billion and €7.3 billion. Adjusted EBITA will return to be positive in the Aeronautics business segment while the Transportation business segment will substantially break even (although the vehicles line will continue to be negative). Adjusted EBITA will grow in the Defence Electronics and Security and Helicopters business segments. The adjusted EBITA will thus approximate €1,100 million, while FOCF will be positive thanks to operating activities before investing activities which (after having funded part of the restructuring costs accrued in 2011, borrowing costs and income taxes) will generate cash flows exceeding €00 million, while investment expense (after collecting the grants under Law no. 808/85) is expected to generate negative cash outflows approximating €00 million.

**Condensed consolidated interim financial statements as at and for the six month ended 30  
June 2012**

## Condensed consolidated income statement

| <i>(€ million)</i>                                                                 | <i>Note</i> | <i>For the first six months<br/>of</i> |                                               | <i>For the first six months<br/>of</i> |                                               |
|------------------------------------------------------------------------------------|-------------|----------------------------------------|-----------------------------------------------|----------------------------------------|-----------------------------------------------|
|                                                                                    |             | <i>2012</i>                            | <i>of which,<br/>with related<br/>parties</i> | <i>2011</i>                            | <i>of which,<br/>with related<br/>parties</i> |
| Revenue                                                                            | 23          | 8,027                                  | 973                                           | 8,432                                  | 939                                           |
| Purchases and personnel expense                                                    | 25          | (7,305)                                | (105)                                         | (7,712)                                | (84)                                          |
| Amortisation, depreciation and impairment losses                                   | 26          | (338)                                  |                                               | (373)                                  |                                               |
| Other net operating expense                                                        | 24          | (9)                                    | (2)                                           | (26)                                   | 1                                             |
|                                                                                    |             | <b>375</b>                             |                                               | <b>321</b>                             |                                               |
| Net financial income (expense)                                                     | 27          | (206)                                  | (1)                                           | 260                                    | (4)                                           |
| Share of losses of<br>equity-accounted investees                                   | 28          | (13)                                   |                                               | (9)                                    |                                               |
| <b><i>Operating profit before income taxes and<br/>discontinued operations</i></b> |             | <b>156</b>                             |                                               | <b>572</b>                             |                                               |
| Income taxes                                                                       | 29          | (86)                                   |                                               | (116)                                  |                                               |
| Profit (loss) from discontinued operations                                         |             | -                                      |                                               | -                                      |                                               |
| <b><i>Profit for the period</i></b>                                                |             | <b>70</b>                              |                                               | <b>456</b>                             |                                               |
| <i>. attributable to the owners of the parent</i>                                  |             | 53                                     |                                               | 433                                    |                                               |
| <i>. attributable to non-controlling interests</i>                                 |             | 17                                     |                                               | 23                                     |                                               |
| <b>Earnings per share</b>                                                          | 31          |                                        |                                               |                                        |                                               |
| <i>Basic</i>                                                                       |             | 0.091                                  |                                               | 0.750                                  |                                               |
| <i>Diluted</i>                                                                     |             | 0.091                                  |                                               | 0.749                                  |                                               |

## Statement of condensed consolidated comprehensive income

| €million                                             | <i>For the first six months of</i> |                   |
|------------------------------------------------------|------------------------------------|-------------------|
|                                                      | <i>2012</i>                        | <i>2011</i>       |
| <b>Profit for the period</b>                         | <b>70</b>                          | <b>456</b>        |
| Other comprehensive income (expense)                 |                                    |                   |
| - Actuarial gains (losses) on defined benefit plans: | (155)                              | 25                |
| . <i>actuarial gains (losses)</i>                    | (150)                              | 19                |
| . <i>exchange rate gains (losses)</i>                | (5)                                | 6                 |
| - Net change in fair value of cash flow hedges:      | (31)                               | 157               |
| . <i>fair value gains (losses)</i>                   | (38)                               | 174               |
| . <i>transfers to profit or loss</i>                 | 7                                  | (17)              |
| . <i>exchange rate gains (losses)</i>                | -                                  | -                 |
| - Foreign currency translation gains (losses)        | 148                                | (317)             |
| Income tax on other comprehensive income (expense)   | 50                                 | (51)              |
| . <i>on fair value gains or losses</i>               | 48                                 | (47)              |
| . <i>on transfers to profit and loss</i>             | -                                  | (2)               |
| . <i>on exchange rate gains (losses)</i>             | 2                                  | (2)               |
| Other comprehensive income (expense)                 | <u>12</u>                          | <u>(186)</u>      |
| <b>Total comprehensive income for the period</b>     | <b><u>82</u></b>                   | <b><u>270</u></b> |
| Attributable to:                                     |                                    |                   |
| - Owners of the parent                               | 60                                 | 256               |
| - Non-controlling interests                          | 22                                 | 14                |

## Condensed consolidated statement of financial position

| <i>(€million)</i>                                                            | <i>Note</i> | <b><u>30.06.12</u></b> | <i>of which,<br/>with related<br/>parties</i> | <b><u>31.12.11</u></b> | <i>of which,<br/>with related<br/>parties</i> |
|------------------------------------------------------------------------------|-------------|------------------------|-----------------------------------------------|------------------------|-----------------------------------------------|
| <i>Non-current assets</i>                                                    |             |                        |                                               |                        |                                               |
| Intangible assets                                                            | 9           | 8,656                  |                                               | 8,409                  |                                               |
| Property, plant and equipment                                                | 10          | 3,180                  |                                               | 3,171                  |                                               |
| Deferred tax assets                                                          |             | 1,067                  |                                               | 1,046                  |                                               |
| Other assets                                                                 | 12          | 835                    | 35                                            | 917                    | 11                                            |
|                                                                              |             | <b><u>13,738</u></b>   |                                               | <b><u>13,543</u></b>   |                                               |
| <i>Current assets</i>                                                        |             |                        |                                               |                        |                                               |
| Inventories                                                                  |             | 4,895                  |                                               | 4,486                  |                                               |
| Trade receivables, including net work in progress                            | 13          | 9,450                  | 951                                           | 8,932                  | 884                                           |
| Loans and receivables                                                        |             | 977                    | 194                                           | 1,071                  | 184                                           |
| Derivatives                                                                  | 14          | 156                    |                                               | 167                    |                                               |
| Other activities                                                             | 15          | 1,134                  | 27                                            | 1,062                  | 13                                            |
| Cash and cash equivalents                                                    |             | 814                    |                                               | 1,331                  |                                               |
|                                                                              |             | <b><u>17,426</u></b>   |                                               | <b><u>17,049</u></b>   |                                               |
| Non-current assets held for sale                                             |             | 1                      |                                               | 1                      |                                               |
| <b><i>Total assets</i></b>                                                   |             | <b><u>31,165</u></b>   |                                               | <b><u>30,593</u></b>   |                                               |
| <i>Equity</i>                                                                |             |                        |                                               |                        |                                               |
| Share capital                                                                | 16          | 2,525                  |                                               | 2,525                  |                                               |
| Other reserves                                                               |             | 1,836                  |                                               | 1,776                  |                                               |
| <i>Equity attributable to the owners of the parent</i>                       |             | <b><u>4,361</u></b>    |                                               | <b><u>4,301</u></b>    |                                               |
| <i>Equity attributable to non-controlling interests</i>                      |             | 309                    |                                               | 303                    |                                               |
| <i>Total equity</i>                                                          |             | <b><u>4,670</u></b>    |                                               | <b><u>4,604</u></b>    |                                               |
| <i>Non-current liabilities</i>                                               |             |                        |                                               |                        |                                               |
| Loans and borrowings                                                         | 17          | 4,500                  | 33                                            | 4,492                  | 36                                            |
| Employee benefit obligations                                                 | 19          | 1,043                  |                                               | 956                    |                                               |
| Provisions for risks and charges                                             | 18          | 1,729                  |                                               | 1,774                  |                                               |
| Deferred tax liabilities                                                     |             | 453                    |                                               | 479                    |                                               |
| Other liabilities                                                            | 20          | 942                    | -                                             | 936                    | -                                             |
|                                                                              |             | <b><u>8,667</u></b>    |                                               | <b><u>8,637</u></b>    |                                               |
| <i>Current liabilities</i>                                                   |             |                        |                                               |                        |                                               |
| Trade payables, including progress payments and advances from customers, net | 21          | 13,070                 | 147                                           | 13,162                 | 160                                           |
| Loans and borrowings                                                         | 17          | 1,982                  | 881                                           | 1,393                  | 913                                           |
| Income taxes                                                                 |             | 66                     |                                               | 44                     |                                               |
| Provisions for risks and charges                                             | 18          | 899                    |                                               | 932                    |                                               |
| Derivatives                                                                  | 14          | 176                    |                                               | 159                    |                                               |
| Other liabilities                                                            | 20          | 1,635                  | 35                                            | 1,662                  | 41                                            |
|                                                                              |             | <b><u>17,828</u></b>   |                                               | <b><u>17,352</u></b>   |                                               |
| <i>Liabilities associated with assets held for sale</i>                      |             | -                      |                                               | -                      |                                               |
| <b><i>Total liabilities</i></b>                                              |             | <b><u>26,495</u></b>   |                                               | <b><u>25,989</u></b>   |                                               |
| <b><i>Total liabilities and equity</i></b>                                   |             | <b><u>31,165</u></b>   |                                               | <b><u>30,593</u></b>   |                                               |

## Condensed consolidated statement of cash flows

(€ million)

|                                                                                       | Note        | For the first six months of |                                 |                |                                 |
|---------------------------------------------------------------------------------------|-------------|-----------------------------|---------------------------------|----------------|---------------------------------|
|                                                                                       |             | 2012                        | of which,<br>related<br>parties | 2011           | of which,<br>related<br>parties |
| <b>Cash flows from operating activities:</b>                                          |             |                             |                                 |                |                                 |
| Gross cash flows from operating activities                                            | 30          | 818                         |                                 | 802            |                                 |
| Change in working capital                                                             | 30          | (1,186)                     | (70)                            | (996)          | (265)                           |
| Change in other operating assets and liabilities and provisions for risks and charges |             | (264)                       | (18)                            | (408)          | (31)                            |
| Interest paid                                                                         |             | (178)                       | (80)                            | (142)          | (78)                            |
| Income taxes paid                                                                     |             | (55)                        |                                 | (69)           |                                 |
| <b>Cash flows used in operating activities</b>                                        | (a)         | <b>(865)</b>                |                                 | <b>(813)</b>   |                                 |
| <b>Cash flows from investing activities:</b>                                          |             |                             |                                 |                |                                 |
| Acquisitions of companies, net of cash acquired                                       | 11          | -                           |                                 | (4)            |                                 |
| Sale of Ansaldo Energia                                                               |             | -                           |                                 | 477            |                                 |
| Investments in property, plant and equipment and intangible assets                    |             | (364)                       |                                 | (389)          |                                 |
| Sales of property, plant and equipment and intangible assets                          |             | 14                          |                                 | 14             |                                 |
| Other investing activities                                                            |             | 1                           |                                 | 25             |                                 |
| <b>Cash flows generated by (used in) investing activities</b>                         | (b)         | <b>(349)</b>                |                                 | <b>123</b>     |                                 |
| <b>Cash flows from financing activities:</b>                                          |             |                             |                                 |                |                                 |
| Redemption of convertible bonds and repayments of bank loans and borrowings - DRS     |             | -                           |                                 | (12)           |                                 |
| Net change in other loans and borrowings                                              |             | 694                         | (44)                            | (115)          | 26                              |
| Dividends paid to the owners of the parent                                            |             | -                           |                                 | (237)          |                                 |
| Dividends paid to non-controlling investors                                           |             | (17)                        |                                 | (21)           |                                 |
| <b>Cash flows generated by (used by) financing activities</b>                         | (c)         | <b>677</b>                  |                                 | <b>(385)</b>   |                                 |
| Net decrease in cash and cash equivalents                                             | (d = a+b+c) | (537)                       |                                 | (1,075)        |                                 |
| Exchange rate gains and losses and other changes                                      | (e)         | 20                          |                                 | (45)           |                                 |
| Opening cash and cash equivalents                                                     | (f)         | 1,331                       |                                 | 1,854          |                                 |
| <b>Net decrease of the period</b>                                                     | (g = d+e)   | <b>(517)</b>                |                                 | <b>(1,030)</b> |                                 |
| <b>Closing cash and cash equivalents</b>                                              | (f+g)       | <b>814</b>                  |                                 | <b>734</b>     |                                 |

## Condensed statement of changes in consolidated shareholders' equity

|                                      | Share capital | Retained earnings and consolidation reserve | Hedging reserve | Stock option/grant reserve | Actuarial reserve | Translation reserve | Equity attributable to the owners of the parent | Equity attributable to non-controlling interests |
|--------------------------------------|---------------|---------------------------------------------|-----------------|----------------------------|-------------------|---------------------|-------------------------------------------------|--------------------------------------------------|
| <b>1 January 2011</b>                | <b>2,517</b>  | <b>4,870</b>                                | <b>16</b>       | <b>43</b>                  | <b>(96)</b>       | <b>(536)</b>        | <b>6,814</b>                                    | <b>284</b>                                       |
| Dividends paid                       |               | (237)                                       |                 |                            |                   |                     | (237)                                           | (21)                                             |
| Share capital increases              |               |                                             |                 |                            |                   |                     |                                                 |                                                  |
| Profit for the period                |               | 433                                         |                 |                            |                   |                     | 433                                             | 23                                               |
| Other comprehensive income (expense) |               |                                             | 114             |                            | 18                | (309)               | (177)                                           | (9)                                              |
| Stock option/grant plans             |               |                                             |                 |                            |                   |                     |                                                 |                                                  |
| - service cost                       |               |                                             |                 | 1                          |                   |                     | 1                                               | 1                                                |
| Other changes                        |               | (4)                                         |                 |                            |                   |                     | (4)                                             | 1                                                |
| <b>30 June 2011</b>                  | <b>2,517</b>  | <b>5,062</b>                                | <b>130</b>      | <b>44</b>                  | <b>(78)</b>       | <b>(845)</b>        | <b>6,830</b>                                    | <b>279</b>                                       |
| <b>1 January 2012</b>                | <b>2,525</b>  | <b>2,310</b>                                | <b>(31)</b>     | <b>-</b>                   | <b>(76)</b>       | <b>(427)</b>        | <b>4,301</b>                                    | <b>303</b>                                       |
| Dividends paid                       |               |                                             |                 |                            |                   |                     |                                                 | (17)                                             |
| Share capital increases              |               |                                             |                 |                            |                   |                     |                                                 |                                                  |
| Profit for the period                |               | 53                                          |                 |                            |                   |                     | 53                                              | 17                                               |
| Other comprehensive income (expense) |               |                                             | (23)            |                            | (114)             | 144                 | 7                                               | 5                                                |
| Stock option/grant plans             |               |                                             |                 |                            |                   |                     |                                                 |                                                  |
| - service cost                       |               |                                             |                 | 1                          |                   |                     | 1                                               | 1                                                |
| Other changes                        |               | (1)                                         |                 |                            |                   |                     | (1)                                             |                                                  |
| <b>30 June 2012</b>                  | <b>2,525</b>  | <b>2,362</b>                                | <b>(54)</b>     | <b>1</b>                   | <b>(190)</b>      | <b>(283)</b>        | <b>4,361</b>                                    | <b>309</b>                                       |



## **Explanatory notes**

### **1. GENERAL**

Finmeccanica is a company limited by shares domiciled in Piazza Monte Grappa 4, Rome (Italy). It is listed on the Italian stock exchange (FTSE MIB).

Finmeccanica group is a key industrial operator in the high-technology sector. The holding company, Finmeccanica S.p.a. (the “parent”), provides industrial and strategic orientation and control and coordinates its operating subsidiaries (“Finmeccanica group” or the “group”), mainly operating in the Helicopters, Defence Electronics and Security, Aeronautics, Space, Defence Systems, Energy and Transportation sectors.

### **2. BASIS OF PREPARATION**

Finmeccanica group’s interim financial report at 30 June 2012 was prepared pursuant to the provisions of article 154-*ter*.2 of Legislative decree no. 58/98 - the consolidated finance act - and subsequent amendments and integrations. The condensed consolidated interim financial statements at 30 June 2012 included in the interim financial report were prepared in compliance with IAS 34 “Interim financial reporting”, issued by the International Accounting Standards Board (IASB). They comprise a condensed consolidated income statement, statement of condensed consolidated comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed statement of changes in consolidated shareholders’ equity and these notes.

As per IAS 34, the notes to the condensed consolidated interim financial statements do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the group’s financial position, results of operations and cash flows given their amount, breakdown or changes therein. This interim financial report should, therefore, be read in conjunction with the 2011 annual consolidated financial statements.

The statement of financial position and income statement are likewise presented in a condensed format compared to the annual financial statements. The notes include a reconciliation with annual consolidated financial statements schedules for the items combined in the condensed consolidated financial statements schedules.

The accounting policies used for the condensed consolidated interim financial statements are unchanged from those of the 2011 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the condensed consolidated interim financial

statements at 30 June 2011. The new standards applicable from 1 January 2012 reported in note 4 below did not materially impact these condensed consolidated interim financial statements.

The board of directors approved Finmeccanica group's condensed consolidated interim financial statements at 30 June 2012 on 31 July 2012, when they will also be published.

Amounts are shown in millions of euros unless stated otherwise.

The condensed consolidated interim financial statements were reviewed by KPMG S.p.A..

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

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

In interim reports, income taxes are estimated based on the expected tax rate applied to pre-tax profit or loss for the period.

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

The group's key business segments feature a high concentration of cash flows from customers in the last few months of the year. This has an impact on interim cash flows and the variability of the group's debt over the various interim periods, which improves substantially in the last few months of the calendar year.

### **4. EFFECT OF CHANGES TO THE IFRS**

The group adopted IFRS 7 *Financial instruments: disclosures - Amendments* with effect from 1 January 2012. These amendments establish additional disclosures to be provided about transfers of financial assets that are not derecognised or in the event of any continuing involvement in transferred financial assets. This amendment only affects the disclosure provided in annual financial statements.

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

Nothing to report for the period.

Conversely, in the first half of 2011, the Ansaldo Energia joint venture was set up, with the consequent sale to First Reserve Corporation of a 45% interest in Ansaldo Energia group. As a result of this transaction, Finmeccanica group recognised a gain of €58 million (€43 million net of taxes) and net proceeds of €77 million. Net of the effects of the deconsolidation of 45% of Ansaldo Energia's financial position at the transaction date, the transaction led to a €344 million improvement in the group's net financial debt.

## 6. SCOPE OF CONSOLIDATION

| Companies consolidated on a line-by-line basis                                           |                                        |                      |          |                             |
|------------------------------------------------------------------------------------------|----------------------------------------|----------------------|----------|-----------------------------|
| Name                                                                                     | Registered office                      | Group's investment % |          | Contribution to the group % |
|                                                                                          |                                        | Direct               | Indirect |                             |
| 3083683 NOVA SCOTIA LIMITED                                                              | Halifax, Nova Scotia (Canada)          |                      | 100      | 100                         |
| ADVANCED ACOUSTIC CONCEPTS LLC                                                           | Wilmington, Delaware (USA)             |                      | 51       | 51                          |
| AGUSTA AEROSPACE SERVICES A.A.S. SA                                                      | Grace Hologne (Belgium)                |                      | 100      | 100                         |
| AGUSTA HOLDING BV                                                                        | Amsterdam (The Netherlands)            |                      | 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 ESPANA SL                                                                 | Madrid (Spain)                         |                      | 100      | 100                         |
| AGUSTAWESTLAND HOLDINGS LTD                                                              | Yeovil, Somerset (UK)                  |                      | 100      | 100                         |
| AGUSTAWESTLAND INC                                                                       | New Castle, Wilmington, Delaware (USA) |                      | 100      | 100                         |
| AGUSTAWESTLAND INDIA PRIVATE LTD                                                         | New Delhi (India)                      |                      | 100      | 100                         |
| AGUSTAWESTLAND INTERNATIONAL LTD                                                         | Yeovil, Somerset (UK)                  |                      | 100      | 100                         |
| AGUSTAWESTLAND LTD                                                                       | Yeovil, Somerset (UK)                  |                      | 100      | 100                         |
| AGUSTAWESTLAND MALAYSIA SDN BHD                                                          | Kuala Lumpur (Malaysia)                |                      | 100      | 100                         |
| AGUSTAWESTLAND NORTH AMERICA INC                                                         | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| AGUSTAWESTLAND NV                                                                        | Amsterdam (The Netherlands)            | 100                  |          | 100                         |
| AGUSTAWESTLAND PHILADELPHIA CO                                                           | Wilmington Delaware (USA)              |                      | 100      | 100                         |
| AGUSTAWESTLAND POLITECNICO AVANZADO ROTORCRAFT CENTER S.C.A.R.L.                         | Milan                                  |                      | 80       | 80                          |
| AGUSTAWESTLAND PORTUGAL SA                                                               | Lisbon (Portugal)                      |                      | 100      | 100                         |
| AGUSTAWESTLAND PROPERTIES LTD                                                            | Yeovil, Somerset (UK)                  |                      | 100      | 100                         |
| AGUSTAWESTLAND S.p.A.                                                                    | Casina Costa (Va)                      |                      | 100      | 100                         |
| AGUSTAWESTLAND TLT-ROTOR COMPANY LLC                                                     | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| ALENIA AERMACCHIS p.A., formerly ALENIA AERONAUTICA S.p.A.                               | Venogno Superiore (VA)                 | 100                  |          | 100                         |
| ALENIA AERMACCHINORTH AMERICA INC, formerly ALENIA NORTH AMERICA INC                     | New Castle, Wilmington, Delaware (USA) |                      | 100      | 100                         |
| ANSALDO RAILWAYS SYSTEM TRADING (BEIJING) LTD                                            | Beijing (China)                        |                      | 100      | 40.066%                     |
| ANSALDO STS AUSTRALIA PTY LTD                                                            | Brisbane (Australia)                   |                      | 100      | 40.066%                     |
| ANSALDO STS BEIJING LTD                                                                  | Beijing (China)                        |                      | 80       | 32.0528                     |
| ANSALDO STS CANADA INC.                                                                  | Kingstone, Ontario (Canada)            |                      | 100      | 40.066%                     |
| ANSALDO STS DEUTSCHLAND GMBH                                                             | Munich (Germany)                       |                      | 100      | 40.066%                     |
| ANSALDO STS ESPANA SAU                                                                   | Madrid (Spain)                         |                      | 100      | 40.066%                     |
| ANSALDO STS FINLAND OY                                                                   | Heikinki (Finland)                     |                      | 100      | 40.066%                     |
| ANSALDO STS FRANCE SAS                                                                   | Les Ulis (France)                      |                      | 100      | 40.066%                     |
| ANSALDO STS HONG KONG LTD                                                                | Kowloon Bay (China)                    |                      | 100      | 40.066%                     |
| ANSALDO STS IRELAND LTD                                                                  | CO KERRY (Ireland)                     |                      | 100      | 40.066%                     |
| ANSALDO STS MALAYSIA SDN BHD                                                             | Kuala Lumpur (Malaysia)                |                      | 100      | 40.066%                     |
| ANSALDO STS - SINOSA RAIL SOLUT. SOUTH AFR. (PTY) LTD, formerly ANS. STS SOUTH AFR.(PTY) | Sandton (ZA - South Africa)            |                      | 100      | 40.066%                     |
| ANSALDO STS SOUTHERN AFRICA (PTY) LTD                                                    | Gaborone (Botswana - Africa)           |                      | 100      | 40.066%                     |
| ANSALDO STS SWEDEN AB                                                                    | SoIna (Sweden)                         |                      | 100      | 40.066%                     |
| ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD                                     | Bangalore (India)                      |                      | 100      | 40.066%                     |
| ANSALDO STS UK LTD                                                                       | Barbican (UK)                          |                      | 100      | 40.066%                     |
| ANSALDO STS SPA                                                                          | Genoa                                  | 40.066%              |          | 40.066%                     |
| ANSALDO STS USA INC                                                                      | Wilmington, Delaware (USA)             |                      | 100      | 40.066%                     |
| ANSALDO STS USA INTERNATIONAL CO                                                         | Wilmington, Delaware (USA)             |                      | 100      | 40.066%                     |
| ANSALDO STS USA INTERNATIONAL PROJECT CO                                                 | Wilmington, Delaware (USA)             |                      | 100      | 40.066%                     |
| ANSALDOBREDA ESPANA SLU                                                                  | Madrid (Spain)                         |                      | 100      | 100                         |
| ANSALDOBREDA INC                                                                         | Pittsburg, California (USA)            |                      | 100      | 100                         |
| ANSALDOBREDA S.p.A.                                                                      | Naples                                 | 100                  |          | 100                         |
| AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS                                | Les Ulis (France)                      |                      | 100      | 40.066%                     |
| BREDAMENARINBUS S.p.A.                                                                   | Bologna                                | 100                  |          | 100                         |
| CISDEG S.p.A.                                                                            | Rome                                   |                      | 87.5     | 87.5                        |
| DRS C3 & AVIATION COMPANY                                                                | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS CENGEN LLC                                                                           | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS CONSOLIDATED CONTROLS INC                                                            | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS DEFENSE SOLUTIONS LLC                                                                | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS ENVIRONMENTAL SYSTEMS INC                                                            | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS HOMELAND SECURITY SOLUTIONS INC                                                      | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS ICAS LLC                                                                             | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS INTERNATIONAL INC                                                                    | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS POWER & CONTROL TECHNOLOGIES INC                                                     | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS POWER TECHNOLOGY INC                                                                 | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS RADAR SYSTEMS LLC                                                                    | Wilmington, Delaware (USA)             |                      | 100      | 100                         |
| DRS RSTA INC                                                                             | Wilmington, Delaware (USA)             |                      | 100      | 100                         |

| Companies consolidated on a line-by-line basis (continued) |                                      |                      |          |                             |
|------------------------------------------------------------|--------------------------------------|----------------------|----------|-----------------------------|
| Name                                                       | Registered office                    | Group's investment % |          | Contribution to the group % |
|                                                            |                                      | Direct               | Indirect |                             |
| DRS SENSORS & TARGETING SYSTEMS INC                        | Wilmington, Delaware (USA)           |                      | 100      | 100                         |
| DRS SIGNAL SOLUTIONS INC                                   | Wilmington, Delaware (USA)           |                      | 100      | 100                         |
| DRS SONETCOM 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 SAUDI ARABIA LLC                          | Riyadh (Saudi Arabia)                |                      | 49       | 49                          |
| 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 S.r.l.                                          | Rome                                 |                      | 100      | 100                         |
| ELECTRON ITALIA S.r.l.                                     | Rome                                 |                      | 80       | 80                          |
| 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 S.r.l.                                          | Montesilvano (Pe)                    |                      | 79.688   | 79.688                      |
| ESSOURCES LLC                                              | Louisville, Kentucky (USA)           |                      | 100      | 100                         |
| FATA ENGINEERING S.p.A.                                    | Pianezza (To)                        |                      | 100      | 100                         |
| FATA HUNTER INC                                            | Riverside, California (USA)          |                      | 100      | 100                         |
| FATA LOGISTIC SYSTEMS S.p.A.                               | Pianezza (To)                        |                      | 100      | 100                         |
| FATA S.p.A.                                                | Pianezza (To)                        | 100                  |          | 100                         |
| FINMECCANICA FINANCE SA                                    | Luxembourg (Luxembourg)              | 100                  |          | 100                         |
| FINMECCANICA GROUP REAL ESTATE S.p.A.                      | Rome                                 | 100                  |          | 100                         |
| FINMECCANICA GROUP SERVICES S.p.A.                         | Rome                                 | 100                  |          | 100                         |
| GLOBAL MILITARY AIRCRAFT SYSTEMS LLC                       | Wilmington, Delaware (USA)           |                      | 51       | 51                          |
| LARMART S.p.A.                                             | 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                         |
| NET SERVICE S.r.l.                                         | Bologna                              |                      | 70       | 70                          |
| ORANGEE S.r.l.                                             | Rome                                 |                      | 100      | 100                         |
| OTO MELARA IBERICA SAU                                     | Loriguilla, Valencia (Spain)         |                      | 100      | 100                         |
| OTO MELARA NORTH AMERICA INC                               | Dover, Delaware (USA)                |                      | 100      | 100                         |
| OTO MELARA S.p.A.                                          | La Spezia                            | 100                  |          | 100                         |
| PCA ELECTRONIC TEST LTD                                    | Grantham, Lincolnshire (UK)          |                      | 100      | 100                         |
| PIVOTAL POWER INC                                          | Halifax, Nova Scotia (Canada)        |                      | 100      | 100                         |
| REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP.ZO.O.               | Mechaniczna 13 - Ul Swidnik (Poland) |                      | 72.0588  | 72.0588                     |
| SELEX COMMUNICATIONS DO BRASIL LTDA                        | Rio de Janeiro (Brazil)              |                      | 100      | 100                         |
| SELEX COMMUNICATIONS GMBH                                  | Backnang (Germany)                   |                      | 100      | 100                         |
| SELEX COMMUNICATIONS INC                                   | San Francisco, California (USA)      |                      | 100      | 100                         |
| SELEX COMMUNICATIONS ROMANIA S.r.l.                        | Bucarest (Romania)                   |                      | 99.976   | 99.976                      |
| SELEX ELECTRONIC SYSTEMS S.p.A.                            | Rome                                 | 100                  |          | 100                         |
| SELEX ELSAG CYBERLABS S.r.l.                               | Milan                                |                      | 49       | 49                          |
| SELEX ELSAG HOLDINGS LTD                                   | Chelmsford (UK)                      |                      | 100      | 100                         |
| SELEX ELSAG LTD                                            | Chelmsford, Essex (UK)               |                      | 100      | 100                         |
| SELEX ELSAG S.p.A.                                         | Genoa                                |                      | 100      | 100                         |
| SELEX GALILEO INC                                          | Wilmington, Delaware (USA)           |                      | 100      | 100                         |
| SELEX GALILEO LTD                                          | Essex (UK)                           |                      | 100      | 100                         |
| SELEX GALILEO MUAS S.p.A.                                  | Rome                                 |                      | 100      | 100                         |
| SELEX GALILEO S.p.A.                                       | Campi Bisenzio (Fi)                  |                      | 100      | 100                         |

| Companies consolidated on a line-by-line basis (continued)                         |                                       |                      |          |                             |
|------------------------------------------------------------------------------------|---------------------------------------|----------------------|----------|-----------------------------|
| Name                                                                               | Registered office                     | Group's investment % |          | Contribution to the group % |
|                                                                                    |                                       | Direct               | Indirect |                             |
| SELEX KOMUNKASYON AS                                                               | Golbasi (Turkey)                      |                      | 99.999   | 99.999                      |
| SELEX SERVICE MANAGEMENT S.p.A.                                                    | Rome                                  | 100                  |          | 100                         |
| SELEX SYSTEM INTEGRATIS p.A.                                                       | Rome                                  |                      | 100      | 100                         |
| SELEX SYSTEMS INTEGRATION GMBH                                                     | Neuss (Germany)                       |                      | 100      | 100                         |
| SELEX SYSTEMS INTEGRATION INC                                                      | Delaware (USA)                        |                      | 100      | 100                         |
| SELEX SYSTEMS INTEGRATION LTD                                                      | Portsmouth, Hampshire (UK)            |                      | 100      | 100                         |
| S.C. ELETTRA COMMUNICATIONS SA                                                     | Plăiești (Romania)                    |                      | 50.5     | 50.4997                     |
| SIRIO PANELS p.A.                                                                  | Montevarchi (Ar)                      |                      | 100      | 100                         |
| SO.GE.P.A. SOC. GEN. DIPARTECP AZIONIS p.A. (IN LIQ.)                              | Genoa                                 | 100                  |          | 100                         |
| SYSTEMIS SOFTWARE INTEGRATIS p.A.                                                  | Taranto                               |                      | 100      | 100                         |
| T - S HOLDING CORPORATION                                                          | Dallas, Texas (USA)                   |                      | 100      | 100                         |
| TECH-SYM LLC                                                                       | Reno, Nevada (USA)                    |                      | 100      | 100                         |
| UNION SWITCH & SIGNAL INC                                                          | Wilmington, Delaware (USA)            |                      | 100      | 40.0656                     |
| VEGA CONSULTING SERVICES LTD                                                       | Hertfordshire (UK)                    |                      | 100      | 100                         |
| VEGA DEUTSCHLAND GMBH                                                              | Cologne (Germany)                     |                      | 100      | 100                         |
| WESTLAND SUPPORT SERVICES LTD                                                      | Yeovil, Somerset (UK)                 |                      | 100      | 100                         |
| WESTLAND TRANSMISSIONS LTD                                                         | Yeovil, Somerset (UK)                 |                      | 100      | 100                         |
| WHITEHEAD SYSTEMS SUBACQUEIS p.A., formerly WHITEHEAD ALENIA SIST. SUBACQUEIS p.A. | Livorno                               | 100                  |          | 100                         |
| WING NED BV                                                                        | Rotterdam (The Netherlands)           |                      | 100      | 100                         |
| WORLD'S WING SA                                                                    | Geneva (Switzerland)                  |                      | 94.944   | 94.944                      |
| WYTWORNIĄ SPRZĘTU KOMUNIKACYJNEGO "PZL-SWIDNIK" SPÓŁKA AKCYJNA                     | Aleja Lotników, Swidnik (Poland)      |                      | 96.09166 | 96.09166                    |
| ZAKŁAD NARZĘDZIOWY W SWIDNIKU SP. ZO.O.                                            | Narzędziowa 16 - Ul. Swidnik (Poland) |                      | 51.65785 | 49.6389                     |
| ZAKŁAD OBROBKIPLASTYCZNEJ SP. ZO.O.                                                | Kuznicza B - Ul. Swidnik (Poland)     |                      | 100      | 93.8748                     |

| Companies consolidated on a proportionate basis                  |                                  |                      |          |                             |
|------------------------------------------------------------------|----------------------------------|----------------------|----------|-----------------------------|
| Name                                                             | Registered office                | Group's investment % |          | Contribution to the group % |
|                                                                  |                                  | Direct               | Indirect |                             |
| THALES ALENIA SP ACE SAS                                         | Cannes La Bocca (France)         | 33                   |          | 33                          |
| THALES ALENIA SP ACE FRANCE SAS                                  | Paris (France)                   |                      | 100      | 33                          |
| THALES ALENIA SP ACE ITALIA S.p.A.                               | Rome                             |                      | 100      | 33                          |
| THALES ALENIA SP ACE ESPANA SA                                   | Madrid (Spain)                   |                      | 100      | 33                          |
| THALES ALENIA SP ACE ETCA SA                                     | Charleroi (Belgium)              |                      | 100      | 33                          |
| THALES ALENIA SP ACE NORTH AMERICA INC                           | Wilmington (USA)                 |                      | 100      | 33                          |
| THALES ALENIA SP ACE DEUTCHLAND SAS                              | Germany                          |                      | 100      | 33                          |
| FORMALEC SA                                                      | Paris (France)                   |                      | 100      | 33                          |
| TELESP AZIO FRANCE SAS                                           | Toulouse (France)                |                      | 100      | 67                          |
| TELESP AZIO DEUTSCHLAND GMBH                                     | Gilching, Munich (Germany)       |                      | 100      | 67                          |
| TELESP AZIO S.p.A.                                               | Rome                             |                      | 100      | 67                          |
| SP ACEOPAL GMBH                                                  | Munich (Germany)                 |                      | 50       | 33.5                        |
| TELESP AZIO VEGA UK LTD, formerly VEGA SP ACE LTD                | Welwyn Garden City, Herts (UK)   |                      | 100      | 67                          |
| TELESP AZIO VEGA UK SL, formerly VEGA CONSULTING & TECHNOLOGY SL | Madrid (Spain)                   |                      | 100      | 67                          |
| VEGA SP ACE GMBH                                                 | Darmstadt (Germany)              |                      | 100      | 67                          |
| E - GEOS S.p.A.                                                  | Matera                           |                      | 80       | 53.6                        |
| GAF AG                                                           | Munich (Germany)                 |                      | 100      | 53.6                        |
| EUOMAP SATELLITENDATEN-VERTRIEBSGESELLSCHAFT MBH                 | Neustrelitz (Germany)            |                      | 100      | 53.6                        |
| TELESP AZIO ARGENTINA SA                                         | Buenos Aires (Argentina)         |                      | 100      | 66.958                      |
| TELESP AZIO BRASIL SA                                            | Rio de Janeiro (Brazil)          |                      | 98.774   | 66.1786                     |
| TELESP AZIO NORTH AMERICA INC                                    | Doover, Delaware (USA)           |                      | 100      | 67                          |
| TELESP AZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD             | Budapest (Hungary)               |                      | 100      | 67                          |
| RARTELSA                                                         | Bucarest (Romania)               |                      | 61061    | 40.911                      |
| TELESP AZIO IBERICA, formerly 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)       |                      | 100      | 25                          |
| MBDA INTERNATIONAL LTD                                           | UK                               |                      | 100      | 25                          |
| MBDA ITALIA S.p.A.                                               | Rome                             |                      | 100      | 25                          |
| MBDA UK LTD                                                      | Stevenage (U.K.)                 |                      | 99.99    | 25                          |
| MBDA UAE LTD                                                     | London (U.K.)                    |                      | 100      | 25                          |
| MATRA ELECTRONIQUE SA                                            | Paris (France)                   |                      | 99.99    | 25                          |
| MBDA INSURANCE LTD, formerly MBDA REINSURANCE LTD                | (Dublin) Ireland                 |                      | 100      | 25                          |
| MBDA SERVICES SA                                                 | Paris (France)                   |                      | 99.68    | 24.92                       |
| MBDA DEUTSCHLAND GMBH, formerly LFK-LENKFLUGKORPER SYSTEME GMBH  | Unterschleißheim (Germany)       |                      | 100      | 25                          |
| BAYERN-CHEMIE GMBH                                               | Germany                          |                      | 100      | 25                          |
| TAURUS SYSTEMS GMBH                                              | Germany                          |                      | 67       | 16.75                       |
| TDWGMBH                                                          | Germany                          |                      | 100      | 25                          |
| AVIATION TRAINING INTERNATIONAL LIMITED                          | Dorset (U.K.)                    |                      | 50       | 50                          |
| ROTOR SIM S.r.l.                                                 | Sesto Calende (Va)               |                      | 50       | 50                          |
| CONSORZIO ATR GIE e SPE                                          | Toulouse (France)                |                      | 50       | 50                          |
| SUPERJET INTERNATIONALS.p.A.                                     | Tessera (Ve)                     |                      | 51       | 51                          |
| BALFOUR BEATTY ANSALDO SYSTEMS JVSDN BHD                         | Ampang (Malaysia)                |                      | 40       | 16.0262                     |
| KAZAKHASTAN TZ-ANSALDOSTS ITALY LLP                              | Astana (Kazakhstan)              |                      | 49       | 19.632                      |
| ANSALDO ENERGIA S.p.A.                                           | Genoa                            |                      | 54.55    | 54.55                       |
| ANSALDO ESG AG                                                   | Würenlingen (Switzerland)        |                      | 100      | 54.55                       |
| ANSALDO NUCLEARE S.p.A.                                          | Genoa                            |                      | 100      | 54.55                       |
| ANSALDO THOMASSEN BV                                             | Rheden (The Netherlands)         |                      | 100      | 54.55                       |
| ANSALDO THOMASSEN GULF LLC                                       | Abu Dhabi (United Arab Emirates) |                      | 48.667   | 26.548                      |
| ASIA POWER PROJECTS PRIVATE LTD                                  | Bangalore (India)                |                      | 100      | 54.55                       |
| YENIAEN INSAAT ANONIM SIRKETI                                    | Istanbul (Turkey)                |                      | 100      | 54.55                       |

| Companies measured using the equity method              |                                  |                      |          |                             |
|---------------------------------------------------------|----------------------------------|----------------------|----------|-----------------------------|
| Name                                                    | Registered office                | Group's investment % |          | Contribution to the group % |
|                                                         |                                  | Direct               | Indirect |                             |
| A4ESSOR SAS                                             | Neully Sur Seine (France)        |                      | 21       | 21                          |
| ABRUZZO ENGINEERING SCPA (IN LIQ.)                      | L'Aquila                         |                      | 30       | 30                          |
| ABU DHABI SYSTEMS INTEGRATION LLC                       | Abu Dhabi (United Arab Emirates) | 43.043               |          | 43.043                      |
| ADVANCED AIR TRAFFIC SYSTEMS SDN BHD                    | DarulEhsan (Malaysia)            | 30                   |          | 30                          |
| ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER S.p.A. | Turin                            | 51                   |          | 16.83                       |
| ALENIA NORTH AMERICA-CANADA CO                          | Halifax, Nova Scotia (Canada)    | 100                  |          | 100                         |
| ALFANA DUE SCRL                                         | Naples                           | 53.34                |          | 21.371                      |
| ALFANA SCRL                                             | Naples                           | 65.85                |          | 26.38                       |
| ANSALDO AMERICA LATINA SA                               | Buenos Aires (Argentina)         | 99.993               |          | 54.546                      |
| ANSALDO - E.M.IT. SCRL (IN LIQ.)                        | Genoa                            | 50                   |          | 50                          |
| ANSALDO ENERGY INC                                      | Wilmington, Delaware (USA)       | 100                  |          | 54.55                       |
| ANSERVS r.l.                                            | Bucarest (Romania)               | 100                  |          | 54.55                       |
| AUTOMATION INTEGRATED SOLUTIONS S.p.A.                  | Pianezza (To)                    | 40                   |          | 40                          |
| BCV INVESTMENTS SCA                                     | Luxembourg (Luxembourg)          | 14.32                |          | 14.32                       |
| 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                         |
| COMLENIA SENDIRIAN BERHAD                               | Selangor Darul Ehsan (Malaysia)  | 30                   |          | 30                          |
| CONSORZIO START S.p.A.                                  | Rome                             | 43.96                |          | 43.96                       |
| DEVELOPMENT & INNOVATION IN TRANSPORT SYSTEMS S.r.l.    | Rome                             | 24                   |          | 16.8079                     |
| DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A.R.L.           | Brindisi                         | 24                   |          | 24                          |
| DOGMATX LEASING LIMITED                                 | Republic of Mauritius            | 100                  |          | 50                          |
| ECOSEN SA                                               | Caracas (Venezuela)              | 48                   |          | 19.23                       |
| ELETTRONICA S.p.A.                                      | Rome                             | 31.333               |          | 31.333                      |
| ELSACOM HUNGARIA KFT (IN LIQ.)                          | Budapest (Hungary)               | 100                  |          | 100                         |
| ELSACOM NV                                              | Amsterdam (The Netherlands)      | 100                  |          | 100                         |
| ELSACOM SLOVAKIA SRO (IN LIQ.)                          | Bratislava (Slovakia)            | 100                  |          | 100                         |
| ELSACOM S.p.A. (IN LIQ.)                                | Rome                             | 100                  |          | 100                         |
| ELSACOM-UKRAINE JOINT STOCK COMPANY                     | Kiev (Ukraine)                   | 49                   |          | 49                          |
| EURISS NV                                               | Leiden (The Netherlands)         | 25                   |          | 8.25                        |
| EUROFIGHTER AIRCRAFT MANAGEMENT GMBH                    | Hallbergmoos (Germany)           | 21                   |          | 21                          |
| EUROFIGHTER INTERNATIONAL LTD                           | London (U.K.)                    | 21                   |          | 21                          |
| EUROFIGHTER JAGDFLUGZEUG GMBH                           | Hallbergmoos (Germany)           | 21                   |          | 21                          |
| EUROFIGHTER SIMULATION SYSTEMS GMBH                     | Unterhaching (Germany)           | 24                   |          | 24                          |
| EUROMIDS SAS                                            | Paris (France)                   | 25                   |          | 25                          |
| EUROSATELLITE FRANCE SA                                 | France                           | 100                  |          | 33                          |
| EUROSYNAV SAS                                           | Paris (France)                   | 50                   |          | 50                          |
| EUROTECH S.p.A.                                         | Amaro (Ud)                       | 1108                 |          | 1108                        |
| FATA GULF CO WLL                                        | Doha (Qatar)                     | 49                   |          | 49                          |
| FATA HUNTER INDIA PVT LTD                               | New Delhi (India)                | 100                  |          | 100                         |
| FINMECCANICA DO BRASIL LDA                              | Brasilia (Brazil)                | 99.999               |          | 99.999                      |
| FINMECCANICA NORTH AMERICA INC                          | Dover, Delaware (USA)            | 100                  |          | 100                         |
| FINMECCANICA UK LTD                                     | London (U.K.)                    | 100                  |          | 100                         |
| GRUPO AURENSIS SA DE CV                                 | Bosque de Durazos (Mexico)       | 100                  |          | 67                          |
| IAMCO SCRL                                              | Mestre (Ve)                      | 20                   |          | 20                          |
| ICARUS SCPA                                             | Turin                            | 49                   |          | 49                          |
| IMMOBILIARE CASCINA S.r.l.                              | Gallarate (Va)                   | 100                  |          | 100                         |
| IMMOBILIARE FONTEVERDE S.r.l. (IN LIQ.)                 | Rome                             | 60                   |          | 48                          |
| INTERNATIONAL METRO SERVICE S.r.l.                      | Milan                            | 49                   |          | 19.63                       |
| IM. INTERMETRO S.p.A. (IN LIQ.)                         | Rome                             | 33.332               |          | 23.343                      |
| IVECO - OTO MELARA SCRL                                 | Rome                             | 50                   |          | 50                          |
| JIANGXICHANGE AGUSTA HELICOPTER CO LTD                  | Zone Jiangxi Province (China)    | 40                   |          | 40                          |
| JOINT STOCK COMPANY SUKHOICIVIL AIRCRAFT                | Moscow (Russian Federation)      | 25.0001              |          | 25.0001                     |
| LIBYAN ITALIAN ADVANCED TECHNOLOGY CO                   | Tripoli (Libya)                  | 25                   | 25       | 50                          |
| LMATTS LLC                                              | Georgia (USA)                    | 100                  |          | 100                         |
| MACCHIHURELDUBOIS SAS                                   | Plaisir (France)                 | 50                   |          | 49.99                       |
| METRO 5 S.p.A.                                          | Milan                            | 319                  |          | 17.16                       |
| METRO BRESCIA S.r.l.                                    | Brescia                          | 50                   |          | 25.787                      |
| MUSINET ENGINEERING S.p.A.                              | Turin                            | 49                   |          | 49                          |
| N2 IMAGING SYSTEMS LLC                                  | Wilmington, Delaware (USA)       | 30                   |          | 30                          |
| NGLPRIME S.p.A.                                         | Turin                            | 30                   |          | 30                          |
| NH INDUSTRIES SAS, formerly N.H. INDUSTRIES SARL        | Aix en Provence (France)         | 32                   |          | 32                          |
| NICCO COMMUNICATIONS SAS                                | Colombes (France)                | 50                   |          | 50                          |
| NNS - SOC. DE SERV. POUR REACTEUR RAPIDE SNC            | Lyon (France)                    | 40                   |          | 21.82                       |
| NOVACOM SERVICES SA                                     | Toulouse (France)                | 39.73                |          | 26.62                       |
| ORIZZONTE - SISTEMINAVALIS p.a.                         | Genoa                            | 49                   |          | 49                          |
| PEGASO SCRL                                             | Rome                             | 46.87                |          | 18.778                      |
| POLARIS S.r.l.                                          | Genoa                            | 49                   |          | 26.73                       |
| QUADRICS LTD (IN LIQ.)                                  | Bristol (U.K.)                   | 100                  |          | 100                         |
| ROXEL SAS                                               | Le Plessis Robinson (France)     | 50                   |          | 12.5                        |





For ease of understanding and comparability, the main changes to the consolidation scope since July 2011 are reported below:

- Contact S.r.l. was deconsolidated with effect from 25 July 2011 following its sale to third parties;
- Ansaldo Fuel Cells S.p.A. was merged into Ansaldo Energia S.p.A. on 1 October 2011, with accounting effect from 1 January 2011;
- Metro Brescia S.r.l. was incorporated on 26 October 2011 and is measured using the equity method;
- Agusta US Inc. became the sole shareholder of Bell Agusta Aerospace Company LLC on 15 November 2011, which changed its name to AgustaWestland Tilt Rotor Company; it is consolidated from that date (it was previously measured using the equity method);
- Italdita Ingegneria dell'Idea and Sistemi e Telematica were merged into SELEX Elsag S.p.A. on 1 December 2011;
- on 6 December 2011, Westland Industries Ltd exited the consolidation scope after it was struck off the company register;
- Selex Galileo India Private Ltd was incorporated on 16 December 2011 and is measured using the equity method;
- MSSC Company was deconsolidated with effect from 1 January 2012, after it was struck off the company register;
- Ansaldo STS Sistemas de Transporte e Sinalizacao Limitada was deconsolidated with effect from 1 January 2012, after it was struck off the company register;
- AnsaldoBreda France SAS (in liquidation) was deconsolidated with effect from 1 January 2012, as it is dormant after being placed in liquidation;
- DRS Technologies Saudi Arabia LLC was incorporated on 31 January 2012 and was included in the consolidation scope;
- Turboenergy S.r.l., which had previously been partially sold to third parties, is again measured using the equity method from 9 February 2012;
- Development & Innovation in Transport Systems S.r.l. was incorporated on 23 February 2012 and is measured using the equity method;
- AgustaWestland Aviation Services LLC was incorporated on 7 March 2012 and is measured using the equity method;

The following companies changed their names during the first half of 2012:

- Vega Space Ltd to Telespazio Vega UK Ltd;
- Whitehead Alenia Sistemi Subacquei S.p.A. to Whitehead Sistemi Subacquei S.p.A.;

- Alenia North America Inc to Alenia Aermacchi North America Inc;
- Ansaldo STS South Africa (PTY) Ltd to Ansaldo STS-Sinosa Rail Solutions South Africa (PTY) Ltd.;
- N.H. Industries S.A.R.L. to NHIndustries SAS;
- Aurensis SL to Telespazio Iberica S;
- Vega Consulting & Technology SL to Telespazio Vega UK SL.

The following mergers took place in the first half of 2012:

- Alenia SIA S.p.A. and Alenia Aermacchi S.p.A. were merged into Alenia Aeronautica S.p.A. on 1 January 2012, and the latter simultaneously changed its name to Alenia Aermacchi S.p.A.;
- Fileas SAS and Vega Technologies SAS were merged into Telespazio France SAS on 1 January 2012;
- PZL Invest SP. Z O.O., Zakład Utrzymania Ruchu SO. Z O.O., “Swidtrans” SP. Z O.O. and Zakład Remontowy SP. Z O.O. were merged into “PZL Swidnik” on 5 January 2012;
- Seicos S.p.A. was merged into SELEX Elsag SpA, on 1 February 2012, with accounting effect from 1 January 2012;
- Telespazio Holding S.r.l. was merged into Telespazio S.p.A. on 20 February 2012, with accounting effect from 1 January 2012;
- Amtec S.p.A. was merged into SELEX Elsag S.p.A. on 1 April 2012, with accounting effect from 1 January 2012;
- Night Vision Systems LLC was merged into DRS RSTA Inc on 16 April 2012;
- Ansaldo Energia Holding S.p.A. was merged into Ansaldo Energia S.p.A. on 30 June 2012, with accounting effect from 1 January 2012.

## 7. MATERIAL CHANGES IN EXCHANGE RATES ADOPTED

Again with reference to data comparability, the euro exchange rate fluctuated against those of the main currencies relevant to the group in the first half of 2012. Specifically, the key exchange rates at 30 June 2012 and averages for the reporting period varied as follows from the same period of 2011: closing rates (euro/US dollar -2.70% and euro/pound sterling -3.41%); average exchange rates of the reporting period (euro/US dollar -7.58% and euro/pound sterling -5.25%).

The exchange rates adopted for the key currencies for the group are:

|                | At 30 June 2012                   |                                      | At 31 December<br>2011       | At 30 June 2011                   |                                   |
|----------------|-----------------------------------|--------------------------------------|------------------------------|-----------------------------------|-----------------------------------|
|                | average<br>rate for<br>the period | closing<br>rate for<br>the<br>period | closing<br>rate for the year | average<br>rate for the<br>period | closing<br>rate for the<br>period |
| US dollar      | 1.29678                           | 1.25900                              | 1.29390                      | 1.40311                           | 1.44530                           |
| Pound sterling | 0.82249                           | 0.80680                              | 0.83530                      | 0.86804                           | 0.90255                           |

## 8. SEGMENT REPORTING

In compliance with IFRS 8, in line with the management and control model used, management has identified the group's operating segments as the business segments in which it operates: Helicopters, Defence Electronics and Security, Aeronautics, Space, Defence Systems, Energy, Transportation and Other activities.

Reference should be made to the directors' report for a more in-depth analysis of the main programmes, outlook and revenue and adjusted gross operating profit (loss) for each business segment.

The group assesses its operating segments and the allocation of financial resources based on revenue and adjusted gross operating profit (loss) (see the section of the directors' report entitled "*Non-IFRS alternative performance indicators*").

Following the incorporation of the joint venture Ansaldo Energia (via the sale, finalised in June 2011, of the entire share capital of Ansaldo Energia S.p.A. to Ansaldo Energia Holding, in which the US fund, First Reserve Corporation, has a 45% investment), the Energy business segment is consolidated using the proportionate method (to the extent of the investment percentage) from the transaction date.

The results of the business segments for the first half of 2012, compared with those of the corresponding period of the previous year, are as follows:

|                                                | Helicopters | Defence Electronics and Security | Aeronautics | Space | Defence Systems | Energy | Transportation | Other activities | Eliminations | Total        |
|------------------------------------------------|-------------|----------------------------------|-------------|-------|-----------------|--------|----------------|------------------|--------------|--------------|
| <b><i>For the first six months of 2012</i></b> |             |                                  |             |       |                 |        |                |                  |              |              |
| Revenue                                        | 1,912       | 2,734                            | 1,318       | 462   | 564             | 306    | 940            | 144              | (353)        | <b>8,027</b> |
| <i>of which, related parties</i>               | 98          | 236                              | 313         | 13    | 81              | 5      | 220            | 7                | -            | <b>973</b>   |
| Adjusted gross operating profit (loss)         | 219         | 143                              | 49          | 30    | 54              | 21     | 8              | (65)             | -            | <b>459</b>   |
| Investments                                    | 134         | 93                               | 157         | 13    | 14              | 10     | 10             | 13               | -            | <b>444</b>   |
|                                                | Helicopters | Defence Electronics and Security | Aeronautics | Space | Defence Systems | Energy | Transportation | Other activities | Eliminations | Total        |
| <b><i>For the first six months of 2011</i></b> |             |                                  |             |       |                 |        |                |                  |              |              |
| Revenue                                        | 1,831       | 2,923                            | 1,297       | 480   | 558             | 562    | 953            | 131              | (303)        | <b>8,432</b> |
| <i>of which, related parties</i>               | 89          | 236                              | 353         | 13    | 95              | 2      | 147            | 4                | -            | <b>939</b>   |
| Adjusted gross operating profit (loss)         | 188         | 181                              | 41          | 10    | 49              | 42     | 9              | (80)             | -            | <b>440</b>   |
| Investments                                    | 90          | 90                               | 112         | 14    | 15              | 13     | 9              | 6                | -            | <b>349</b>   |

Non-current assets (intangible assets, property, plant and equipment and investment property) may be analysed by business segment as follows at 30 June 2012 and 31 December 2011:

|                          | Helicopters | Defence Electronics and Security | Aeronautics | Space | Defence Systems | Energy | Transportation | Other activities | Eliminations | Total         |
|--------------------------|-------------|----------------------------------|-------------|-------|-----------------|--------|----------------|------------------|--------------|---------------|
| <b><u>30.06.2012</u></b> |             |                                  |             |       |                 |        |                |                  |              |               |
| Non-current assets       | 2,805       | 5,157                            | 1,760       | 511   | 564             | 96     | 164            | 779              | -            | <b>11,836</b> |
|                          | Helicopters | Defence Electronics and Security | Aeronautics | Space | Defence Systems | Energy | Transportation | Other assets     | Eliminations | Total         |
| <b><u>31.12.2011</u></b> |             |                                  |             |       |                 |        |                |                  |              |               |
| Non-current assets       | 2,702       | 5,063                            | 1,681       | 519   | 563             | 94     | 167            | 791              | -            | <b>11,580</b> |

A reconciliation follows of adjusted gross operating profit (loss) and operating profit (loss) for the reporting period and the corresponding period of the previous year:

|                                                                             | Helicopters | Defence Electronics and Security | Aeronautics | Space     | Defence Systems | Energy    | Transportation | Other activities | Total       |             |
|-----------------------------------------------------------------------------|-------------|----------------------------------|-------------|-----------|-----------------|-----------|----------------|------------------|-------------|-------------|
| <b><u>For the first six months of 2012</u></b>                              |             |                                  |             |           |                 |           |                |                  |             |             |
| <b>Adjusted gross operating profit (loss)</b>                               |             | <b>219</b>                       | <b>143</b>  | <b>49</b> | <b>30</b>       | <b>54</b> | <b>21</b>      | <b>8</b>         | <b>(65)</b> | <b>459</b>  |
| Impairment losses                                                           | -           | -                                | -           | -         | -               | -         | -              | -                | -           | -           |
| Amortisation of intangible assets acquired as part of business combinations | (4)         | (39)                             | -           | -         | (1)             | -         | -              | -                | -           | <b>(44)</b> |
| Restructuring costs                                                         | -           | (21)                             | -           | (5)       | (3)             | -         | (11)           | -                | -           | <b>(40)</b> |
| Non-recurring income (expense)                                              | -           | -                                | -           | -         | -               | -         | -              | -                | -           | -           |
| <b>Operating profit (loss)</b>                                              | <b>215</b>  | <b>83</b>                        | <b>49</b>   | <b>25</b> | <b>50</b>       | <b>21</b> | <b>(3)</b>     | <b>(65)</b>      | <b>375</b>  |             |

|                                                                             | Helicopters | Defence<br>Electronics<br>and Security | Aeronautics | Space     | Defence<br>Systems | Energy    | Transporta-<br>tion | Other<br>activities | Total      |
|-----------------------------------------------------------------------------|-------------|----------------------------------------|-------------|-----------|--------------------|-----------|---------------------|---------------------|------------|
| <i><u>For the first six months of 2011</u></i>                              |             |                                        |             |           |                    |           |                     |                     |            |
| Adjusted gross operating profit (loss)                                      | 188         | 181                                    | 41          | 10        | 49                 | 42        | 9                   | (80)                | 440        |
| Impairment losses                                                           | -           | -                                      | -           | -         | -                  | -         | -                   | -                   | -          |
| Amortisation of intangible assets acquired as part of business combinations | (4)         | (36)                                   | -           | -         | (1)                | -         | -                   | -                   | (41)       |
| Restructuring costs                                                         | -           | (10)                                   | (13)        | -         | (1)                | -         | (3)                 | -                   | (27)       |
| Non-recurring income (expense)                                              | -           | -                                      | (51)        | -         | -                  | -         | -                   | -                   | (51)       |
| <b>EBIT</b>                                                                 | <b>184</b>  | <b>135</b>                             | <b>(23)</b> | <b>10</b> | <b>47</b>          | <b>42</b> | <b>6</b>            | <b>(80)</b>         | <b>321</b> |

## 9. INTANGIBLE ASSETS

Intangible assets may be analysed as follows:

|                                               | <u>30.06.2012</u> | <u>31.12.2011</u> |
|-----------------------------------------------|-------------------|-------------------|
| Goodwill                                      | 5,628             | 5,518             |
| Development expense                           | 584               | 569               |
| Non-recurring expense                         | 858               | 716               |
| Concessions, licences and trademarks          | 430               | 417               |
| Acquisitions as part of business combinations | 885               | 908               |
| Other                                         | 271               | 281               |
| <b>Total intangible assets</b>                | <b>8,656</b>      | <b>8,409</b>      |

Key changes were:

- a net increase in goodwill (€10 million) due mainly to exchange rate gains on the goodwill for assets in US dollars and pounds sterling;
- amortisation totalling €34 million (€43 million at 30 June 2011) (Note 26);

- investments totalling €233 million (€173 million at 30 June 2011), as follows:

| <i>Investments</i>                   | <i>For the first six months of</i> |             |
|--------------------------------------|------------------------------------|-------------|
|                                      | <u>2012</u>                        | <u>2011</u> |
| Development expense                  | 44                                 | 37          |
| Non-recurring expense                | 150                                | 89          |
| Concessions, licences and trademarks | 5                                  | 5           |
| Other assets                         | 34                                 | 42          |
| <b>Total intangible assets</b>       | <b>233</b>                         | <b>173</b>  |

There are also commitments to purchase intangible assets for €4 million (€21 million at 31 December 2011).

The market capitalisation of the Finmeccanica S.p.a. share is currently lower than the carrying amount of equity attributable to the owners of the parents (market capitalisation at 30 June 2012 of €1.8 billion, against equity attributable to the owners of the parent of €4.4 billion). It was not deemed necessary to perform additional impairment testing to that performed in preparing the 2011 consolidated financial statements, as the share price reflects the generally depressed and highly volatile conditions of the financial markets and is decidedly different from a valuation based on value in use.

Moreover, certain group markets are impacted by uncertainties arising from the ongoing review of public spending commenced in response to the global crisis which has now extended to domestic markets and which, *inter alia*, concerns the Defence Electronics and Security business segment, in which most of the goodwill (€3,506 million at 30 June 2012, of which €2,308 million relates to the DRS CGU) is concentrated. Nothing is deemed to have arisen to date compared to the assumptions and projections used in impairment testing in the 2011 consolidated financial statements such to change the expectations reflected in such assessments and such to significantly impact the recoverable amount of the various CGUs calculated during the impairment testing carried out at 31 December 2011. Particularly with reference to DRS, almost the full amount of this CGU's revenue is realised with the government of the United States of America, whose budgets, including for defence spending, were reduced significantly in 2011. This impacted DRS's outlook and, therefore, impairment losses on goodwill totalling €646 million were recognised in the 2011 financial statements. However, the United States defence budget is still uncertain considering the possible further selective cuts and the sequestration process. Under this process, if the relevant bodies are unable to reach an agreement on the costs needed to comply with budget ceilings, the programmes already approved for funding will be reduced on a linear basis, with a few limited exceptions. The effects of the sequestration process cannot be predicted at present.



Pending the conclusion of the decision-making process and given that an agreement is expected to be reached, there are no indications such to require further amendments to the assumptions, which were already reduced in 2011, used in the impairment testing carried out at 31 December 2011. Moreover, DRS has already commenced a series of streamlining and efficiency initiatives to maintain its competitiveness, also in this challenging context.

## 10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment may be analysed as follows:

|                                            | <u>30.06.2012</u>   | <u>31.12.2011</u>   |
|--------------------------------------------|---------------------|---------------------|
| Land and buildings                         | 1,217               | 1,229               |
| Plant and machinery                        | 596                 | 610                 |
| Equipment                                  | 729                 | 708                 |
| Other assets                               | 638                 | 624                 |
| <b>Total property, plant and equipment</b> | <b><u>3,180</u></b> | <b><u>3,171</u></b> |

In addition to the exchange rate gains on assets in US dollars and pounds sterling (€25 million), the key changes were:

- depreciation totalling €189 million (€192 million at 30 June 2011);
- investments totalling €211 million (€176 million at 30 June 2011), as follows:

|                                            | <u>For the first six months of</u> |                   |
|--------------------------------------------|------------------------------------|-------------------|
|                                            | <u>2012</u>                        | <u>2011</u>       |
| Land and buildings                         | 8                                  | 6                 |
| Plant and machinery                        | 18                                 | 21                |
| Equipment                                  | 43                                 | 35                |
| Other assets                               | 142                                | 114               |
| <b>Total property, plant and equipment</b> | <b><u>211</u></b>                  | <b><u>176</u></b> |

Property, plant and equipment include €8 million (€9 million at 31 December 2011) related to assets held under finance leases. “Other assets” also include the aircraft owned by GIE ATR group of €9 million (€9 million at 31 December 2011), helicopters owned by the Agusta Westland group of €8 million (€8 million at 31 December 2011), simulators owned by Superjet of €10 million (€10 million at 31 December 2011) and aircraft for which sales contracts have been agreed with third-

party customers but for which the conditions for the substantial transfer of risks related to ownership have not been satisfied such to enable its recognition as a sales transaction.

There are also commitments to purchase property, plant and equipment for €103 million (€103 million at 31 December 2011).

## 11. BUSINESS COMBINATIONS

There were no business combinations during the reporting period.

The purchase by the Thales Alenia Space joint venture (consolidated on a proportionate basis at 33%) of Thales Deutschland was finalised in the corresponding period of the previous year.

The overall effects of the transactions finalised in the reporting period and the corresponding period of the previous year are as follows:

| <i>€ million</i>                               | <i>30 June 2012</i> |             | <i>30 June 2011</i> |             |
|------------------------------------------------|---------------------|-------------|---------------------|-------------|
|                                                | Goodwill            | Cash effect | Goodwill            | Cash effect |
| Acquisitions                                   | -                   | -           | 2                   | 1           |
| Payments related to previous year acquisitions | -                   | -           | -                   | 3           |
| <b>Total</b>                                   | <b>-</b>            | <b>-</b>    | <b>2</b>            | <b>4</b>    |

## 12. LOANS AND RECEIVABLES AND OTHER NON-CURRENT ASSETS

|                                                    | <i>30 June<br/>2012</i>      | <i>31 December<br/>2011</i>  |
|----------------------------------------------------|------------------------------|------------------------------|
|                                                    | <hr/>                        | <hr/>                        |
| Financing to third parties                         | 66                           | 83                           |
| Guarantee deposits                                 | 23                           | 23                           |
| Finance lease receivables                          | 2                            | 2                            |
| Deferred grants under Law no. 808/85               | 134                          | 152                          |
| Defined benefit plan assets, net (Note 19)         | 88                           | 102                          |
| Related party loans and receivables (Note 22)      | 31                           | 8                            |
| Other                                              | 45                           | 36                           |
| <b>Non-current loans and receivables</b>           | <hr/> <b>389</b> <hr/>       | <hr/> <b>406</b> <hr/>       |
| Prepayments                                        | 28                           | 24                           |
| Equity investments                                 | 244                          | 263                          |
| Non-recurring costs pending under Law no. 808/1985 | 170                          | 221                          |
| Related party loans and receivables (Note 22)      | 4                            | 3                            |
| <b>Non-current assets</b>                          | <hr/> <b>446</b> <hr/>       | <hr/> <b>511</b> <hr/>       |
| <b>Total other non-current assets</b>              | <hr/> <b>835</b> <hr/> <hr/> | <hr/> <b>917</b> <hr/> <hr/> |

Finance lease receivables relate to transactions that qualify as such undertaken by GIE ATR and in which the group is the lessor. In this case, the relevant aircraft is derecognised from assets and replaced by the receivable; the related financial income is gradually recognised over the term of the lease on the basis of the effective interest rate applicable to the contract.

Deferred grants under Law no. 808/85 comprise the present value of amounts due from the Ministry of Economic Development under Law no. 808/85 on national security and similar projects, whose collection is deferred. The portion expected to be collected within one year (€19 million; €29 million at 31 December 2011) is recognised under other current assets (Note 15). Non-recurring costs pending under Law no. 808/1985 include the portion of non-recurring costs incurred in relation to programmes already considered eligible under Law no. 808/85 and classified as functional to national security and whose pertinence has not yet been approved by the disbursing body. After the legal requirements for the recognition of a receivable due from the Ministry have been satisfied, the carrying amount will be reclassified under current or non-current, depending on the expected disbursement timetable. The amount shown in this caption is based on management's estimate and takes into account both the reasonable probability of obtaining the grants and the effects of the time value of money in the event their collection is deferred after one year.

Equity investments measured at cost or using the equity method show a net decrease, mainly due to the impairment loss recognised as a result of the loss for the period of the Joint Stock Company Sukhoi Aircraft (€24 million), which was partly offset by the exchange rate gains generated by the same company (€5 million), while the reversals of impairment losses recognised on Elettronica S.p.A. (€4 million) and International Metro Service S.r.l. (€4 million) are offset by the collection of the same amount of dividends from such companies.

Non-current assets also include the net amount of the indirect equity investment (via the holding company BCV Investment) in Avio group and additional credit instruments issued to BCV Investment, for a total amount of €33 million.

### 13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

|                                                                    | <u>30.06.2012</u>   | <u>31.12.2011</u>   |
|--------------------------------------------------------------------|---------------------|---------------------|
| Loans and receivables                                              | 4,629               | 4,690               |
| Allowance for impairment                                           | (318)               | (309)               |
| Related party loans and receivables<br>(Note 22)                   | 951                 | 884                 |
|                                                                    | <u>5,262</u>        | <u>5,265</u>        |
| Work in progress                                                   | 8,863               | 8,131               |
| Progress payments and advances from<br>customers                   | (4,675)             | (4,464)             |
| Work in progress (net)                                             | <u>4,188</u>        | <u>3,667</u>        |
| <b>Total trade receivables, including net<br/>work in progress</b> | <b><u>9,450</u></b> | <b><u>8,932</u></b> |

Reference should be made to Note 22 for details of Related party loans and receivables and a summary of the more important transactions.

## 14. DERIVATIVES

Derivative assets and liabilities may be analysed as follows:

|                      | <i>30.06.2012</i> |                    | <i>31.12.2011</i> |                    |
|----------------------|-------------------|--------------------|-------------------|--------------------|
|                      | <b>Assets</b>     | <b>Liabilities</b> | <b>Assets</b>     | <b>Liabilities</b> |
| Currency forwards    | 75                | 160                | 101               | 144                |
| Embedded derivatives | 10                | -                  | 30                | -                  |
| Interest rate swaps  | 71                | 16                 | 36                | 15                 |
|                      | <b>156</b>        | <b>176</b>         | <b>167</b>        | <b>159</b>         |

The change in the fair value of forwards relates mainly to fluctuations in the US dollar/euro exchange rate, from 1.2939 at 31 December 2011 to 1.2590 at 30 June 2012. The depreciation of the euro negatively affected the measurement of sales transactions in US dollars hedging forecast collections but it did not impact the income statement following the adoption of cash flow hedging.

The interest rate swaps totalling a notional amount of €1,150 million are entered into to hedge part of the bond issues. The change in the fair value is impacted by the trend of the interest rate curve and payments of around €30 million were made during the reporting period. Accordingly, the fair value at 30 June 2012 was positively impacted by the amount that will be collected in the second half of the year.

Embedded derivatives arise from trading contracts agreed in currencies other than those of the contracting parties and from those generally used on the relevant markets. This component, separated from the trading contract, is measured at fair value through profit or loss and is merely an unrealised item that will not produce financial effects.

## 15. OTHER CURRENT ASSETS

|                                                      | <u>30.06.2012</u>   | <u>31.12.2011</u>   |
|------------------------------------------------------|---------------------|---------------------|
| Tax assets                                           | 187                 | 185                 |
| Assets held for sale                                 | 35                  | 40                  |
| Other:                                               | 912                 | 837                 |
| <i>Prepayments - current portion</i>                 | <i>116</i>          | <i>126</i>          |
| <i>Equity investments</i>                            | <i>-</i>            | <i>1</i>            |
| <i>Grants</i>                                        | <i>84</i>           | <i>78</i>           |
| <i>Employees and social security institutions</i>    | <i>50</i>           | <i>43</i>           |
| <i>Indirect tax assets</i>                           | <i>309</i>          | <i>293</i>          |
| <i>Deferred grants under Law no. 808/85</i>          | <i>19</i>           | <i>29</i>           |
| <i>Related party loans and receivables (Note 22)</i> | <i>27</i>           | <i>13</i>           |
| <i>Other assets</i>                                  | <i>307</i>          | <i>254</i>          |
| <b>Total other current assets</b>                    | <b><u>1,134</u></b> | <b><u>1,062</u></b> |

Deferred grants under Law no. 808/85 comprise those due from the Ministry of Economic Development for receivables due under Law no. 808/85 on national security and similar projects expected to be collected within one year. The deferred portion due after one year is recognised under loans and receivables and other non-current assets (Note 12).

Other assets include, *inter alia*, amounts due from Bombardier Transportation (€20 million; €20 million at 31 December 2011), Ariane Space (€80 million; €44 million at 31 December 2011) and sundry advances (€36 million; €19 million at 31 December 2011).

## 16. EQUITY

| Share capital                                                  | No. of<br>ordinary<br>shares | Nominal<br>amount<br>€million | Treasury<br>shares<br>€million | Costs<br>incurred net<br>of the tax<br>effect<br>€million | Total<br>€million |
|----------------------------------------------------------------|------------------------------|-------------------------------|--------------------------------|-----------------------------------------------------------|-------------------|
| Outstanding shares                                             | 578,150,395                  | 2,544                         | -                              | (19)                                                      | 2,525             |
| Treasury shares                                                | (32,450)                     | -                             | -                              | -                                                         | -                 |
| <i>31 December 2011</i>                                        | <u>578,117,945</u>           | <u>2,544</u>                  | <u>-</u>                       | <u>(19)</u>                                               | <u>2,525</u>      |
| Repurchase of treasury<br>shares, net of shares<br>transferred | -                            | -                             | -                              | -                                                         | -                 |
| <i>30 June 2012</i>                                            | <u>578,117,945</u>           | <u>2,544</u>                  | <u>-</u>                       | <u>(19)</u>                                               | <u>2,525</u>      |
| <i>as follows:</i>                                             |                              |                               |                                |                                                           |                   |
| Outstanding shares                                             | 578,150,395                  | 2,544                         | -                              | (19)                                                      | 2,525             |
| Treasury shares                                                | (32,450)                     | -                             | -                              | -                                                         | -                 |
|                                                                | <u>578,117,945</u>           | <u>2,544</u>                  | <u>-</u>                       | <u>(19)</u>                                               | <u>2,525</u>      |

The parent's fully subscribed and paid up share capital comprises ordinary shares of a unit nominal amount of €4.40.

At 30 June 2012, the Ministry of Economy and Finance owned around 30.204% of the share capital, Deutsche Bank Trust Company Americas around 3.600% and Arab Bkg Corp/Libyan Investment, Man around 2.010% of the shares. Moreover, Tradewinds Global Investors LLC held around 4.976% of the shares on a discretionary fund management basis, BlackRock Inc. around 2.240% on a non-discretionary fund management basis and Grantham, Mayo, Van Otterloo & Co. LLC around 2.045% on a discretionary fund management basis.

Apart from those stated above, no shareholders hold more than 2% of Finmeccanica S.p.a.'s share capital at 30 June 2012.

Changes in Other reserves and Equity attributable to non-controlling interests are presented in the financial statements schedules.

The tax effects on the gains and losses recognised in equity are shown below:

|                                                   | <i>Owners of the parent</i> |            |                       | <i>Non-controlling interests</i> |            |                       |
|---------------------------------------------------|-----------------------------|------------|-----------------------|----------------------------------|------------|-----------------------|
|                                                   | Pre-tax amount              | Tax effect | Net of the tax effect | Pre-tax amount                   | Tax effect | Net of the tax effect |
| Actuarial gains (losses) on defined benefit plans | (155)                       | 41         | (114)                 | -                                | -          | -                     |
| Fair value gains (losses) on cash flow hedges     | (32)                        | 9          | (23)                  | 1                                | -          | 1                     |
| Exchange rate gains                               | 144                         | -          | 144                   | 4                                | -          | 4                     |
| <b>Total</b>                                      | <b>(43)</b>                 | <b>50</b>  | <b>7</b>              | <b>5</b>                         | <b>-</b>   | <b>5</b>              |

## 17. LOANS AND BORROWINGS

|                                              | <i>30.06.2012</i> | <i>31.12.2011</i> |
|----------------------------------------------|-------------------|-------------------|
| Bonds                                        | 3,962             | 3,951             |
| Bank loans and borrowings                    | 1,473             | 860               |
| Finance lease payables                       | 5                 | 6                 |
| Related party loans and borrowings (Note 22) | 914               | 949               |
| Other loans and borrowings                   | 128               | 119               |
| <b>Total loans and borrowings</b>            | <b>6,482</b>      | <b>5,885</b>      |
| of which:                                    |                   |                   |
| Current                                      | 1,982             | 1,393             |
| Non-current                                  | 4,500             | 4,492             |

The increase in bonds is due to the recognition of interest accrued in the reporting period (€127 million), net of payments made (€107 million), and the repurchase during the period of around €51 million (nominal amount of \$66 million) of the \$500 million bonds maturing in July 2019 issued in 2009 by the subsidiary Meccanica Holdings USA. The changes of the reporting period also include exchange rate gains and losses and other minor changes.

Bond issues are governed by regulations containing standard legal clauses for this type of corporate transaction on institutional markets. They do not require compliance with specific financial covenants for issues, while they include, *inter alia*, negative pledge and cross default clauses (see also the section Financial transactions in the directors' report).

The increase in bank loans and borrowings is mainly due to use of the short-term revolving credit line. To fund the group's ordinary operations, Finmeccanica agreed a Revolving Credit Facility with a pool of domestic and international banks in September 2010 for a total of €2,400 million, with a



final maturity date of September 2015. The same regulations described above for bond issues apply to this facility.

Related party transactions are discussed in Note 22.

*The following disclosure is required by CONSOB communication no. DEM/6064293 of 28 July 2006:*

| <i>€ million</i>                                    | <u><b>30.06.2012</b></u> | <i>of which,<br/>related<br/>parties</i> | <u><b>31.12.2011</b></u> | <i>of which,<br/>related<br/>parties</i> |
|-----------------------------------------------------|--------------------------|------------------------------------------|--------------------------|------------------------------------------|
| Cash and cash equivalents                           | (814)                    |                                          | (1,331)                  |                                          |
| Securities held for trading                         | (35)                     |                                          | (40)                     |                                          |
| <b>CASH AND CASH EQUIVALENTS</b>                    | <b>(849)</b>             |                                          | <b>(1,371)</b>           |                                          |
| <b>CURRENT LOANS AND RECEIVABLES</b>                | <b>(977)</b>             | <i>(194)</i>                             | <b>(1,071)</b>           | <i>(184)</i>                             |
| Current bank loans and borrowings                   | 772                      |                                          | 159                      |                                          |
| Current portion of non-current loans and borrowings | 254                      |                                          | 255                      |                                          |
| Other current loans and borrowings                  | 956                      | <i>881</i>                               | 979                      | <i>913</i>                               |
| <b>CURRENT FINANCIAL DEBT</b>                       | <b>1,982</b>             |                                          | <b>1,393</b>             |                                          |
| <b>NET CURRENT FINANCIAL DEBT (POSITION)</b>        | <b>156</b>               |                                          | <b>(1,049)</b>           |                                          |
| Non current bank loans and borrowings               | 701                      |                                          | 701                      |                                          |
| Bonds issued                                        | 3,708                    |                                          | 3,696                    |                                          |
| Other non-current loans and borrowings              | 91                       | <i>33</i>                                | 95                       | <i>36</i>                                |
| <b>NON-CURRENT FINANCIAL DEBT</b>                   | <b>4,500</b>             |                                          | <b>4,492</b>             |                                          |
| <b>NET FINANCIAL DEBT</b>                           | <b>4,656</b>             |                                          | <b>3,443</b>             |                                          |

## 18. PROVISIONS FOR RISKS AND CHARGES

|                    | <i>30 June 2012</i> |                | <i>31 December 2011</i> |                |
|--------------------|---------------------|----------------|-------------------------|----------------|
|                    | <b>Non-current</b>  | <b>Current</b> | <b>Non-current</b>      | <b>Current</b> |
| Guarantees given   | 55                  | 42             | 80                      | 33             |
| Restructuring      | 164                 | 70             | 160                     | 104            |
| Penalties          | 273                 | 38             | 254                     | 40             |
| Product warranties | 105                 | 132            | 95                      | 134            |
| Other              | 1,132               | 617            | 1,185                   | 621            |
|                    | <b>1,729</b>        | <b>899</b>     | <b>1,774</b>            | <b>932</b>     |

“Other” totalled €1,749 million (€1,806 million at 31 December 2011) and mainly relates to:

- the provision for risks on GIE ATR activities of €68 million, unchanged from 31 December 2011;
- the provision for contractual risks and charges of €1,027 million (€1,043 million at 31 December 2011). They mainly relate to the Aeronautics business segment (€64 million) and the Defence Electronics and Security business segment (€64 million);
- the provision for risks on equity investments of €29 million (€24 million at 31 December 2011), which includes the accruals for losses exceeding the carrying amounts of unconsolidated equity-accounted investments;
- the provision for taxes of €109 million (€9 million at 31 December 2011);
- the provision for litigation with employees and former employees of €39 million (€35 million at 31 December 2011);
- the provision for litigation underway of €31 million (€31 million at 31 December 2011);
- the provision for risks for contract costs to complete of €62 million (€102 million at 31 December 2011);
- other sundry provisions of €334 million (€354 million at 31 December 2011).

Finally, in relation to the provisions for risks, it should be noted that the activities of the Finmeccanica group companies relate to segments and markets where disputes are only settled after a significant time lapse, especially in cases where the counterparty is a public body.

Pursuant to the IFRS, provisions have only been made for risks that are probable and for which the amount can be determined. Likewise, specific provisions have not been set aside for disputes in which the group is defendant as, based on current knowledge, these disputes are reasonably expected to be resolved satisfactorily and without significantly impacting results.

For the purposes of full disclosure, changes in the cases (for which no provision has been made) described in the 2011 Annual Report, to which reference should be made for a more complete description, are reported below:

- o the dispute in which Finmeccanica is defendant in relation to contractual commitments taken on at the time of the sale of the former subsidiary Finmilano S.p.A. to Banca di Roma (now Unicredit Group), arising from an assessment report issued to Finmilano S.p.A. by the Rome Direct Taxation Office, which disallowed the tax deductibility of the loss arising in 1987 from the factoring without recourse of a receivable subject to deferred collection for an amount lower than its nominal amount. Basically, the tax authorities considered this factoring to be a financing transaction and that the loss should be treated as borrowing costs and, therefore, it should not have been fully deducted in 1987 but deferred on a pro rata basis over the subsequent years as implicit interest.

After the Supreme Court had allowed the petition filed by the tax authorities and referred the case to the trial judge, the latter again allowed the parent's appeal. However, the tax authorities filed another petition to the Supreme Court against the trial judge's decision. In 2009, for the second time, the Supreme Court quashed the trial judge's decision and referred the case to the second level court. The Rome Regional Tax Court resolved in favour of the tax authorities and the parent filed a new petition to the Supreme Court on 6 June 2012. The parent does not currently expect it will incur significant losses in this respect;

- o the appeal filed by AgustaWestland S.p.A. against the 2006 IRES and IRAP assessment report issued by the Lombardy Regional tax office, disallowing the deductibility of certain costs (without however contesting the relevant transactions) that allegedly did not meet the requirements of article 110.11 of the Consolidated Tax Act. According to the tax authorities, their correct treatment would lead to an increase in taxes of approximately €8.5 million (excluding interest), to which penalties of an equal amount are to be added. The company believes that its treatment is correct and filed an appeal to the Milan Local Tax Court on 27 March 2012;

- o with reference to the litigation commenced by Reid against Finmeccanica and Alenia Space (now So.Ge.Pa. S.p.A.) before the Court of Texas in 2001, whereby Reid claimed that the former Finmeccanica - Space business segment failed to meet its obligations under the contract for the development of the Gorizont satellite programme, which was closed in favour of the group after more than five years, due to the lack of jurisdiction of the Court involved. In May 2007, Reid served Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) a complaint, whereby it commenced new legal proceedings before the Court of Chancery in Delaware.

Reid has repropounded the same claims for damages that it claimed before the Court of Texas, without, however, quantifying the amount of the alleged damage.

Finmeccanica appeared before the Court on 29 June 2007, filing a motion to dismiss, asserting that the case was time-barred, the statute of limitation had run out and the Court of Delaware did not have jurisdiction. On 27 March 2008, the judge rejected the claim as the case was time-barred. The claimant appealed against this decision before the Supreme Court of Delaware, which allowed the petition and referred the case to the Court of Chancery for its decision about the plea to the jurisdiction. Therefore, the discovery phase commenced and is still ongoing. In this respect, after having made the decision reserved after the hearing held on 29 February 2012, the judge has allowed the testimonial evidence requested by the counterparty. Witnesses will be examined in the coming months;

- o G.M.R., as the sole shareholder of Firema Trasporti commenced legal proceedings against Finmeccanica and AnsaldoBreda before the Santa Maria Capua Vetere Court in 2011, requesting that the court admit the defendants' liability for having caused, with their conduct, Firema Trasporti's insolvency, ordering them to pay damages. According to the claimant, during the period in which Finmeccanica held an investment in Firema Trasporti (from 1993 to 2005), its management and coordination were carried out to the detriment of Firema Trasporti and in the sole interest of Finmeccanica group. Moreover, even after the sale of the investment by Finmeccanica, Firema Trasporti was allegedly de facto subjected to an abuse of economic dependence from the group in performing the various agreements existing with AnsaldoBreda. Finmeccanica and AnsaldoBreda appeared before the court requesting that the claims be dismissed as evidently unfounded. The judge made the reserved decision after the first hearing held on 31 May 2011, fixing the terms for filing the briefs. The next hearing will be held on 30 October 2012;
- o in January 2009, Pont Ventoux Scrl commenced an arbitration procedure against the joint venture set up by Ansaldo Energia (lead contractor, 31%), Alstom Power Italia S.p.A. (17%)

and Voith Siemens Hydro Power Generation S.p.A. (52%) in connection with a contract for the provision of two power generators, for a total amount approximating €15 million, as part of the project for the construction of a hydro power plant in Val di Susa (Italy). The claimant requests compensation of alleged direct and indirect damage totalling approximately €90 million, asserting that the clause limiting the joint venture's liability to the contractual consideration is not applicable due to gross negligence. Ansaldo Energia holds that it has fulfilled its lead contractor's duties with utmost diligence and that Pont Ventoux's allegations of delays and breach of contract are unfounded. The court-appointed expert's report was filed on 6 June 2011. The parties are currently exchanging their briefs, after which the arbitration award should be issued, before the deadline of 29 December 2012;

- o in September 2011, the French company DCNS commenced an arbitration procedure before the Paris ICC against WASS in relation to the agreement signed by the parties in 2008 for the development of the F21 heavy torpedo for the French Navy Ministry.

The dispute followed the suspension of supply by WASS, due to the suspension of the export licence by the Italian Ministry of Foreign Affairs. The measure was taken on the basis of a possible Italian-French agreement for the exchange of technology between the two countries. However, the agreement has never been reached. Therefore, DCNS commenced the arbitration procedure requesting that the agreement be declared terminated due to WASS' default and claiming damages of €45 million. WASS appeared before the arbitration tribunal, objecting that the supervening impossibility of performance was due to reasons not attributable thereto and raising, by way of counterclaim, the counterparty's default, therefore claiming damages of €55 million.

The parties reached an agreement on 26 March 2012, whereby DCNS undertakes that it will not use the technology developed for the 2008 agreement. Following the agreement, WASS discontinued the precautionary motion filed as part of the arbitration procedure.

The arbitration tribunal has planned the preliminary activities, which will be completed before the end of December 2012. The first hearing for discussion will be held on 23 January 2013.

\* \* \* \* \*

The Report on corporate governance and shareholding structure included in the 2011 Annual Report sets out the investigations involving Finmeccanica and group companies carried out by the judicial authorities during the year.

The measures imposed by the judicial authorities during the first half of 2012 are reported below.

As part of the criminal proceeding carried out by the public prosecutor of the Naples Court, on 28 June 2012, **Finmeccanica S.p.a.** fulfilled the court's order to produce evidence and provided documentation relating to: i) the findings of the internal audit carried out by Finmeccanica and AgustaWestland S.p.A. in relation to the supply contract for 12 helicopters to India; ii) the international tender procedure for the supply of the above-mentioned helicopters; iii) agreements that are necessary for and related to the above-mentioned supply to which one of AgustaWestland's advisors was a party, either directly or through companies related thereto.

As part of the criminal proceeding carried out by the public prosecutor of the Naples Court and to supplement the documentation required of Finmeccanica, on 23 April, 15 and 25 May 2012, **AgustaWestland S.p.A.** provided further information and documentation relating to: i) the company's organisational structure; ii) company procedures; iii) certain foreign contracts, including that for the supply of 12 helicopters to India; iv) relationships with foreign suppliers and intermediaries.

On 1 February 2012, **Ansaldo Energia S.p.A.** filed an appeal against the decision issued by the Milan Court on 20 September 2011, which ordered the company to pay an administrative fine of €150,000 for the administrative offence covered by article 25.3 of Legislative decree no. 231/2001 and seized an equivalent of €8,700,000. The hearing before the Milan Court of Appeal will be held on 20 September 2012. In this respect, in its 2011 financial statements, the company has made a provision for risks for the entire discounted amount (roughly €1 million), despite being confident that the higher level courts will review the decision. Moreover, as part of a criminal proceeding carried out by the public prosecutor of the Milan Court, on 16 March 2012, Ansaldo Energia was notified of the request for an extension of the preliminary investigation term in relation to the alleged crime covered by article 25 of Legislative decree no. 231/01 "committed in Milan before and close to 20 June 2011".

As part of the criminal proceeding carried out by the public prosecutor of the Rome Court against SELEX Sistemi Integrati S.p.A. described below, on 17 January 2012, **Electron Italia S.r.l.** was served an attachment order for the agreements signed with SELEX Sistemi Integrati S.p.A. in 2009.

As part of the criminal proceeding carried out by the public prosecutor of the Naples Court, on 3 July 2012, **FATA S.p.A.**, was issued with a search warrant for the offices used by the company's chairman, in order to acquire documentation about his relationship with certain third parties.

As part of the criminal proceeding carried out by the public prosecutor of the Salerno Court in relation to the development of the access control system for the restricted traffic area in the Maiori municipality, **SELEX Elsag S.p.A.** announced that, on 23 January 2012, one of its employees was notified of the request for an extension of the preliminary investigation term in relation to crimes

associated with supplies not meeting the customer's requirements (articles 353 and 356 of the Italian Criminal Code).

As part of the criminal proceeding carried out by the public prosecutor of the Trani Court in relation to the development of the access control system for the restricted traffic area in the Barletta municipality, SELEX Elsag announced that, on 12 July 2012, one of its employees was committed for trial by the preliminary investigation judge for crimes associated with supplies not meeting the customer's requirements (articles 353, 356 and 483 of the Italian Criminal Code). The hearing before the relevant court will be held on 22 October 2012.

**SELEX Galileo S.p.A.**, which was issued with a search warrant by the public prosecutor of the Palermo Court in relation to the public funding it requested pursuant to the P.I.A. Innovazione (integrated aid package - innovation), announced that, on 5 March 2012, its former CEO, the current CEO and other two employees received the request for an extension of the preliminary investigation term in relation to the crimes covered by articles 81, second paragraph, 640-bis, 483, 56 and 640 of the Italian Criminal Code.

As part of the criminal proceeding carried out by the public prosecutor of the L'Aquila Court in relation to certain contracts with Abruzzo Engineering Scpa in liquidation, on 13 January 2012, **SELEX Service Management S.p.A.** received an order to produce evidence for the acquisition of documentation on the checks carried out by the supervisory body.

Moreover, as part of the criminal proceeding carried out by the public prosecutor of the Naples Court, on 26 April 2012, SELEX Service Management was issued with a search warrant ordering the acquisition of the documentation filed with the Ministry for the Environment, Land and Sea concerning the SISTRI project as from 2006.

As part of the criminal proceeding carried out by the public prosecutor of the Rome Court in relation to allegations of tax crimes in assigning works by ENAV S.p.A., on 24 May 2012, **SELEX Sistemi Integrati S.p.A.**, as the victim of the crime, received the notice informing it that the preliminary hearing relating to the request to commit for trial the former CEO and the former Sales executive officer for the crimes covered by article 8 of Legislative decree no. 74/2000 and articles 61.2/11, 81, paragraph 2, 110 and 646 of the Italian Criminal Code had been fixed for 22 June 2012. At that hearing, SELEX Sistemi Integrati brought a civil action in the criminal proceeding and the judge reserved the decision for the hearing fixed for 21 September 2012 .

As part of the criminal proceeding carried out by the public prosecutor of the Rome Court in relation to allegations of bribery in assigning works by ENAV, SELEX Sistemi Integrati, which is suspected to have committed the unlawful act covered by article 25.II of Legislative decree no. 231/01, was

issued with search warrant on 18 January 2012, which ordered the acquisition of the contracts signed with Print Sistem S.r.l. and Electron Italia in 2009.

Moreover, the company received a seizure warrant on 8 March 2012, ordering the acquisition of the documentation relating to the installation of the Multilateration system covered by the contract signed with ENAV on 23 December 2009.

In relation to the same proceeding, on 23 April 2012, SELEX Sistemi Integrati received the notice that preliminary investigation into the above-mentioned unlawful act had been concluded. The company has not currently been notified of any requests for committal for trial of any of the individuals involved.

The actions undertaken after the 2001 Corporate governance report date to face the issues that have emerged in relation to the proper fulfilment of certain supplies relating to contracts that the company signed with ENAV are summarised below:

- In February 2012, SELEX Sistemi Integrati assigned the engagement for a fairness analysis of the amounts and works carried under the subcontracts to Arc Trade S.r.l., Print Sistem S.r.l., Techno Sky S.p.A. and Renco S.p.A. from 1 January 2008 to 30 November 2011 to an independent expert (RINA SERVICES S.p.A.). The overall amount of orders to be analysed for fairness approximates €138 million. The analysis aims at ensuring that the costs allocated to each subcontract are in line with market values and that works have been carried out correctly, with delivery and installation in line with contractual terms.

The analysis comprises two stages: Stage 1 - Fairness analysis of the price and estimated bills of quantities (expected to take four months); Stage 2 - On-site check of the consistency of works carried out with the contractual terms (expected to take another four months).

RINA issued its “Final report” relating to Stage 1 to the company on 31 May 2012. The report states that orders analysed totalled €127 million, which is less than the scope of the engagement, as orders approximating €1 million could not be financially analysed for fairness (these are fixed-price orders, whose amounts are not detailed, or orders to a single global supplier that did not reply to the pricing requests). Of the analysed orders, orders or portions of orders totalling €32 million (or 23% of the total) were found incongruent, whereas another portion of orders approximating €16 million could not be analysed for the above-mentioned reasons.

Once it received the Final Report on Stage 1, SELEX Sistemi Integrati’s board of directors deemed it necessary to immediately start Stage 2, which will be completed in October 2012. Based on the findings of Stage 1, the company has increased by €6 million the provisions made in its 2011 financial statements;

- On 6 July 2012, the board of directors of SELEX Sistemi Integrati approved a revised version of the Organisation, Management and Control model pursuant to Legislative decree no. 231/2001.



This revision, which was preceded by an in-depth risk assessment exercise carried out in collaboration with external consultants, in addition to covering the introduction of environmental crimes in the scope of the relevant legislation, especially implements all amendments and integrations to both the general and special parts of the Model proposed in the light of the well-known legal proceedings in which the company is involved. Special emphasis has been placed on the revision of the special part covering crimes against the public administration. Specifically, the following critical areas have been revised and updated in detail: (i) subcontract management; (ii) acquisition of contracts with public bodies by participating in negotiated proceedings and public tenders; (iii) cash flows;

- SELEX Sistemi Integrati commenced different legal and arbitration proceedings in March, April and May 2012, claiming the return of overpayments and compensation of the damage suffered from the subcontractor Print Sistem;
- SELEX Sistemi Integrati brought a civil action into the above-mentioned criminal proceeding alleging tax crimes committed by the former CEO. However, this does not jeopardise its right to commence an action against the directors in the future, including in the light of the outcome of the ongoing criminal proceedings, as this type of action becomes time-barred after five year of the termination of the director's office;
- Following the findings of internal checks of certain subcontracts in connection with the ENAV contracts, SELEX Sistemi Integrati commenced disciplinary procedures in March against five employees, two of which ended with the termination of employment and three with a suspension measure.

With reference to that disclosed in the 2011 Annual Report and the above, to the best of their present knowledge and based on the findings of the analyses carried out, the directors believe that Finmeccanica's equity is not currently or prospectively exposed to additional risks to that for which a provision has been made.

\* \* \* \* \*

Moreover, given their complexity, their cutting-edge technological content and the nature of customers, the group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The group adjust the estimated contract costs for foreseeable issues on a quarterly basis, also taking into account the possible developments in the relevant disputes. Specifically, the following contracts in progress are affected by issues under discussion with customers that have not been provided for at 30 June 2012:

- contract for the supply of air traffic control systems to a Cypriot body for €19 million, with respect to which the customer enforced the guarantees provided amounting to €8 million, despite the fact that almost all the tests performed were passed;
- contract for the supply of 160 buses to a public transport operator for €46 million, with respect to which the customer continues to defer payments asserting alleged fault, due to its financial stress;
- contracts of the vehicle line of the Transport business segment, facing difficulties in meeting customer specifications in due time.

Moreover, with reference to the SISTRI programme, Law decree no. 147 of 26 June 2012 froze the roll out of the system in order to carry out further administrative and operating checks of the projects to be completed by 30 June 2013.

Said Law decree has also established that a new deadline for the system roll out should be fixed by Ministerial decree and that, up until then, the effects of the contract between the Ministry for the Environment , Land and Sea and SELEX Service Management S.p.A. and payment of contributions due by users for 2012 are suspended.

In the light of the above, the company informed the Ministry of its availability to collaborate for the performance of the required checks, at the same time inviting it to commence the related procedure as soon as possible. Indeed, in addition to causing a significant financial loss for the company, the deferral of the system roll out date may jeopardise its functionality.

The assets relating to the SISTRI programme recognised in the condensed consolidated interim financial statements at 30 June 2012 are as follows:

|                                       | <b>€ million</b> |
|---------------------------------------|------------------|
| Inventories                           | 23               |
| Inventories awaiting contracting      | 9                |
| Receivables for invoices issued       | 54               |
| Receivables for invoices to be issued | 95               |

Moreover, the company factored receivables without recourse, which were then derecognised, totalling €107 million, of which €78 million has not been collected from the factor.

Based on the information currently available, there is no reason to make accruals or recognise impairment losses in relation to the programme.

## 19. EMPLOYEE BENEFIT OBLIGATIONS

|                                     | 30.06.2012         |               |            | 31.12.2011         |               |            |
|-------------------------------------|--------------------|---------------|------------|--------------------|---------------|------------|
|                                     | <i>Liabilities</i> | <i>Assets</i> | <i>Net</i> | <i>Liabilities</i> | <i>Assets</i> | <i>Net</i> |
| Italian post-employment benefits    | 532                |               | 532        | 512                | -             | 512        |
| Defined benefit plans (Note 12)     | 398                | 88            | 310        | 325                | 102           | 223        |
| Portion of the MBDA JV pension plan | 91                 |               | 91         | 92                 | -             | 92         |
| Defined contribution plans          | 22                 |               | 22         | 27                 | -             | 27         |
|                                     | <b>1,043</b>       | <b>88</b>     | <b>955</b> | <b>956</b>         | <b>102</b>    | <b>854</b> |

Defined benefit plans and statistical information on the plans' deficit are detailed below:

|                              | 30.06.2012   | 31.12.2011   | 31.12.2010   | 31.12.2009   | 31.12.2008   |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Present value of obligations | (2,016)      | (1,798)      | (1,567)      | (1,409)      | (1,055)      |
| Fair value of plan assets    | 1,706        | 1,575        | 1,258        | 1,038        | 846          |
| Plan deficit                 | <b>(310)</b> | <b>(223)</b> | <b>(309)</b> | <b>(371)</b> | <b>(209)</b> |
| <i>of which, related to:</i> |              |              |              |              |              |
| - net liabilities            | (398)        | (325)        | (341)        | (382)        | (248)        |
| - net assets                 | 88           | 102          | 32           | 11           | 39           |

The increased net deficit relates substantially to the AgustaWestland plan (an increase in the deficit of €1 million), the SELEX Galileo plan (a decrease in net plan assets of €14 million) and the DRS plan (a decrease in the deficit of €7 million).

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

|                                | <i>For the first six months of</i> |             |
|--------------------------------|------------------------------------|-------------|
|                                | <i>2012</i>                        | <i>2011</i> |
| Current service costs          | 32                                 | 10          |
| Personnel expense              | 32                                 | 10          |
| Interest expense               | 54                                 | 60          |
| Expected return on plan assets | (42)                               | (49)        |
| Financial expense              | 12                                 | 11          |
|                                | <b>44</b>                          | <b>21</b>   |

## 20. OTHER LIABILITIES

|                                                       | Non-current       |                   | Current           |                   |
|-------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                       | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</u> |
| Employees                                             | 64                | 56                | 518               | 462               |
| Deferred income                                       | 46                | 51                | 94                | 102               |
| Amounts due to social security institutions           | 6                 | 6                 | 269               | 288               |
| Payables to MED (Law no. 808/85)                      | 262               | 259               | 63                | 63                |
| Payables to MED for management costs (Law no. 808/85) | 110               | 112               | 34                | 36                |
| Other liabilities (Law no. 808/85)                    | 125               | 119               | -                 | -                 |
| Indirect tax liabilities                              | -                 | -                 | 146               | 219               |
| Other related party payables (Note 22)                | -                 | -                 | 35                | 41                |
| Other                                                 | 329               | 333               | 476               | 451               |
|                                                       | <b>942</b>        | <b>936</b>        | <b>1,635</b>      | <b>1,662</b>      |

The payables to the Ministry for Economic Development (MED) relate to management costs accrued under Law no. 808/85 on national security and similar projects, as well as payables for grants received from MED for the development of programmes not related to national security and similar projects eligible for benefits under Law no. 808/85. The payables are settled according to a repayment schedule and are not subject to borrowing costs.

Other liabilities (Law no. 808/85) include the difference between the management costs charged for the national security programmes and the amount actually due based on agreed repayment ratios.

Other includes:

- the payable due to Bell Helicopter of €289 million (€336 million at 31 December 2011), of which €240 million is recognised under non-current liabilities (€294 million at 31 December 2011). €39 million of this payable relates to the “BAAC reorganisation”, entailing the acquisition of all manufacturing and marketing rights for the AW139 helicopter previously held by Bell Helicopter (25%) and €250 million to the agreements reached in November 2011 for the acquisition of 100% of the AW609 programme, in which the group already had a 39.7% stake. This amount also includes the reasonably estimated potential consideration due to Bell Helicopter based on the programme’s commercial success;
- the payable due to EADS NV from GIE ATR (joint venture held equally by Alenia Aermacchi S.p.A. and EADS NV) of €15 million (€0 million at 31 December 2011);
- customer deposits of €53 million (€44 million at 31 December 2011);

- commissions to be paid of €7 million (€8 million at 31 December 2011);
- royalties of €3 million (€3 million at 31 December 2011);
- contractual penalties of €7 million (€5 million at 31 December 2011);
- the repurchase of a G222 aircraft for €4 million (€6 million at 31 December 2011);
- insurance premiums of €4 million (€5 million at 31 December 2011).

**21. TRADE PAYABLES, INCLUDING PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS, NET**

|                                                       | <i>30.06.2012</i>    | <i>31.12.2011</i>    |
|-------------------------------------------------------|----------------------|----------------------|
| Trade payables                                        | 4,552                | 4,789                |
| Trade payables to related parties (Note 22)           | 147                  | 160                  |
|                                                       | <u>4.699</u>         | <u>4,949</u>         |
| Progress payments and advances from customers (gross) | 15,689               | 15,622               |
| Work in progress                                      | (7,318)              | (7,409)              |
| Progress payments and advances from customers (net)   | <u>8.371</u>         | <u>8,213</u>         |
| <b>Total trade payables</b>                           | <b><u>13,070</u></b> | <b><u>13,162</u></b> |

Reference should be made to Note 22 for details of Trade payables to related parties and a summary of the most significant liabilities of this kind.

## 22. RELATED PARTY TRANSACTIONS

Related party transactions take place on an arm's length basis, as does the settlement of interest-bearing financial assets and liabilities where not governed by specific contractual conditions. The relevant financial statements amounts are shown below. The statement of cash flows presents the impact of related party transaction on cash flows. Reference should be made to the section Related party transactions in the directors' report for the definition of related parties.

(€ million)  
FINANCIAL ASSETS AT 30.06.2012

|                                                  | Non-current loans | Other non-current financial assets | Current loans | Trade receivables | Other current financial assets | Total        |
|--------------------------------------------------|-------------------|------------------------------------|---------------|-------------------|--------------------------------|--------------|
| <b><u>Subsidiaries</u></b>                       |                   |                                    |               |                   |                                |              |
| Elsacom NV                                       |                   |                                    | 8             |                   |                                | 8            |
| Other companies of an amount less than € million |                   |                                    | 10            | 2                 | 2                              | 14           |
| <b><u>Associates</u></b>                         |                   |                                    |               |                   |                                |              |
| Eurofighter Jagdflugzeug GmbH                    |                   |                                    |               | 237               |                                | 237          |
| NHIndustries SAS                                 |                   |                                    |               | 117               |                                | 117          |
| Iveco - Oto Melara Scarl                         |                   |                                    |               | 34                |                                | 34           |
| Orizzonte - Sistemi Navali S.p.A.                |                   |                                    |               | 32                | 1                              | 33           |
| BCV Investment SCA                               | 26                |                                    |               |                   |                                | 26           |
| Abruzzo Engineering Scpa (in liq.)               |                   |                                    |               | 22                |                                | 22           |
| Metro 5 S.p.A.                                   |                   | 3                                  |               | 16                |                                | 19           |
| Joint Stock Company Sukhoi Civil Aircraft        |                   |                                    |               | 13                | 7                              | 20           |
| Macchi Hurel Dubois SAS                          |                   |                                    |               | 12                |                                | 12           |
| Eurosysnav SAS                                   |                   |                                    |               | 10                |                                | 10           |
| Abu Dhabi Systems Integration LLC                |                   |                                    |               | 5                 |                                | 5            |
| Other companies of an amount less than € million |                   |                                    |               | 19                |                                | 19           |
| <b><u>Joint ventures (*)</u></b>                 |                   |                                    |               |                   |                                |              |
| MBDA SAS                                         |                   |                                    |               | 56                |                                | 56           |
| Telespazio S.p.A.                                | 3                 |                                    | 20            | 1                 |                                | 24           |
| Thales Alenia Space SAS                          |                   |                                    | 5             | 15                |                                | 20           |
| Ansaldo Energia S.p.A.                           |                   |                                    | 127           | 9                 |                                | 136          |
| GIE ATR                                          |                   |                                    |               | 30                | 15                             | 45           |
| Superjet International S.p.A.                    |                   |                                    | 20            | 4                 |                                | 24           |
| Yeni Elektrik Uretim Anonim Sirket               |                   |                                    |               | 9                 |                                | 9            |
| Other companies of an amount less than € million | 2                 | 1                                  | 2             | 9                 |                                | 14           |
| <b><u>Consortia (**)</u></b>                     |                   |                                    |               |                   |                                |              |
| Ferroviano Vesuviano                             |                   |                                    |               | 14                |                                | 14           |
| S3Log                                            |                   |                                    |               | 8                 |                                | 8            |
| Other consortia of an amount less than € million |                   |                                    | 2             | 20                | 2                              | 24           |
| <b><u>Subsidiaries/associates of MEF</u></b>     |                   |                                    |               |                   |                                |              |
| Ferrovie dello Stato Italiane                    |                   |                                    |               | 110               |                                | 110          |
| Other                                            |                   |                                    |               | 147               |                                | 147          |
| <b>Total</b>                                     | <b>31</b>         | <b>4</b>                           | <b>194</b>    | <b>951</b>        | <b>27</b>                      | <b>1,207</b> |
| <i>% of the total for the reporting period</i>   | <i>24.9</i>       | <i>8.3</i>                         | <i>19.9</i>   | <i>18.1</i>       | <i>3.0</i>                     |              |

(€ million)  
**FINANCIAL LIABILITIES AT 30.06.2012**

|                                                       | <b>Non-current loans and borrowings</b> | <b>Other non-current financial liabilities</b> | <b>Current loans and borrowings</b> | <b>Trade payables</b> | <b>Other current financial liabilities</b> | <b>Total</b> | <b>Guarantees</b> |
|-------------------------------------------------------|-----------------------------------------|------------------------------------------------|-------------------------------------|-----------------------|--------------------------------------------|--------------|-------------------|
| <b><u>Subsidiaries</u></b>                            |                                         |                                                |                                     |                       |                                            |              |                   |
| Other companies of an amount less than € million      |                                         |                                                | 4                                   | 12                    | 1                                          | 17           |                   |
| <b><u>Associates</u></b>                              |                                         |                                                |                                     |                       |                                            |              |                   |
| Eurofighter Jagdflugzeug GmbH                         |                                         |                                                | 61                                  | 5                     |                                            | 66           |                   |
| Consorzio Start S.p.A.                                |                                         |                                                |                                     | 40                    |                                            | 40           |                   |
| Joint Stock Company Sukhoi Civil Aircraft Avio S.p.A. | 10                                      |                                                | 2                                   | 1                     |                                            | 13           |                   |
| Eurosysnav SAS                                        |                                         |                                                | 1                                   | 13                    |                                            | 13           |                   |
| Orizzonte - Sistemi Navali S.p.A.                     |                                         |                                                |                                     | 1                     |                                            | 1            | 12                |
| Automation Integreted solutions S.p.A.                |                                         |                                                |                                     | 5                     |                                            | 5            |                   |
| Iveco - Oto Melara Scarl                              |                                         |                                                |                                     | 2                     | 7                                          | 9            |                   |
| Other companies of an amount less than € million      |                                         |                                                | 1                                   | 10                    |                                            | 11           |                   |
| <b><u>JOINT VENTURES (*)</u></b>                      |                                         |                                                |                                     |                       |                                            |              |                   |
| MBDA SAS                                              |                                         |                                                | 563                                 | 11                    |                                            | 574          | 93                |
| Thales Alenia Space SAS                               |                                         |                                                | 140                                 | 14                    |                                            | 154          | 2                 |
| Ansaldo Energia S.p.A.                                |                                         |                                                | 102                                 | 1                     | 14                                         | 117          |                   |
| Telespazio S.p.A.                                     |                                         |                                                |                                     | 3                     | 4                                          | 7            | 208               |
| Superject International S.p.A.                        |                                         |                                                |                                     | 1                     | 8                                          | 9            |                   |
| Other companies of an amount less than € million      |                                         |                                                |                                     | 5                     | 1                                          | 6            |                   |
| <b><u>Consortia (**)</u></b>                          |                                         |                                                |                                     |                       |                                            |              |                   |
| Other consortia of an amount less than € million      |                                         |                                                |                                     | 5                     |                                            | 5            |                   |
| <b><u>Subsidiaries/associates of MEF</u></b>          |                                         |                                                |                                     |                       |                                            |              |                   |
| Ferrovie dello Stato                                  |                                         |                                                |                                     | 7                     |                                            | 7            |                   |
| Other                                                 | 23                                      |                                                | 7                                   | 11                    |                                            | 41           |                   |
| <b>Total</b>                                          | <b>33</b>                               |                                                | <b>881</b>                          | <b>147</b>            | <b>35</b>                                  | <b>1,096</b> | <b>315</b>        |
| <b>% of the total for the reporting period</b>        | <b>0.73</b>                             |                                                | <b>44.45</b>                        | <b>3.14</b>           | <b>2.13</b>                                |              |                   |

(\*) Portion not eliminated on proportionate consolidation

(\*\*) Consortia subject to significant influence or under joint control

(€million)  
**FINANCIAL ASSETS AT 31.12.2011**

| Non-current loans | Other non-current financial assets | Current loans | Trade receivables | Other current financial assets | Total |
|-------------------|------------------------------------|---------------|-------------------|--------------------------------|-------|
|-------------------|------------------------------------|---------------|-------------------|--------------------------------|-------|

**Subsidiaries**

|                                                  |  |    |   |   |    |
|--------------------------------------------------|--|----|---|---|----|
| Elsacom NV                                       |  | 8  |   |   | 8  |
| Other companies of an amount less than € million |  | 10 | 3 | 1 | 14 |

**Associates**

|                                                  |   |  |     |   |     |
|--------------------------------------------------|---|--|-----|---|-----|
| Eurofighter Jagdflugzeug GmbH                    |   |  | 193 |   | 193 |
| NHIndustries SAS                                 |   |  | 91  |   | 91  |
| Iveco - Oto Melara Scarl                         |   |  | 41  |   | 41  |
| Orizzonte - Sistemi Navali S.p.A.                |   |  | 22  |   | 22  |
| Abruzzo Engineering Scpa (in liq.)               |   |  | 22  |   | 22  |
| Joint Stock Company Sukhoi Civil Aircraft        |   |  | 15  | 5 | 20  |
| Metro 5 S.p.A.                                   | 2 |  | 14  |   | 16  |
| Macchi Hurel Dubois SAS                          |   |  | 5   |   | 5   |
| Eurosynnav SAS                                   |   |  | 8   |   | 8   |
| Abu Dhabi Systems Integration LLC                |   |  | 5   |   | 5   |
| Other companies of an amount less than € million |   |  | 18  | 1 | 19  |

**JOINT VENTURES(\*)**

|                                                  |   |     |    |   |     |
|--------------------------------------------------|---|-----|----|---|-----|
| Ansaldo Energia Holding S.p.A.                   |   | 126 |    |   | 126 |
| MBDA SAS                                         |   |     | 67 |   | 67  |
| Thales Alenia Space SAS                          | 2 | 5   | 18 |   | 25  |
| GIE ATR                                          |   |     | 18 |   | 18  |
| Rotorsim S.r.l.                                  |   |     | 15 |   | 15  |
| Telespazio S.p.A.                                | 4 | 18  | 1  |   | 23  |
| Superjet International S.p.A.                    |   | 15  | 4  |   | 19  |
| Balfour Beatty Ansaldo Systems JV SDN BHD        |   |     | 9  |   | 9   |
| Ansaldo Energia S.p.A.                           |   |     | 9  | 3 | 12  |
| Other companies of an amount less than € million | 2 | 1   | 1  | 2 | 7   |

**Consortia (\*\*)**

|                                                  |  |   |    |   |    |
|--------------------------------------------------|--|---|----|---|----|
| Saturno                                          |  |   | 14 | 1 | 15 |
| Ferrovioario Vesuviano                           |  |   | 14 |   | 14 |
| S3Log                                            |  |   | 7  |   | 7  |
| Other consortia of an amount less than € million |  | 1 | 19 | 1 | 21 |

**Subsidiaries/associates of MEF**

|                               |  |  |     |  |     |
|-------------------------------|--|--|-----|--|-----|
| Ferrovie dello Stato Italiane |  |  | 150 |  | 150 |
| Other                         |  |  | 100 |  | 100 |

**Total**

|          |          |            |            |           |              |
|----------|----------|------------|------------|-----------|--------------|
| <b>8</b> | <b>3</b> | <b>184</b> | <b>884</b> | <b>13</b> | <b>1,092</b> |
|----------|----------|------------|------------|-----------|--------------|

**% of the total for the reporting period**

|            |            |             |             |            |  |
|------------|------------|-------------|-------------|------------|--|
| <b>9.5</b> | <b>8.0</b> | <b>17.2</b> | <b>16.8</b> | <b>1.6</b> |  |
|------------|------------|-------------|-------------|------------|--|



(€ million)  
**FINANCIAL LIABILITIES AT  
 31.12.2011**

|                                                  | <b>Non-current loans and borrowings</b> | <b>Other non-current financial liabilities</b> | <b>Current loans and borrowings</b> | <b>Trade payables</b> | <b>Other current financial liabilities</b> | <b>Total</b> | <b>Guarantees</b> |
|--------------------------------------------------|-----------------------------------------|------------------------------------------------|-------------------------------------|-----------------------|--------------------------------------------|--------------|-------------------|
| <b><u>Subsidiaries</u></b>                       |                                         |                                                |                                     |                       |                                            |              |                   |
| Finmeccanica North America Inc.                  |                                         |                                                |                                     | 5                     | 1                                          | 6            |                   |
| Other companies of an amount less than € million |                                         |                                                | 5                                   | 8                     |                                            | 13           |                   |
| <b><u>Associates</u></b>                         |                                         |                                                |                                     |                       |                                            |              |                   |
| Eurofighter Jagdflugzeug Gmbh                    |                                         |                                                | 47                                  | 5                     |                                            | 52           |                   |
| Consorzio Start S.p.A.                           |                                         |                                                |                                     | 44                    |                                            | 44           |                   |
| Avio S.p.A.                                      |                                         |                                                |                                     | 10                    |                                            | 10           |                   |
| Iveco - Oto Melara Scarl                         |                                         |                                                |                                     | 1                     | 7                                          | 8            |                   |
| Joint Stock Company Sukhoi Civil Aircraft        | 10                                      |                                                |                                     | 5                     |                                            | 15           |                   |
| Other companies of an amount less than € million |                                         |                                                | 2                                   | 13                    |                                            | 15           |                   |
| <b><u>JOINT VENTURES</u> (*)</b>                 |                                         |                                                |                                     |                       |                                            |              |                   |
| MBDA SAS                                         |                                         |                                                | 569                                 | 11                    |                                            | 580          | 96                |
| Ansaldo Energia S.p.A.                           |                                         |                                                | 139                                 |                       | 7                                          | 146          |                   |
| Ansaldo Energia Holding S.p.A.                   |                                         |                                                |                                     |                       | 4                                          | 4            |                   |
| Thales Alenia Space SAS                          |                                         |                                                | 132                                 | 13                    |                                            | 145          | 2                 |
| Rotorsim S.r.l.                                  |                                         |                                                |                                     | 13                    |                                            | 13           |                   |
| Telespazio S.p.A.                                |                                         |                                                | 6                                   | 2                     | 7                                          | 15           | 208               |
| Superject International S.p.A.                   |                                         |                                                | 6                                   | 1                     | 8                                          | 15           |                   |
| GIE ATR                                          |                                         |                                                |                                     | 4                     | 5                                          | 9            |                   |
| Other companies of an amount less than € million |                                         |                                                |                                     | 2                     | 1                                          | 3            |                   |
| <b><u>Consortia</u> (**)</b>                     |                                         |                                                |                                     |                       |                                            |              |                   |
| Other consortia of an amount less than € million |                                         |                                                |                                     | 7                     |                                            | 7            |                   |
| <b><u>Subsidiaries/associates of MEF</u></b>     |                                         |                                                |                                     |                       |                                            |              |                   |
| Other assets                                     | 26                                      |                                                | 7                                   | 16                    | 1                                          | 50           |                   |
| <b>Total</b>                                     | <b>36</b>                               |                                                | <b>913</b>                          | <b>160</b>            | <b>41</b>                                  | <b>1,150</b> | <b>306</b>        |
| <b>% of the total for the reporting period</b>   | <b>0.8</b>                              |                                                | <b>65.5</b>                         | <b>3.2</b>            | <b>2.6</b>                                 |              |                   |

(\*) Portion not eliminated on proportionate consolidation

(\*\*) Consortia subject to significant influence or under joint control

For the first six months of 2012

(€ million)

|                                                  | Revenue      | Other operating income | Costs       | Other operating expense | Financial income | Financial expense |
|--------------------------------------------------|--------------|------------------------|-------------|-------------------------|------------------|-------------------|
| <b><u>Subsidiaries</u></b>                       |              |                        |             |                         |                  |                   |
| FinmeccanicaUK Ltd                               |              |                        | 6           |                         |                  |                   |
| Other companies of an amount less than € million |              |                        | 9           |                         | 1                |                   |
| <b><u>Subsidiaries</u></b>                       |              |                        |             |                         |                  |                   |
| Eurofighter Jagdflugzeug GmbH                    | 302          |                        |             |                         |                  |                   |
| NHIndustries SAS                                 | 99           |                        |             |                         |                  |                   |
| Orizzonte - Sistemi Navali S.p.A.                | 76           |                        |             |                         |                  |                   |
| Iveco - Oto Melara Scarl.                        | 54           |                        | 1           | 1                       |                  | 2                 |
| Consorzio Start S.p.A.                           | 1            |                        | 14          |                         |                  |                   |
| Macchi Hurel Dubois SAS                          | 14           |                        |             |                         |                  |                   |
| Eurofighter Simulation Systems GmbH              | 5            |                        |             |                         |                  |                   |
| Metro 5 S.p.A.                                   | 5            |                        |             |                         |                  |                   |
| Fata Gulf CO. W.L.L.                             |              |                        | 8           |                         |                  |                   |
| Avio S.p.A.                                      | 1            |                        | 9           |                         |                  |                   |
| Automation Integrated Solutions S.p.A.           |              |                        | 6           |                         |                  |                   |
| Other companies of an amount less than € million | 18           |                        | 3           |                         |                  | 1                 |
| <b><u>Joint ventures/(*)</u></b>                 |              |                        |             |                         |                  |                   |
| GIE ATR                                          | 53           |                        | 14          |                         |                  |                   |
| MBDA SAS                                         | 37           |                        |             |                         |                  | 3                 |
| Thales Alenia Space SAS                          | 15           |                        | 3           |                         |                  |                   |
| Telespazio S.p.A.                                |              |                        | 5           |                         |                  |                   |
| Other companies of an amount less than € million | 11           | 2                      | 6           |                         | 4                |                   |
| <b><u>Consortia (**)</u></b>                     |              |                        |             |                         |                  |                   |
| Other consortia of an amount less than € million | 8            |                        | 3           |                         |                  |                   |
| <b><u>Subsidiaries/associates of MEF</u></b>     |              |                        |             |                         |                  |                   |
| Ferrovie dello Stato Italiane                    | 205          |                        | 3           | 3                       |                  |                   |
| Other                                            | 69           |                        | 15          |                         |                  |                   |
| <b>Total</b>                                     | <b>973</b>   | <b>2</b>               | <b>105</b>  | <b>4</b>                | <b>5</b>         | <b>6</b>          |
| <b>% of the total for the reporting period</b>   | <b>12.12</b> | <b>0.74</b>            | <b>2.13</b> | <b>1.44</b>             | <b>1.83</b>      | <b>1.25</b>       |

(\*) Portion not eliminated on proportionate consolidation

(\*\*) Consortia subject to significant influence or under joint control

For the first six months of 2011

(€ million)

**Subsidiaries**

Finmeccanica North America Inc. 6  
 Finmeccanica UK Ltd. 5  
 Other companies of an amount less than € million 2 1 8

**Subsidiaries**

Eurofighter Jagdflugzeug GmbH 342  
 NHIndustries SAS 90  
 Orizzonte Sistemi Navali S.p.A. 59 1 1 2  
 Iveco - Oto Melara Scarl. 53 1 1 2  
 Macchi Hurel Dubois SAS 8  
 Eurofighter Simulation Sistem GmbH 6  
 Metro 5 S.p.A. 5  
 A4ESSOR SAS 5  
 Consozio Start S.p.A. 1 18  
 Other companies of an amount less than € million 16 8

**Joint ventures/(\*)**

GIE ATR 47  
 MBDA 56 3  
 Thales Alenia Space 15 5  
 Other companies of an amount less than € million 5 1 8 1

**Consortia (\*\*)**

Saturno 5 2  
 Other consortia of an amount less than € million 7 1

**Subsidiaries/associates of MEF**

Ferrovie dello Stato Italiane 132 3  
 Other 85 18

**Total**

|            |          |           |          |          |          |
|------------|----------|-----------|----------|----------|----------|
| <b>939</b> | <b>2</b> | <b>84</b> | <b>1</b> | <b>1</b> | <b>5</b> |
|------------|----------|-----------|----------|----------|----------|

**% of the total for the reporting period**

|             |            |            |            |            |            |
|-------------|------------|------------|------------|------------|------------|
| <b>11.1</b> | <b>0.9</b> | <b>1.6</b> | <b>0.4</b> | <b>0.1</b> | <b>1.0</b> |
|-------------|------------|------------|------------|------------|------------|

(\*) Portion not eliminated on proportionate consolidation

(\*\*) Consortia subject to significant influence or under joint control

The main transactions generating financial assets and liabilities, revenue and expense in the reporting period were as follows:

- “trade receivables” relate mainly to associates, to companies or consortia heading up large-scale programmes in which the group is involved, as well as the uneliminated portion of amounts due from joint ventures. The most important of these transactions concern:
  - the Eurofighter (EFA programme) for €237 million (€193 million at 31 December 2011) for contracts for semi-wings and posterior fuselages and to the assembly of aircraft for the Italian Air Force;
  - NHIndustries for €17 million (€1 million at 31 December 2011) for the final sale of the NH90 helicopter;
  - the Iveco - Oto Melara consortium for €34 million (€1 million at 31 December 2011) for production and post-sales assistance on defence and security ground vehicles (production is underway for contracts for the VBM Freccia and PZH2000 self-propelled vehicles for the Italian Army);
  - Metro 5 S.p.A. for €16 million (€4 million at 31 December 2011) for the design, construction and operation of the new line 5 of the Milan underground;
  - Orizzonte - Sistemi Navali S.p.A. for €32 million (€2 million at 31 December 2011) for the FREMM programme;
  - Abruzzo Engineering (in liq.) for €22 million (€2 million at 31 December 2011) for the project to develop regional infrastructure to resolve the Digital Divide, commissioned by the Abruzzo Region;
  - Ferrovie dello Stato Italiane group for €110 million (€150 million at 31 December 2011) to supply locomotives for long-distance trains, high-speed and local trains, train control systems and service and maintenance;
- “trade payables” due to related parties mainly relate to the uneliminated portion of payables to joint ventures and Consorzio Start of €40 million (€44 million at 31 December 2011) for the supply of software for defence and security systems;
- “loans” mainly relate to the uneliminated portion of amounts due from joint ventures;
- “loans and borrowings” of €881 million (€13 million at 31 December 2011) includes the unconsolidated amount of €703 million (€701 million at 31 December 2011) due from group companies to the MBDA and Thales Alenia Space joint ventures, as well as €61 million (€47 million at 31 December 2011) due to Eurofighter, in which Alenia Aermacchi has a 21%

investment. Pursuant to existing agreements, Eurofighter lent excess cash to its shareholders. This caption also includes the unconsolidated portion of amounts due from group companies to the Ansaldo Energia joint venture, of €102 million;

- the most significant “revenue” items, in addition to the uneliminated portion collected from the joint ventures, relate to:
  - the Eurofighter (EFA programme) for €302 million (€342 million in the corresponding period of 2011) for contracts for semi-wings and posterior fuselages and to the assembly of aircraft for the Italian Air Force;
  - the Iveco - Oto Melara consortium for €54 million (€53 million in the corresponding period of 2011) for production and post-sales assistance on defence and security ground vehicles;
  - NHIndustries for €99 million (€90 million in the corresponding period of 2011) for the final sale of the NH90 helicopter;
  - Orizzonte - Sistemi Navali S.p.A. for €76 million (€59 million in the corresponding period of 2011) for the FREMM programme;
  - Ferrovie dello Stato Italiane group for €205 million (€132 million in the corresponding period of 2011) to supply high-speed and local trains, train control systems and service, maintenance and revamping;
- “costs” paid to related parties relate, in addition to the uneliminated portion paid to the joint ventures, mainly relate to Consorzio Start for €14 million (€18 million in the corresponding period of 2011) for the supply of software for defence and security systems.

## 23. REVENUE

|                                 | <u>30 June 2012</u> | <u>30 June 2011</u> |
|---------------------------------|---------------------|---------------------|
| Sales                           | 4,592               | 4,717               |
| Services                        | 1,635               | 1,601               |
|                                 | <u>6,227</u>        | <u>6,318</u>        |
| Change in work in progress      | 827                 | 1,175               |
| Related party revenue (Note 22) | 973                 | 939                 |
| <b>Total revenue</b>            | <b><u>8,027</u></b> | <b><u>8,432</u></b> |

Revenue for the first half of 2012 totalled €8,027 million, compared to €8,432 million in the corresponding period of the previous year, with a €405 million reduction (or -4.8%). On a like-for-like basis, group revenue for the Energy sector, for the first half of 2012 would have approximated €8,179 million.

Revenue by business segment is discussed in Note 8.

Reference should be made to Note 22 in relation to related party revenue (for an analysis of the caption and a summary of the more significant amounts)

## 24. OTHER OPERATING INCOME (EXPENSES)

Specifically:

|                                                                        | <i>For the first six months of</i> |                     |                   |                   |                     |                    |
|------------------------------------------------------------------------|------------------------------------|---------------------|-------------------|-------------------|---------------------|--------------------|
|                                                                        | <u>2012</u>                        |                     |                   | <u>2011</u>       |                     |                    |
|                                                                        | <u>Income</u>                      | <u>Costs</u>        | <u>Net</u>        | <u>Income</u>     | <u>Costs</u>        | <u>Net</u>         |
| Training and R&D grants                                                | 36                                 | -                   | 36                | 29                | -                   | 29                 |
| Exchange rate gains and losses on operating items                      | 89                                 | (88)                | 1                 | 89                | (94)                | (5)                |
| Indirect taxes                                                         | -                                  | (25)                | (25)              | -                 | (23)                | (23)               |
| Gain (losses) on the sale of non-current assets                        | 3                                  | -                   | 3                 | 1                 | (1)                 | -                  |
| Insurance compensation                                                 | 9                                  | -                   | 9                 | 17                | -                   | 17                 |
| Reversals of impairment losses recognised on loans and receivables     | 5                                  | -                   | 5                 | 2                 | -                   | 2                  |
| Restructuring costs                                                    | -                                  | (3)                 | (3)               | -                 | (3)                 | (3)                |
| Use of (accruals to) provisions                                        | 85                                 | (116)               | (31)              | 49                | (74)                | (25)               |
| Other operating income (expense)                                       | 40                                 | (42)                | (2)               | 28                | (47)                | (19)               |
| Other operating income (expense) due from/to related parties (Note 22) | 2                                  | (4)                 | (2)               | 2                 | (1)                 | 1                  |
| <b>Total</b>                                                           | <b><u>269</u></b>                  | <b><u>(278)</u></b> | <b><u>(9)</u></b> | <b><u>217</u></b> | <b><u>(243)</u></b> | <b><u>(26)</u></b> |

“Use of (accruals to) provisions” mainly relates to provisions for contractual risks and charges in the Aeronautics, Space and Helicopters business segments.

## 25. PURCHASES AND PERSONNEL EXPENSE

Specifically:

|                                                                       | <i>For the first six months of</i> |              |
|-----------------------------------------------------------------------|------------------------------------|--------------|
|                                                                       | <i>2012</i>                        | <i>2011</i>  |
| Purchases                                                             | 2,563                              | 2,750        |
| Services                                                              | 2,622                              | 2,865        |
| Due to related parties (Note 22)                                      | 105                                | 84           |
| Personnel expense                                                     | 2,380                              | 2,447        |
| <i>Wages, salaries and contributions</i>                              | <i>2,171</i>                       | <i>2,236</i> |
| <i>Long-term incentive plans</i>                                      | <i>1</i>                           | <i>2</i>     |
| <i>Stock-option/grant plans</i>                                       | <i>1</i>                           | <i>2</i>     |
| <i>Performance cash plans</i>                                         | <i>4</i>                           | <i>11</i>    |
| <i>Defined benefit plans (Note 19)</i>                                | <i>32</i>                          | <i>10</i>    |
| <i>Defined contribution plans</i>                                     | <i>68</i>                          | <i>73</i>    |
| <i>Restructuring costs</i>                                            | <i>37</i>                          | <i>24</i>    |
| <i>Other personnel expense</i>                                        | <i>66</i>                          | <i>89</i>    |
| Change in finished goods, work in progress and semi-finished products | (155)                              | (207)        |
| Internal work capitalised                                             | (210)                              | (227)        |
| <b>Total purchases and personnel expense</b>                          | <b>7,305</b>                       | <b>7,712</b> |

The average workforce numbered 67,965 employees in the first half of 2012, a net decrease of 5,143 employees from the 73,108 employees in the corresponding period of the previous year. The change was largely seen across all the business segments, Defence Electronics and Security in particular (mainly due to the reorganisation underway in the United States of America), Aeronautics and Space, mainly due to the reorganisation, streamlining and cost-saving initiatives launched last year. The decrease in the average workforce is also a result of the change in the group’s consolidation scope with the different consolidation method (from consolidation on a line-by-line basis to consolidation on a proportionate basis (55%)) used for Ansaldo Energia group compared to the corresponding period of the previous year. This change accounted for a decrease of 1,498 employees.

The workforce at 30 June 2012 numbers 68,813 employees, compared to 70,474 employees at 31 December 2011, with a net decrease of 1,661 employees, seen in the Defence Electronics and Security, Helicopters, Defence Systems and Transportation business segments especially.

Personnel expense totalled €2,380 million in the first half of 2012 compared to €2,447 million in the corresponding period of 2011, with a net decrease of €67 million attributable, *inter alia*, to the net effect of the decrease in the average workforce and the change in the consolidation scope, the increase in restructuring costs and the change in costs for defined contribution plans and costs for defined benefit plans. Specifically, the increased costs of the British plans impacted the costs for defined benefit plans, while the decrease in costs for defined contribution plans is mainly due to the reduction in the workforce.

Like in the corresponding period of the previous year, stock option/grant plans related to the Ansaldo STS plan, while performance cash plans relate to the group's medium- to long-term incentive plan for management.

Restructuring costs comprise costs for the reorganisations taking place, especially in the Defence Electronics and Security (particularly in the foreign area), Transportation and Space business segments.

Related party costs are discussed in Note 22.

Services include, *inter alia*, rental costs, operating leases and hire costs (€15 million, compared to €109 million for the first half of 2011).

## 26. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

|                                                               | <i>For the first six months of</i> |             |
|---------------------------------------------------------------|------------------------------------|-------------|
|                                                               | <u>2012</u>                        | <u>2011</u> |
| Amortisation and depreciation:                                |                                    |             |
| • Amortisation of intangible assets (Note 9)                  | 134                                | 143         |
| <i>Development expense</i>                                    | 32                                 | 42          |
| <i>Non-recurring expense</i>                                  | 12                                 | 16          |
| <i>Acquired as part of business combinations</i>              | 44                                 | 41          |
| <i>Other</i>                                                  | 46                                 | 44          |
| • Depreciation of property, plant and equipment               | 189                                | 192         |
| <i>Allowance for impairment:</i>                              |                                    |             |
| • non-current assets and investment property                  | 1                                  | 30          |
| • goodwill                                                    | -                                  | -           |
| • Operating receivables                                       | 14                                 | 8           |
| <b>Total amortisation, depreciation and impairment losses</b> | <u>338</u>                         | <u>373</u>  |



## 27. FINANCIAL INCOME AND EXPENSE

Financial income and expense comprises:

|                                                                                                 | <i>For the first six months of</i> |                |              |               |                |            |
|-------------------------------------------------------------------------------------------------|------------------------------------|----------------|--------------|---------------|----------------|------------|
|                                                                                                 | <i>2012</i>                        |                |              | <i>2011</i>   |                |            |
|                                                                                                 | <b>Income</b>                      | <b>Expense</b> | <b>Net</b>   | <b>Income</b> | <b>Expense</b> | <b>Net</b> |
| Gain on the sale of Ansaldo Energia                                                             | -                                  | -              | -            | 458           | -              | 458        |
| Dividends                                                                                       | 2                                  | -              | 2            | 4             | -              | 4          |
| Net interests                                                                                   | 12                                 | (151)          | (139)        | 10            | (150)          | (140)      |
| Net premiums on IRSs                                                                            | -                                  | (30)           | (30)         | 12            | (28)           | (16)       |
| Net commission expense (including on factoring without recourse)                                | -                                  | (33)           | (33)         | 1             | (22)           | (21)       |
| Net fair value gains/losses                                                                     | 53                                 | (36)           | 17           | 45            | (69)           | (24)       |
| Net premiums paid/collected on forwards                                                         | 7                                  | (6)            | 1            | 3             | (3)            | -          |
| Net exchange rate gains (losses)                                                                | 182                                | (187)          | (5)          | 213           | (206)          | 7          |
| Net impairment losses on financial assets                                                       | -                                  | -              | -            | 2             | (1)            | 1          |
| Interest expense on defined benefit plans (net of the expected return on plan assets (Note 19)) | -                                  | (12)           | (12)         | -             | (11)           | (11)       |
| Net expense paid to related parties (Note 22)                                                   | 5                                  | (6)            | (1)          | 1             | (5)            | (4)        |
| Other net financial income (expense)                                                            | 12                                 | (18)           | (6)          | 30            | (24)           | 6          |
|                                                                                                 | <b>273</b>                         | <b>(479)</b>   | <b>(206)</b> | <b>779</b>    | <b>(519)</b>   | <b>260</b> |

Specifically:

- net interest expense includes, *inter alia*, €127 million (€132 million in the corresponding period of the previous year) on bonds, down on the first half of 2011 due to the partial repurchase of bonds in the second half of 2011 for €185 million (bonds maturing in December 2013, bearing interest at 8.125%, issued by Finmeccanica Finance in 2008 for a nominal total of €1,000 million) and in the first half of 2012 for approximately €1 million (approximately \$66 million of the bonds maturing in July 2019, bearing interest at 6.25%, issued by Meccanica Holdings USA in 2009 for a total of \$500 million); reference should be made to the Financial transactions section;

- net fair value losses can be detailed as follows:

|                                      | <i>For the first six months of</i> |               |            |              |               |             |
|--------------------------------------|------------------------------------|---------------|------------|--------------|---------------|-------------|
|                                      | <i>2012</i>                        |               |            | <i>2011</i>  |               |             |
|                                      | <b>Gains</b>                       | <b>Losses</b> | <b>Net</b> | <b>Gains</b> | <b>Losses</b> | <b>Net</b>  |
| Currency swaps                       | 5                                  | (9)           | (4)        | 7            | (39)          | (32)        |
| Interest rate swaps                  | 34                                 | (1)           | 33         | 24           | (7)           | 17          |
| Ineffective portion of hedging swaps | 14                                 | (3)           | 11         | 1            | (10)          | (9)         |
| Embedded derivatives                 | -                                  | (23)          | (23)       | -            | -             | -           |
| Other equity derivatives             | -                                  | -             | -          | 13           | (13)          | -           |
|                                      | <b>53</b>                          | <b>(36)</b>   | <b>17</b>  | <b>45</b>    | <b>(69)</b>   | <b>(24)</b> |

- net fair value losses on currency swaps relate to forwards agreed for hedging purposes (hedges of foreign currency financial assets/liabilities) and recognised as fair value hedges. They mainly relate to the parent;
  - fair value gains on interest rate swaps, offsetting the realised losses (premiums paid on IRSs). Unlike in the corresponding period of the previous year, when the European Central Bank announcements had created expectations of a rate rise, with a negative impact on existing transactions, the interest rate trend meant the caption improved overall;
  - the ineffective portion of hedging swaps relates to net gains on currency swaps and relate to the ineffective portion of trading contracts recognised as cash flow hedges (forward points);
  - embedded derivatives arise from trading contracts agreed in currencies other than those of the contracting parties and from those generally used on the relevant markets. This component, separated from the trading contract, is measured at fair value through profit or loss and is merely an unrealised item that will not produce financial effects.
- other net financial expense mainly relates to income and expense generated by discounting receivables, payables and provisions. The corresponding period of the previous year mainly comprised the positive and negative impact of premiums collected and paid on the earn out and the option mirroring the earn out mechanism related to the sale of STM shares.

## 28. SHARE OF PROFITS (LOSSES) OF EQUITY-ACCOUNTED INVESTEEES

|                                                                     | <u>30.06.2012</u> | <u>30.06.2011</u> |
|---------------------------------------------------------------------|-------------------|-------------------|
| Reversal of impairment losses on Elettronica S.p.A.                 | 4                 | 3                 |
| (Impairment losses on) Joint Stock Co. Sukhoi Aircraft              | (24)              | (13)              |
| Reversal of impairment losses on International Metro Service S.r.l. | 4                 | -                 |
| Other reversals of impairment losses                                | 3                 | 1                 |
|                                                                     | <u>(13)</u>       | <u>(9)</u>        |

## 29. INCOME TAXES

This caption may be analysed as follows:

|                                  | <u>30.06.12</u> | <u>30.06.11</u> |
|----------------------------------|-----------------|-----------------|
| IRES                             | (51)            | (75)            |
| IRAP                             | (46)            | (50)            |
| Tax consolidation benefits       | 55              | 56              |
| Other income taxes               | (46)            | (50)            |
| Taxes relative to previous years | 4               | (4)             |
| Provisions for tax litigation    | (10)            | (14)            |
| Net deferred tax income          | 8               | 21              |
|                                  | <u>(86)</u>     | <u>(116)</u>    |

The decrease in income taxes is largely due to the decrease in taxable income.

### 30. CASH FLOWS FROM OPERATING ACTIVITIES

|                                                         | <i>For the first six months of</i> |             |
|---------------------------------------------------------|------------------------------------|-------------|
|                                                         | <i>2012</i>                        | <i>2011</i> |
| Profit for the period                                   | 70                                 | 456         |
| Amortisation, depreciation and impairment losses        | 338                                | 373         |
| Share of profits (losses) of equity-accounted investees | 13                                 | 9           |
| Income taxes                                            | 86                                 | 116         |
| Pension plans and stock grant plans                     | 33                                 | 12          |
| Net financial income (expense)                          | 206                                | (260)       |
| Other non-monetary items                                | 72                                 | 96          |
|                                                         | <b>818</b>                         | <b>802</b>  |

Costs for pension plans and stock grants includes the portion of costs related to defined benefit pension plans recognised under personnel expense (interest expense is recognised as a financial item).

The change in working capital, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

|                                                                    | <i>For the first six months of</i> |              |
|--------------------------------------------------------------------|------------------------------------|--------------|
|                                                                    | <i>2012</i>                        | <i>2011</i>  |
| Inventories                                                        | (402)                              | (293)        |
| Work in progress and progress payments and advances from customers | (520)                              | (603)        |
| Trade payables                                                     | (264)                              | (100)        |
| <b>Change in working capital</b>                                   | <b>(1,186)</b>                     | <b>(996)</b> |

### 31. EARNINGS PER SHARE

Earnings per share (“EPS”) are calculated by:

- dividing the profit for the period attributable to holders of ordinary shares by the average number of ordinary shares outstanding in the reporting period, net of treasury shares (basic EPS);
- dividing the profit for the period by the average number of ordinary shares and, for the corresponding period of the previous year, those that could arise from the exercise of all options under stock option plans, net of treasury shares (diluted EPS).

| <i>Basic EPS</i>                                                                            | <i>For the first six months of</i> |             |
|---------------------------------------------------------------------------------------------|------------------------------------|-------------|
|                                                                                             | <i>2012</i>                        | <i>2011</i> |
| Average shares outstanding during the reporting period (in thousands)                       | 578,118                            | 577,438     |
| Profit for the period (excluding non-controlling interests) (€ million)                     | 53                                 | 433         |
| Profit from continuing operations (excluding non-controlling interests) (€million)          | 53                                 | 433         |
| <i>Basic EPS</i>                                                                            | 0.091                              | 0.750       |
| <i>Basic EPS from continuing operations</i>                                                 | 0.091                              | 0.750       |
|                                                                                             |                                    |             |
| <i>Diluted EPS</i>                                                                          | <i>For the first six months of</i> |             |
|                                                                                             | <i>2012</i>                        | <i>2011</i> |
| Average shares outstanding during the reporting period (in thousands)                       | 578,118                            | 578,097     |
| Adjusted profit for the period (excluding non-controlling interests) (€million)             | 53                                 | 433         |
| Adjusted profit from continuing operations (excluding non-controlling interests) (€million) | 53                                 | 433         |
| <i>Diluted EPS</i>                                                                          | 0.091                              | 0.749       |
| <i>Diluted EPS from continuing operations</i>                                               | 0.091                              | 0.749       |

On behalf of the board of directors  
The chairman and  
Chief Executive Officer  
(Giuseppe Orsi)  
(signed on the original)

**Statement on the condensed consolidated interim financial statements at 30 June 2012 pursuant to article 154-bis paragraph 5 of Legislative decree no. 58/98 and subsequent amendments and integrations**

1. The undersigned, Giuseppe Orsi, as Chairman and CEO, and Gian Piero Cutillo, as Manager in charge of financial reporting for Finmeccanica S.p.a., also considering the provisions of article 154-*bis* paragraphs 3 and 4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting procedures used to draft the condensed consolidated interim financial statements at 30 June 2012:
  - are adequate in relation to the nature of the business;
  - have been effectively applied.
2. There is nothing to report in this regard.
3. Moreover:
  - 3.1 the condensed consolidated interim financial statements:
    - are drafted in compliance with the IFRS endorsed by the European Community, pursuant to EC regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002;
    - are consistent with the accounting ledgers and accounting entries;
    - are drafted in compliance with article 154-*ter* of Legislative decree no. 58/98 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the consolidation scope;
  - 3.2 The directors' report accompanying the condensed consolidated interim financial statements provides a reliable analysis of the important events taking place in the first six months of the year and their impact on the condensed consolidated interim financial statements, together with a description of the key risks and uncertainties for the remaining six months of the year. The directors' report also includes a reliable analysis of significant transactions with related parties.

This statement is made also pursuant to article 154-*bis* paragraph 2 of Legislative decree no. 58 of 24 February 1998.

Rome, 31 July 2012

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The Chairman and  
Chief Executive Officer  
Giuseppe Orsi  
(signed on the original)

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The Manager in charge of financial reporting  
Gian Piero Cutillo  
(signed on the original)

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