INTERIM FINANCIAL REPORT
AT 31 MARCH 2010
FINMECCANICA

Disclaimer

This Interim Financial Report at 31 March 2010 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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Finmeccanica Group

Report on operations at 31 March 2010

The results and financial position for the first three months

Highlights

€ million	March 2010	March 2009	Change	2009
New orders	**3,742**	**3,917**	**(4%)**	**21,099**
Order backlog	**45,460**	**43,319**	**5%**	**45,143**
Revenues	**4,039**	**3,911**	**3%**	**18,176**
Adjusted EBITA	**251**	**242**	**4%**	**1,587**
Net profit	**91**	**108**	**(15%)**	**718**
Adjusted net profit	**91**	**108**	**(15%)**	**700**
Net capital invested	**11,147**	**10,792**	**3%**	**9,612**
Net financial debt	**4,379**	**4,479**	**(2%)**	**3,070**
FOCF	**(1,106)**	**(951)**	**(16%)**	**563**
ROS	**6.2%**	**6.2%**	**0 p.p.**	**8.7%**
ROI	**14.5%**	**16.3%**	**(1.8) p.p.**	**16.7%**
ROE	**10.7%**	**10.5%**	**0.2 p.p.**	**11.0%**
EVA	**(77)**	**(67)**	**(15%)**	**290**
Research & Development	**353**	**388**	**(9%)**	**1,982**
Workforce (no.)	**76,907**	**73,385**	**5%**	**73,056**

Refer to the following section for definitions of the indicators.

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

Given this, year-on-year comparisons can be made for the same period, showing that the Group's results in the first quarter of 2010 were substantially in line with those of the same period of 2009.

The analysis of the main indicators for the first quarter of 2010 reveals that revenues rose by 3% over the same period of the previous year and adjusted EBITA rose by roughly 4%, and there was an alignment of return on sales (ROS) at 6.2% (equal to 6.2% for the first quarter of 2009). There was also a slight decline in new orders, down 4% from 31 March 2009.

Return on investment (ROI) and EVA also reflect the full impact of the DRS group in the calculation of average net capital invested. Compared with the same period of the previous year, ROI stood at 14.5% (16.3% at 31 March 2009), EVA came to a negative €mil. 77 (negative €mil. 67) and return on equity (ROE) amounted to 10.7% (10.5%).

The Group's net profit for the first quarter of 2010 amounted to €mil. 91 (€mil. 108 for the same period of 2009) and the primary items contributing to this result are attributable to the improvement in EBIT (€mil. 12) offset by the deterioration in finance costs (€mil. 22) and higher taxes (€mil. 7). The effective tax rate at 31 March 2010 was 45.4% (39.3% a year earlier).

The deterioration in finance costs was essentially caused by the different composition of financial debt. The first quarter of 2009 included the effects of the lower interest rate on the Senior Term Loan Facility, signed as a result of the acquisition of the DRS group, financing that, in consideration of the scheduled maturities, was gradually repaid and replaced by bonds. This has led the average life of the Group's debt to be extended to over 10 years, in line with the Group's funding requirements. The interest component of the higher finance costs incurred in the first quarter is expected to diminish over the remaining quarters of 2010, as occurred during corresponding periods of 2009.

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Income Statement		*For the three months ended 31 March*	
	Note	***2010***	***2009***
€ million			
Revenue		4,039	3,911
Raw materials and consumables used and personnel costs	*(*)*	(3,647)	(3,512)
Amortisation and depreciation	*25*	(132)	(130)
Other net operating income (expenses)	*(**)*	(9)	(27)
Adjusted EBITA		**251**	**242**
Non-recurring income/(costs)			-
Restructuring costs		(2)	(3)
Impairment of goodwill			-
Amortisation of intangible assets acquired through a business combination	*25*	(21)	(23)
EBIT		**228**	**216**
Net finance income (costs)	***(***)***	(61)	(39)
Income taxes	*27*	(76)	(69)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**91**	**108**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**91**	**108**

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

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

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

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

Primary Finmeccanica Group indicators by segment

March 2010 (€ million)	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	1,146	10,292	837	75	9.0%	72	14,575
Defence and Security Electronics	1,642	12,653	1,452	107	7.4%	131	30,003
Aeronautics	217	8,604	592	34	5.7%	76	13,099
Space	208	1,647	194	-	n.a.	12	3,656
Defence Systems	234	4,013	231	14	6.1%	45	4,043
Energy	178	3,211	337	31	9.2%	7	3,440
Transportation	330	5,900	445	20	4.5%	10	7,293
Other activities	13	139	58	(30)	n.a.	-	798
Eliminations	(226)	(999)	(107)				
	3,742	**45,460**	**4,039**	**251**	**6.2%**	**353**	**76,907**

March 2009 (€ million)	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
		at 31 Dec. 2009					at 31 Dec. 2009
Helicopters	702	9,786	756	74	9.8%	79	10,343
Defence and Security Electronics	1,582	12,280	1,427	110	7.7%	136	30,236
Aeronautics	319	8,850	553	22	4.0%	83	13,146
Space	225	1,611	191	(1)	(0.5%)	14	3,662
Defence Systems	104	4,010	232	11	4.7%	60	4,098
Energy	214	3,374	333	31	9.3%	5	3,477
Transportation	772	5,954	427	29	6.8%	11	7,295
Other activities	64	172	80	(34)	n.a.	-	799
Eliminations	(65)	(894)	(88)				
	3,917	**45,143**	**3,911**	**242**	**6.2%**	**388**	**73,056**

Change	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	63%	5%	11%	1%	(0.8) p.p.	(9%)	41%
Defence and Security Electronics	4%	3%	2%	(3%)	(0.3) p.p.	(4%)	(1%)
Aeronautics	(32%)	(3%)	7%	55%	1.8 p.p.	(8%)	n.s.
Space	(8%)	2%	2%	n.a.	n.a.	(14%)	n.s.
Defence Systems	125%	n.s.	n.s.	27%	1.3 p.p.	(25%)	(1%)
Energy	(17%)	(5%)	1%	0%	(0.1) p.p.	40%	(1%)
Transportation	(57%)	(1%)	4%	(31%)	(2.3) p.p.	(9%)	n.s.
Other activities	(80%)	(19%)	n.a.	(12%)	n.a.	n.a.	n.a.
	(4%)	**1%**	**3%**	**4%**	**0 p.p.**	**(9%)**	**5.27%**

The primary changes that marked the Group's performance compared with the first quarter of 2009 are described below. A deeper analysis can be found in the section covering the trends in each business segment.

From a commercial perspective, the Group reported a slight decline in **new orders,** which amounted to €mil. 3,742 at the end of the first quarter of 2010 compared with €mil. 3,917 for the same quarter of 2009.

With regard to the divisions that reported improvements in results, the following should be noted:

- *Helicopters:* an increase in new orders, mainly in the civil and government segment, which has seen a significant rebound;
- *Defence Systems:* an increase in new orders, mainly in missile systems.

This improvement was partially offset by the decline in the *Transportation* division, which saw significant orders received across all segments in the first quarter of 2009.

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The **order backlog** at 31 March 2010 amounted to €mil. 45,460, an increase of €mil.317 over 31 December 2009 (€mil. 45,143).
The net change is mainly due to the effect deriving from the translation of backlog expressed in foreign currencies as a result of the euro/dollar exchange rate at the end of the period.
The order backlog, based on workability, guarantees coverage of about 2.5 years of production.

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Revenues at 31 March 2010 came to €mil. 4,039, compared with €mil 3,911 for the same period of 2009, an increase of €mil. 128 (3%).

The improvement in revenues is due to higher production volumes in the following sectors:

- *Helicopters:* where the increase was evenly split between helicopter components and product support;
- *Aeronautics:* due to greater activity in the military segment, particularly the EFA programme.

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

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Adjusted EBITA at 31 March 2010 came to €mil. 251, compared with €mil. 242 for the same period of the previous year, for an increase of €mil. 9.

The growth in adjusted EBITA is mainly attributable to the following sectors:

- *Aeronautics:* where a greater contribution was made by production in the military segment;
- *Defence Systems:* where the increase was due mainly to improved industrial profitability across all segments.

The adjusted EBITA in the other divisions was substantially in line with that of the first quarter of 2009, except for the *Transportation* division, which experienced a decline, mainly in the bus segment.

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Research and development costs at 31 March 2010 amounted to €mil. 353, slightly down €mil. 35 compared with the first quarter of 2009 (€mil. 388).

Research and development costs in the *Aeronautics* segment amounted to €mil. 76 (about 22% of the Group total) in the first quarter of 2010, reflecting the commitment to programmes being developed in the civil and military segments.

In *Defence and Security Electronics,* R&D costs totalled €mil. 131 (roughly 37% of the Group total) and related in particular to:

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

Finally, in the *Helicopters* segment, R&D costs came to €mil. 72 (about 20% of the Group's total) and mainly concerned the development of technologies primarily for military use (AW149) and of multi-role versions of the BA 609 convertiplane for national security.

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The **workforce** at 31 March 2010 came to 76,907, an increase of 3,851 from 73,056 at 31 December 2009, of which 4,311 resulted from the net effect of the consolidation of the Polish group Wytwornia Sprzetu Komunikacyjnego "PZL - WIDNIK" Spolka Akcyjna (PZL - SWIDNIK) in the *Helicopters* division and to negative turnover.
The geographical distribution of the workforce at the end of the first quarter of 2010 was substantially stable compared with 31 December 2009, breaking down into 56% of the workforce in Italy and 44% in foreign countries, largely the United States (15%), the United Kingdom (13%) and France.

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Balance Sheet	***Note***	***31 Mar. 2010***	***31 Dec. 2009***
€ million			
Non-current assets		13,445	12,956
Non-current liabilities	*(*)*	(2,638)	(2,639)
		10,807	**10,317**
Inventories		4,867	4,662
Trade receivables	*(**) 13*	9,034	8,481
Trade payables	*(***) 21*	(12,121)	(12,400)
Working capital		**1,780**	**743**
Provisions for short-term risks and charges	*18*	(597)	(595)
Other net current assets (liabilities)	*(****)*	(843)	(853)
Net working capital		**340**	**(705)**
Net capital invested		**11,147**	**9,612**
Capital and reserves attributable to equity holders of the Company		6,561	6,351
Minority interests in equity		214	198
Shareholders' equity		**6,775**	**6,549**
Net financial debt (cash)	*17*	**4,379**	**3,070**
Net (assets) liabilities held for sale	*(*****)*	**(7)**	**(7)**

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:
(*) Includes all non-current liabilities except "Non-current borrowings".
(**) Includes "Contract work in progress - net."
(***) Includes "Advances from customers- net".
(****) Includes "Income tax receivables, "Other current assets" and "Derivative assets", excluding "Income tax payables", "Other current liabilities" and "Derivative liabilities".
(*****) Includes the net amount of "Non-current assets held for sale" and "Liabilities directly connected with assets held for sale".

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At 31 March 2010 the consolidated **net capital invested** came to €mil. 11,147, compared with €mil. 9,612 at 31 December 2009, for a net increase of €mil. 1,535.

More specifically, there was a €mil. 1,045 increase in **net working capital** (positive €mil. 340 at 31 March 2010, compared with negative €mil. 705 at 31 December 2009), mainly attributable to the use of cash during the period (Free Operating Cash Flow) as described below.

As to **capital assets**, there was an increase of €mil. 490 (€mil. 10,807 at 31 March 2010, compared with €mil. 10,317 at 31 December 2009).

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The ***Free Operating Cash Flow*** (FOCF) is to be analysed in the context of the period, and seasonal factors have to be taken into account. The balance between trade collections and payments reveals that payments are particularly higher than collections. At 31 March 2010, FOCF was negative (use of cash) in the amount of about €mil.1,106, compared with negative €mil. 951 at 31 March 2009, for a deterioration of €mil. 155.

In the first quarter of 2010, investing activity, needed for product development, was concentrated in Aeronautics (38%), Defence and Security Electronics (26%) and Helicopters (20%).

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	For the three months ended 31 March			
	2010		***2009***	
Cash and cash equivalents at 1 January	**2,630**		**2,297**	
Gross cash flow from operating activities	432		407	
Changes in other operating assets and liabilities, taxes, finance costs and provisions for risks	(334)		(210)	
Funds From Operations (FFO)		**98**		**197**
Changes in working capital	(984)		(885)	
Cash flow generated from (used in) operating activities	**(886)**		**(688)**	
Cash flow from ordinary investing activities	(220)		(263)	
Free Operating Cash Flow (FOCF)		**(1,106)**		**(951)**
Strategic operations	(87)		(26)	
Change in other investing activities (*)	12		(50)	
Cash flow generated from (used in) investing activities	**(295)**		**(339)**	
Capital increases	-		(2)	
Net change in borrowings	(830)		(546)	
Cash flow generated from (used in) financing activities	**(830)**		**(548)**	
Exchange gains/losses	17		7	
Cash and cash equivalents at 31 March	**636**		**729**	

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

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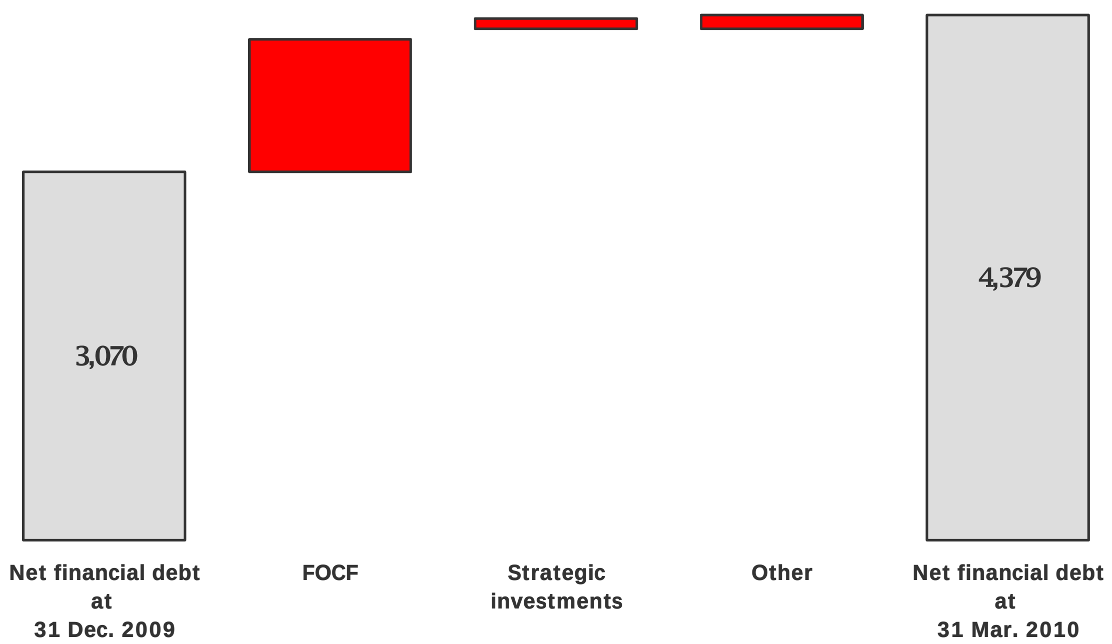
Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 31 March 2010 came to €mil. 4,379 (€mil. 3,070 at 31 December 2009), for a net increase of €mil. 1,309.

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

Net financial debt at 31 March 2010 – (€ million)



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€ million	*31 Mar. 2010*	*31 Dec. 2009*
Short-term borrowings	860	913
Medium/long-term borrowings	3,929	4,476
Cash and cash equivalents	(636)	(2,630)
BANK DEBT AND BONDS	**4,153**	**2,759**
Securities	(11)	(11)
Financial receivables from related parties	(60)	(34)
Other financial receivables	(707)	(763)
FINANCIAL RECEIVABLES AND SECURITIES	**(778)**	**(808)**
Borrowings from related parties	660	679
Other short-term borrowings	217	312
Other medium/long-term borrowings	127	128
OTHER BORROWINGS	**1,004**	**1,119**
NET FINANCIAL DEBT (CASH)	**4,379**	**3,070**

Once again for March 2010, consistent with the approach adopted in the presentation of the accounts over the last few years, the net debt figure does not include the net fair value of derivatives at the date the accounts were closed (positive balance of €mil. 20).

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

Moreover, as explained elsewhere in this report, in January AgustaWestland purchased a further stake in the Polish group PZL - SWIDNIK. The overall impact of this on the Group’s net debt, between the purchase price paid (€mil. 81) and inclusion of the new company and its subsidiaries within the scope of consolidation (with a net debt of €mil. 38) came to about €mil. 119.

The debt figure is also affected by the deterioration of the end-period euro/dollar exchange rate, particularly with respect to the translation of financial statements denominated in dollars.

In the first quarter of 2010, the Group made assignments of non-recourse receivables totalling around €mil. 138 (€mil. 123 in the first quarter of 2009).

As regards the composition of the debt items, with particular regard to bank borrowings and bonds, which went from €mil. 5,389 at 31 December 2009 to €mil. 4,789 at 31 March 2010, the main changes were as follows:

- short-term borrowings fell from €mil. 913 at 31 December 2009 to €mil. 860 at 31 March 2010 mainly due to the effect of the repurchase of around €mil. 51 nominal value of bonds exchangeable into STM shares as a result of the €mil. 501 bond issue of August 2003, with maturity of August 2010 (see the section "Financial transactions";
- medium/long-term borrowings fell from €mil. 4,476 at 31 December 2009 to €mil. 3,929 at 31 March 2020, mainly due to the repayment of the final instalment (tranche C) of the Senior Term Loan Facility, described below.

Also of importance is the decrease in cash and cash equivalents from €mil. 2,630 at 31 December 2009 to €mil. 636 at 31 March 2010, caused mainly by the higher use of cash in ordinary operations and investing activities. A portion of the cash available was used to repay debt existing at 31 December 2009, specifically the full repayment of the Revolving Credit Facility of €mil. 639, a line of credit arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the American company DRS (see the section "Financial transactions"), made in the first quarter of 2010.

The item "financial receivables and securities" equal to €mil. 778 (€mil. 808 at 31 December 2009) includes the amount of €mil. 637 (€mil. 708 at 31 December 2009) in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group's scope of consolidation on a proportionate basis.

The item “borrowings from related parties” amounting to €mil. 660 (€mil. 679 at 31 December 2009) includes the debt of €mil. 637 (€mil. 646 at 31 December 2009) of Group companies in the above joint ventures for the unconsolidated portion, and the debt of €mil. 15 (€mil. 23 at 31 December 2009) to the company Eurofighter, of which Alenia Aeronautica owns 21%. In regard to this, under the existing treasury agreement, surplus cash and cash equivalents are to be distributed among the partners.

Moreover, as part of the centralisation of its financial operations, Finmeccanica has credit lines and guarantees to meet the Group needs. Specifically, it holds a medium-term revolving credit line of €mil. 1,200 agreed in 2004 with a pool of domestic and foreign banks (current maturity 2012). At 31 March 2010, this credit line was entirely unused. In addition, as stated above, the Revolving Credit Facility in the amount of €mil. 639, obtained in February 2010, was entirely unused at 31 March 2010.

Also on that date Finmeccanica had additional short-term credit lines for cash amounting to around €mil. 1,300, of which €mil. 620 is confirmed and €mil. 677 is unconfirmed, that were used in the amount of €mil. 15.

There are also unconfirmed guarantees of around €mil. 1,898.

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Transactions with related parties

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

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

The section “Analysis of the balance sheet and income statement at 31 March 2010” contains a summary of income statement and balance sheet balances attributable to transactions with related parties, as well as the percentage impact of these transactions on the respective total balances (Note 22).

“Non-GAAP” performance indicators

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

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

- ***EBIT***: i.e. earnings before interest and taxes, with no adjustments. EBIT also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as “finance income and costs” or, for the results of equity investments accounted for with the equity method, under “share of profit (loss) of equity accounted investments”.

- ***Adjusted EBITA***: it is arrived at by eliminating from EBIT (as defined above) the following items:
  - any impairment in goodwill;
  - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS 3;
  - restructuring costs that are a part of significant, defined plans;
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

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

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

€ millions	*For the three months ended 31 March* **2010**	**2009**	***Note***
EBIT	228	216	
Amortisation of intangible assets acquired through a business combination	21	23	*25*
Restructuring costs	2	3	*23 / 24*
Adjusted EBIT	**251**	**242**	

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

  This adjusted net profit is used to calculate return on equity (ROE) for the last 12 months, which is based on the average value of equity for the two periods being compared.

  There are no components of net profit to be reconciled for the periods being compared.

- ***Free Operating Cash Flow (FOCF)***: This is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments". The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.

- ***Funds From Operations (FFO)***: This is cash flow generated by (used in) operating activities net of changes in working capital (as described under Note 28). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.

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

- ***Working capital***: this includes trade receivables and payables, contract work in progress and advances received.

- ***Net working capital***: this is equal to working capital less current provisions for risks and charges and other current assets and liabilities.

- ***Net capital invested***: this is the algebraic sum of non-current assets, non-current liabilities and net working capital.

- ***Net financial debt***: the calculation model complies with that provided in paragraph 127 of Recommendation CESR/05-054b implementing EC Regulation 809/2004. For details on its composition, refer to Note 17.

- ***Research and Development spending***: the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. These costs may be partly or entirely reimbursed by customers, funded by public institutions through grants or other incentives under law or, lastly, be borne by the Group. From an accounting standpoint, R&D costs can be categorised differently as indicated below:
    - if they are reimbursed by the customer pursuant to a contract, they are classified under "work in progress";
    - if they relate to research - or if they are at a stage at which it is not possible to demonstrate that the activity will generate future economic benefits - they are taken to profit or loss in the period incurred;
    - finally, if they relate to a development activity for which the technical feasibility, the capability and the willingness to see the project through to the

end, as well as the existence of a potential market for generating future economic benefits can be shown, they are capitalised under “intangible assets”. In the case in which a grant is given towards these expenses, the carrying value of the intangible assets is reduced by the amount received or to be received.

- ***New orders*:** this is the sum of contracts signed with customers during the period that satisfy the requirements for being recorded in the order book.

- ***Order backlog*:** this figure is the difference between new orders and invoiced orders (income statement) during the reference period, excluding the change in contract work in progress. This difference is added to the backlog for the preceding period.

- ***Workforce*:** the number of employees reported on the last day of the year.

Performance by division

HELICOPTERS

€ millions	31 Mar. 2010	31 Mar. 2009	31 Dec. 2009
New orders	1,146	702	3,205
Order backlog	10,292	10,513	9,786
Revenues	837	756	3,480
Adjusted EBITA	75	74	371
ROS	9.0%	9.8%	10.7%
Research & Development	72	79	328
Workforce (no.)	14,575	10,340	10,343

Finmeccanica, through the AgustaWestland NV group, is a world leader in the civil and military helicopter industry. The figures at 31 March 2010 include the effect of the line-by-line consolidation of the recently-acquired Polish group PZL-SWIDNIK from 1 January 2010.

The total volume of **new orders** at 31 March 2010 came to €mil. 1,146, a 63% increase over the same quarter of 2009 (€mil. 702), and breaks down into 80% for helicopters (new helicopters and upgrading) and 20% for support (spare parts and inspections). The helicopters division recovered significantly compared with the first quarter of the previous year, both in absolute and percentage terms, particularly in the civil-government helicopter segment. By contrast there was a slight decline in product support activities, mainly in helicopter inspections.

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

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

In the civil segment, new orders for 37 helicopters were received in the first quarter of 2010, worth a total of about €mil. 280. Of note in that regard are the following:

- the contract with Era Group Inc for ten AW139 helicopters in offshore configuration*;*
- the order from Esperia Aviation Services SpA, a company operating in the business aviation sector, for four helicopters (two AW119; one AW139; one AW109 Grand).

The value of the **order backlog** at 31 March 2010 came to €mil. 10,292, up 5% over 31 December 2009 (€mil. 9,786) and is sufficient to guarantee coverage of production for an equivalent of about 3 years.

Revenues at 31 March 2010 came to €mil. 837, up 11% from the figure at 31 March 2009 (€mil. 756). This increase was equally divided between helicopters and product support. Specifically, there was outstanding performance in "turnkey" product support, including integrated support contracts (IOS), volumes for which rose 17% over the same quarter of 2009.

Adjusted EBITA at 31 March 2010 came to €mil. 75, in line with the year-earlier figure (€mil. 74). The above-mentioned different mix of revenues, along with the lower profitability of certain IOS contracts, resulted in a drop in **ROS** to 9.0% from 9.8% at 31 March 2009.

Research and development costs for the first quarter of 2010 came to €mil. 72 (€mil.79 for the same period of 2009) and mainly concerned: the development of technologies primarily for military use for a new helicopter of the 6/7-tonne class named the AW149 and the development of multi-role versions of the BA 609 convertiplane for national security.

The **workforce** at 31 March 2010 came to 14,575, a 4,311 employee increase over 31 December 2009 (10,343) due to the consolidation of the PZL - SWIDNIK group.

DEFENCE AND SECURITY ELECTRONICS

€ millions	31 Mar. 2010	31 Mar. 2009	31 Dec. 2009
New orders	1,642	1,582	8,215
Order backlog	12,653	11,001	12,280
Revenues	1,452	1,427	6,718
Adjusted EBITA	107	110	698
ROS	7.4%	7.7%	10.4%
Research & Development	131	136	711
Workforce (no.)	30,003	30,229	30,236

Finmeccanica has a number of companies that are active in the defence and security electronics industry, including: the SELEX[1] Galileo Group, the SELEX Sistemi Integrati Group, the Elsag Datamat Group, the SELEX Communications Group, the SELEX Service Management SpA Group, the Seicos SpA Group and the DRS Group.

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

New orders came to €mil. 1,642 at 31 March 2010, slightly above the figure reported for the same period of the previous year (€mil. 1,582 at 31 March 2009).

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

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

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics and combat radar equipment for the third lot of the European programmes, as well as logistics; two contracts for the provision of Precision Approach Radar (PAR) from the Italian and Swiss air forces; orders for equipment for NH90 helicopters; space programme orders and customer support activity;
- *radar and command and control systems*: a contract to implement a Vessel Traffic Management System (VTMS) in Turkey to monitor and manage maritime traffic; the order for the provision of a naval radar system from the Peruvian Navy; the contract with ENAV to upgrade computers and software at various airports; two contracts from the Moroccan Civil Aviation Authority to supply an air traffic control radar station at the Fes-Saiss airport and a simulator for Menara airport in Marrakech;
- *integrated communication networks and systems*: the order from the Buenos Aires police department for a TETRA telecommunications system; various orders for communications systems for helicopter platforms; additional orders for communications systems for medium armoured vehicles (MAV) from the Italian Army;
- *information technology and security*: a contract with Aeroporti di Roma to build the new automated baggage sorting systems at the Leonardo da Vinci Airport in Fiumicino;
- *DRS group*: orders from the US Army for additional activities related to the Thermal Weapon Sight (TWS) system issued to soldiers; the production of 275 M1000 trailers; activities in support of the Mast Mounted Sight (MMS) system for helicopters.

The **order backlog** came to €mil. 12,653 at 31 March 2010, compared with €mil. 12,280 at 31 December 2009, one-third of which related to the avionics and electro-optical systems segment, and one-fifth to major integrated systems, radar systems and command and control systems and the activities of DRS.

Revenues at 31 March 2010 amounted to €mil. 1,452, substantially in line with the figure reported at 31 March 2009 (€mil. 1,427) despite the negative change due to the effect of the translation of financial statements denominated in US dollars. There was an increase over in 31 March 2009 in activities relating to *avionics and electro-optical systems* and, to a lesser extent, those for major integrated systems for defence and security and land and naval command and control systems.

Revenues resulted mainly from the following segments, specifically:

- *avionics and electro-optical systems*: the continuation of activities relating to DASS production and the production of avionics equipment and radar for the EFA programme; systems for countermeasures; devices for the helicopter and space programmes and logistics;
- *major integrated systems for defence and security,* start up of the Forza NEC programme and the border control programme for Lybia and activities under the contract with the Italian Department of Civil Protection for the emergency management system;
- *radar and command and control systems*: the continuation of activities relating to air traffic control programmes, especially in Italy; contracts for FREMM and upgrading; the Medium Extended Air Defense System (MEADS) international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;
- *integrated communication systems and networks*: the continuation of activities relating to the construction of the national TETRA network; the development and manufacture of equipment for the EFA and the NH90; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;
- *information technology and security*: activities relating to postal automation and industrial services for domestic customers, the combat system for the FREMM and ICT services for government agencies;
- *the DRS group*: provision of Driver's Vision Enhancer (DVE) infrared goggles for land vehicles under the extension of the contract obtained in late 2009; additional deliveries for programmes to upgrade the target acquisition sub-

systems for Bradley fighting vehicles; activity pertaining to the repair and provision of spare parts for the Mast Mounted Sight (MMS) system helicopters; provision of services and products for the Rapid Response contract and satellite communications services; the continuation of deliveries of rugged computers and displays for vehicles and the beginning of supplying the Movement Tracking System (MTS) programme obtained last year; deliveries of Tactical Quiet Generators (TQG).

Adjusted EBITA reached €mil. 107 at 31 March 2010, compared with €mil. 110 at 31 March 2009, due to the negative change of the effect of the translation of financial statements denominated in US dollars, as well as a less profitable mix of activities compared with the first quarter of the previous year. As a result, **ROS** came to 7.4%, compared with 7.7% at 31 March 2009.

Research and development costs at 31 March 2010 totalled €mil. 131, substantially in line with the figure at 31 March 2009, relating specifically to:

- *avionics and electro-optical systems segment:* development for the EFA programme, new electronic-scan radar systems for both surveillance and combat, improvements to avionics suites to satisfy the demands of the new fixed and rotary-wind platforms;
- *integrated communications systems and networks segment:* the development of TETRA technology products, new avionics products and wideband data link and software design radio products;
- *integrated radar and command and control systems segment:* the continuation of the 3D Kronos and the active radar surveillance system, upgrading of the current SATCAS products and of the programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal (CWP) .

The **workface** at 31 March 2010 came to 30,003 as compared with 30,236 at 31 December 2009, a decrease of 233, mainly due to the DRS Group.

AERONAUTICS

€ million	31 Mar. 2010	31 Mar. 2009	31 Dec. 2009
New orders	217	319	3,725
Order backlog	8,604	8,245	8,850
Revenues	592	553	2,641
Adjusted EBITA	34	22	241
ROS	5.7%	4.0%	9.1%
Research & Development	76	83	474
Workforce (no.)	13,099	13,812	13,146

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

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

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

New orders at 31 March 2010 came to €mil. 217, down €mil. 102 from the €mil. 319 reported at 31 March 2009, due to fewer orders in the *military segment.*

The main orders received in the first quarter of 2010 included the following:

- in the *military segment*: orders to provide logistics support for EFA, AMX, C27J aircraft and to supply four MB339 aircraft reconfigured in the National Acrobatic Flight Team version for the United Arab Emirates;
- in the *civil segment*: aerostructure orders for the B767 and ATR programmes and for GIE-ATR for the sale of two aircraft to the Swedish airline Golden Air and two aircraft to Syrian Arab Airlines.

The **order backlog** at 31 March 2010 came to €mil. 8,604 (€mil. 8,850 reported at 31 December 2009). It is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (about 51%) and B787 (about 21%) programmes.

Revenues for the first quarter of 2010 stood at €mil. 592, up €mil. 39 (+7%) compared with 31 March 2009 (€mil. 553). Growth was due to greater activity in the *military segment*, specifically in the EFA programme. In the *civil segment*, which is feeling the effects of the crisis in the air transport market, there was a decline in activity.

In the first quarter of 2010, production in the *military segment* mainly regarded:

- *aircraft*: continuation of development and production for the second lot of the EFA programme and logistics support; production of C27J aircrafts for the US Air Force and a number of export markets; the continuation of upgrades to the Tornado aircraft and logistic support for the AMX aircraft; continuation of activities relating to the upgrading of G222 aircraft commissioned by the US Air Force;
- *trainers*: production of M346 aircraft and upgrading of MB339 aircraft for the Italian Air Force.

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

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft, for which 7 fuselage sections and 4 horizontal stabilisers were completed during the first quarter of 2010, and production of control surfaces for the B767 and B777 aircraft;

- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;
- GIE ATR: the production of the ATR 42 and ATR 72 turboprops;
- Dassaul Aviation: production of the fuselage section for the extended-range version of the Falcon 2000 and the engine nacelles for the Falcon 900EX .

Orders for other customers included work on the assembly of ATR craft by GIE ATR, which delivered 13 aircraft in the first quarter of 2010.

Adjusted EBITA came to €mil. 34 at 31 March 2010 (€mil. 22 at 31 March 2009), for an increase of €mil. 12. **ROS** rose to 5.7%, compared with 4.0% at 31 March 2009, due to the greater contribution of production in the *military segment*.

Research and development costs for the first quarter of 2010 totalled €mil. 76 (€mil.83 at 31 March 2009). This result reflects the commitment to and the progress made in programmes being developed: M346, B787, C27J, ATR ASW and UAV.
Furthermore, development on important military programmes (EFA, JSF, Tornado and Neuron) that have been commissioned by customers and research and development into technologies for innovative aerostructures using composite materials and system integration also continued.

The **workforce** at 31 March 2010 numbered 13,009, a decrease of 47 from the 13,146 employees at 31 December 2009.

SPACE

€ millions	31 Mar. 2010	31 Mar. 2009	31 Mar. 2009
New orders	208	225	1,145
Order backlog	1,647	1,449	1,611
Revenues	194	191	909
Adjusted EBITA	0	(1)	47
ROS	0%	(0.5%)	5.2%
Research & Development	12	14	87
Workforce (no.)	3,656	3,659	3,662

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

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

From a commercial perspective, in the first quarter of 2010, the Group acquired **new orders** in the amount of €mil. 208, down €mil. 17 from the same period of 2009 (€mil.225) due to fewer new orders for the period in the manufacturing segment, particularly government telecommunications satellites, offset by good performance in the satellite services segment.
The most significant new orders for the period related to the following segments:

- in the *commercial telecommunications segment*: the additional lots for the O3B constellation; the contract to supply the Pos3B altimeter; the order to provide telecommunications satellite services to TIM Brasile;
- in the *military and government telecommunications segment*: new orders for military telecommunications satellite services based on the capacity of the Sicral 1B;
- in the *earth observation segment*: the contract from the French Space Agency (CNES) for the Jason 3 earth observation satellite;
- in the *satellite navigation segment*: the “Support System” contract for the Full Operation Capacity (FOC) phase and further orders relating to the “Earth Mission Segment” of the In Orbit Validation (IOV) phase of the Galileo Programme;
- in the *orbital infrastructure segment:* additional lot of the order from Orbital Science Corporation to provide NASA (CYGNUS COTS programme) with nine pressurised modules for transport connected with the International Space Station;
- in the *science programmes segment*: additional lot for the Bepi-Colombo programme; the order from ESA for the development of a prototype of the atmospheric re-entry vehicle called the Intermediate eXperimental Vehicle (IXV).

The **order backlog** at 31 March 2010 came to €mil. 1,647, an increase of €mil. 36 over the same figure at 31 December 2009 (€mil. 1,611). The backlog is composed of manufacturing activities (48% satellites and payloads, 8% infrastructures and equipment) for 56% and satellite services for the remaining 44%.

Revenues in the first quarter of 2010 came to €mil. 194, up €mil. 3 over the corresponding period of the previous year (€mil. 191). Production mainly related to the continuation of activities in the following segments:

- in the *commercial telecommunications segment* for the Yahsat, Globalstar, W3B and W3C satellites for Eutelsat and the Rascom 1R; development of the payloads for the Arabsat 5A/5B satellites; the provision of telecommunications satellite services and the resale of satellite capacity;
- in the *military telecommunications segment* for the Syracuse 3, Satcom BW and Helios programmes; the provision of military telecommunications satellite services based on the capacity of the Sicral 1B;
- in the *earth observation segment* for the COSMO-SkyMed programme; satellites for the Sentinel 1 (radar) and Sentinel 3 (optics) missions of the Kopernikus (formerly GMES) programme; earth monitoring services;
- in the *science programmes segment* for the Bepi-Colombo, Exomars and Alma programmes (one of the largest radio telescopes on Earth for astronomy, which should be installed in the Atacama desert in Chile by the end of 2010);
- in the *satellite navigation segment* for the system engineering and earth mission segment work on the IOV phase of the Galileo programme;
- in the *orbital infrastructure segment* for the CYGNUS COTS programme connected with the International Space Station;
- in the *equipment and devices segment* for the development of onboard equipment.

Adjusted EBITA at 31 March 2010 broke even, for an increase of €mil. 1 over the negative €mil. 1 reported at 31 March 2009, specifically due to better profitability in the manufacturing segment. **ROS** came to 0%, compared with the negative 0.5% reported at 31 March 2009.

Research and development costs for the first quarter of 2010 came to €mil. 12, substantially in line with the figure posted for the same period of 2009 (€mil. 14).

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

The **workforce** at 31 March 2010 came to 3,656, for a decrease of 6 employees from the 3.662 reported at 31 December 2009.

DEFENCE SYSTEMS

€ millions	31 Mar. 2010	31 Mar. 2009	31 Dec. 2009
New orders	234	104	1.228
Order backlog	4,013	3,747	4,010
Revenues	231	232	1,195
Adjusted EBITA	14	11	130
ROS	6.1%	4.7%	10.9%
Research & Development	45	60	235
Workforce (no.)	4,043	4,072	4,098

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

Defence Systems includes the activities of MBDA, the joint venture with BAE Systems and EADS in which Finmeccanica holds a 25% stake, in missile systems, the Oto Melara group in land, sea and air weapons systems, and WASS SpA in underwater weapons (torpedoes and countermeasures) and sonar systems.

New orders at 31 March 2010 came to €mil 234, up 125% from 31 March 2009 (€mil.104), due mainly to the *missile systems* segment.

The most important new orders for the period include:

- in the *missile systems segment*: the initial orders from the UK Ministry of Defence to develop and supply new complex weapons;
- in the *land, sea and air weapons systems segment*: orders for PDA kits for Libya; orders for two 76/62 SR cannons from Fincantieri for the United Arab Emirates; and Mom-Sapom ammunition for Singapore;

The **order backlog** at 31 March 2010 came to €mil 4,013 (€mil. 4,010 at 31 December 2009), of which two-thirds related to *missile systems*.

Revenues at 31 March 201 came to €mil 231, in line with the figure for 31 March 2009 (€mil. 232). The increase in *missile systems* offset the reduction in the other two segments.
Revenues were the result of the following activities in the various segments:

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

Adjusted EBITA at 31 March 2010 totalled €mil 14, up from the figure reported for the same period of 2009 (€mil. 11), due primarily to improved industrial profitability across all segments. As a result, **ROS** amounted to 6.1% at 31 March 2010, slightly higher than the 4.7% reported at 31 March 2009.

Research and development costs at 31 March 2010 came to €mil 45, down about 25% from the €mil. 60 reported at 31 March 2009, mainly attributable to *missile systems*, and to a lesser extent to *underwater systems*. Some of the key activities included those for the MEADS air defence program and the continuation of development of the Meteor air-to-air missile in the *missile systems segment*; activities for guided munitions programmes and for the development of the 127/64 LW cannon in the *land, sea and air weapons systems segment*; and activities relating to the Black Shark heavy torpedo in the *underwater systems segment*

The **workforce** at 31 March 2010 came to 4,043, a decrease of 55 from 31 December 2009 (4,098), mainly due to the *land, sea and air weapons systems segment.*

ENERGY

€ millions	31 Mar. 2010	31 Mar. 2009	31 Dec. 2009
New orders	178	214	1,237
Order backlog	3,211	3,661	3,374
Revenues	337	333	1,652
Adjusted EBITA	31	31	162
ROS	9.2%	9.3%	9.8%
Research & Development	7	5	36
Workforce (no.)	3,440	3,373	3,477

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

New orders in the first quarter of 2010 amounted to €mil. 178, down €mil. 36 from the same period of last year (€mil. 214). This different is due to the fact that a number of important new orders were received in the first quarter of 2009.

The most significant new orders received in the various segments during the period include:

- in the *plants and components segment:* a turbogroup with a V94.2 turbine for the Shyllet site (Bangladesh); two turbogroups with a V94.2 turbine for the Fingrid site (Finland);
- in the *service segment*: new solution contracts (changing parts of the turbine) and spare parts contracts;

- in the *nuclear segment*: as regards the power station side, new engineering contracts from China as part of the partnership with Westinghouse on the Sanmen project; on the service-related side, new Superphoenix reactor support contract for the Creyes Malville power station in France and scheduled maintenance contracts for the Outage Embalse (Argentina) power station.

The **order backlog** at 31 March 2010 came to €mil. 3,211, compared with €mil. 3,374 at 31 December 2009.
The composition of the backlog is attributable for 42% to plant and manufacturing-related activities, 56% to service activities (largely scheduled maintenance contracts), and the remaining 2% to nuclear work processes.

At 31 March 2010, **revenues** came to €mil. 337, a €mil. 4 increase over the same period of the previous year (€mil. 333). Activities mainly regarded the following segments:

- *plants and components,* significant progress was made in the plants in Algeria (Batna, Larbaa and M'Sila), in France (Bayet) and in Italy (Turano and San Severo);
- *service*, for the Long Term Service Agreements (LTSA) of Sparanise and Rosignano (Italy);
- *nuclear,* engineering activities were continued on the Sanmen project in China with Westinghouse; on phases 3 and 4 of the power station of Mochovce in Slovakia and for the waste and decommissioning activities.

Adjusted EBITA for the first quarter of 2010 amounted to €mil. 31, in line with the same period of last year. **ROS** at 31 March 2010 thus stood at 9.2%, compared with 9.3% for the first quarter of 2009.

Research and development costs at 31 March 2010 came to €mil. 7 (€mil. 5 in the first quarter of 2009) and represent 2% of revenues.

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

The **workforce** stood at 3,440 at 31 March 2010, compared with 3,477 at 31 December 2009 due to routine turnover.

TRANSPORTATION

€ millions	31 Mar. 2010	31 Mar. 2009	31 Dec. 2009
New orders	330	772	2,834
Order backlog	5,900	5,218	5,954
Revenues	445	427	1,811
Adjusted EBITA	20	29	65
ROS	4.5%	6.8%	3.6%
Research & Development	10	11	110
Workforce (no.)	7,293	7,102	7,295

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

New orders at 31 March 2010 came to €mil. 330, down €mil. 442 compared with the first quarter of 2009 (€mil. 772), characterised by particularly sizable orders across all segments.

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

- in the *signalling and transport systems segment*:
  - *in signalling:* orders from Australian Rail Track Corporation (ARTC) in Australia; various components orders and service and maintenance orders;
  - *in transport systems:* the contract for the operation and maintenance of the Copenhagen driverless metro system; the order for the Genoa metro project;
- in the *vehicles segment*: service orders;
- in the *buses segment*: various orders for a total of 70 buses.

At 31 March 2010 the **order backlog** amounted to €mil. 5,900, slightly down from 31 December 2009 (€mil. 5,954). The order backlog breaks down as follows: 65% for systems and signalling, 34% for vehicles and 1% buses.

Revenues at 31 March 2010 were equal to €mil. 445, substantially in line with the first quarter of 2009 (€mil. 427).

Major orders include:

- in the *signalling and transport systems segment*:
  - *in the signalling:* high-speed train orders and orders for automated train control systems (SCMT), both wayside and on-board, for Italy; orders for ARTC in Australia; the Cambrian Line in the UK; the high-speed Zhengzhou-Xi'an line in China; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines in Turkey; the Union Pacific Railroad project; various orders for components;
  - in the *transport system:* the metro systems of Naples Line 6, Copenhagen, Rome Line C, Brescia, Riyadh and Genoa;
- in the *vehicles segment*: trains for the Dutch and Belgian railways; trains for regional service for Ferrovie Nord of Milan; trains for the Milan and Rome Line C metros; trains for the Danish railways; various Sirio orders and service orders;
- in the *bus segment:* revenues were generated by a number of orders for buses (77%) and for the post-sales services.

Adjusted EBITA stood at €mil. 20 at 31 March 2010, down from the €mil. 29 reported for the same period of the previous year, mainly attributable to the bus segment, specifically, the completion of the first delivery of the new 18-meter articulated bus model. **ROS** for the sector rose came to 4.5%, compared with 6.8% at 31 March 2009.

Research and development costs at 31 March 2010 were equal to €mil. 10 (€mil. 11 at 31 March 2009) and mainly regarded *signalling and transport systems* projects.

The **workforce** stood at 7,293 at 31 March 2010, substantially in line with the 7,295 reported at 31 December 2009.

<u>OTHER ACTIVITIES</u>

€ millions	31 Mar. 2010	31 Mar. 2009	31 Dec 2009
New orders	13	64	113
Order backlog	139	356	172
Revenues	58	80	410
Adjusted EBITA	(30)	(34)	(127)
ROS	n.s.	n.s.	n.s.
Research & Development	-	-	1
Workforce (no.)	798	798	799

The division includes, *inter alia*: the Elsacom NV group, which manages satellite telephony services; Finmeccanica Group Services SpA, the Group services management company; Finmeccanica Finance SA, Aeromeccanica SA and Meccanica Holdings USA Inc, which provide financial support to the Group; Finmeccanica Group Real Estate SpA, which manages, rationalises and improves the Group's real estate holdings; and So.Ge.Pa. - Società Generale di Partecipazioni SpA, which manages the pre-winding-up/winding-up and rationalisation processes of companies falling outside the activity sectors through transfer/repositioning transactions.

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

From a commercial standpoint, Fata received new orders totalling €mil. 13 at 31 March 2010, down €mil. 51 from the same period of 2009 (€mil. 64). It is noted that the first quarter of 2009 had benefited from the acquisition of the Torino Nord order. Among the major new orders for the first quarter of 2010 was the order relating to a project in China for a six-roller rolling mill, the first of its kind for the company.

Revenues at 31 March 2010 came to €mil. 46, down €mil. 15 from the previous year (€mil. 61).
Production broke down as follows: 63% attributable to the Smelter line, 16% to the Hunter line, 7% to the Power line and 14% to logistics.
Specifically, progress was made on the Hormozal, Hormozal Phase 2 and Qatalum orders (Smelter line), on the Chinese, Korean and Romanian orders (Hunter line) and on the Moncalieri order (Power line). Logistics activities carried out by Fata Logistic, primarily for Group companies, contributed to these results.

Fata's **workforce** at 31 March 2010 totalled 290 employees, compared with 291 employees at 31 December 2009.

This division's figures also include those of **Finmeccanica SpA**, which for some years has been undergoing an extensive transformation process, altering its focus from a financial company to that of an industrial company. This process received a boost during the preceding fiscal year with a commitment from management to press on with a series of actions concerning industrial, technological and commercial integration. The Group will then be able to benefit from an additional impetus in improving its own productivity through processes to increase efficiency and rationalisation.
The efficiency of policy and coordination activities within the Group Parent was further strengthened in its goal of reaching the above-cited objectives over the medium term with a broad-based management-by-objectives (MBO) policy, which involved top management and key resources from all Group companies. The correct application and monitoring of the promotion of these objectives will represent one of the principal ways of achieving its goals.

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

Industrial transactions

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

On 29 January 2010, the purchase of 87.67% of **PZL - SWIDNIK**, a Polish company which produces helicopters and aerostructures, was completed after the necessary antitrust approval was obtained. This stake is in addition to the 6.2% already held by AgustaWestland.

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

In the ***Aeronautics*** division, the rationalisation process of the Aeronautics division was completed in December 2009 with the merger by takeover of the two subsidiaries

Alenia Composite SpA and Alenia Aeronavali SpA into Alenia Aeronautica SpA, with date of efficacy of 1 January 2010.

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

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

Financial transactions

The first quarter of 2010 there were no new transactions to obtain funds in the bond markets generally, nor in the banking market. As a result of aggressive refinancing over the previous year (described in more detail in the 2009 annual report), the average life of the Group’s debt has been extended to over 10 years, strengthening, as a result, the Group’s capital structure.

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

Below is a list of bonds outstanding at 31 March 2010, which shows, respectively, the euro-denominated bonds issues by Finmeccanica and by the subsidiary Finmeccanica Finance, the pound sterling-denominated bond issue by Finmeccanica Finance, the remaining amounts of the dollar-denominated bond issues by DRS, as well as the 10-year and 30-year bonds issued by Meccanica Holdings USA for the US market:

Issuer		**Year of issue**	**Maturity**	**Nominal amount (€mil)**	**Annual coupon**	**Type of offer**	**IAS recog. Amts €mil. (11)**
Finmeccanica Finance SA	(1)	2003	2010	450	0.375%	European institutional	444
Finmeccanica Finance SA	(2)	2003	2018	500	5.75%	European institutional	505
Finmeccanica SpA	(3)	2005	2025	500	4.875%	European institutional	496
Finmeccanica Finance SA	(4)	2008	2013	1.000	8.125%	European institutional	1,028
Finmeccanica Finance SA	(5)	2009	2022	600	5.25%	European institutional	606

Issuer		**Year of issue**	**Maturity**	**Nominal Amount (GBPmil)**	**Annual coupon**	**Type of offer**	**IAS recog. amts €mil. (11)**
Finmeccanica Finance SA	(6)	2009	2019	400	8.000%	European institutional	453

Issuer		Year of issue	Maturity	Nominal Amount (US$mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (11)
DRS Technologies Inc	(7)	2003	2013	3	6.875%	American institutional	-
DRS Technologies Inc	(7)	2006	2016	12	6.625%	American institutional	9
DRS Technologies Inc	(7)	2006	2018	5	7.625%	American institutional	4
Meccanica Holdings USA Inc	(8)	2009	2019	500	6.25%	American institutional Rule 114A/Reg. S	370
Meccanica Holdings USA Inc	(9)	2009	2039	300	7.375%	American institutional Rule 114A/Reg. S	221
Meccanica Holdings USA Inc	(10)	2009	2040	500	6.25%	American institutional Rule 114A/Reg. S	371

(1) Exchangeable bonds with a maximum number of 20,000,000 shares in STMicroelectronics N.V. (STM) at a conversion price of €25.07 per share. Starting from the third anniversary of the issue, Finmeccanica Finance can ask for the loan to be converted if the average price recorded during the 30 business days prior to the date of notice to bondholders exceeds 125% of the conversion price. At the maturity date Finmeccanica Finance can repay in cash or, upon 15-business days prior notice, through a combination of STM shares valued at the average prices recorded in the prior 5 business days. Transaction authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds are listed on the Luxembourg Stock Exchange. The difference in the nominal value at 31 March 2010 compared with 31 December 2009 (€mil. 501) is the result of repurchasing a portion of the bond issue.

(2) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of the loan. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange.

Rate derivative transactions were made on these bonds and led to benefits throughout 2005 from low floating rates with an effective cost of some 3.25%. During 2006, the effective cost of the loan returned to a fixed rate equal to an average value of some 5.8%.

(3) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the

Luxembourg Stock Exchange. The amount of €mil. 250 of this issue was converted to a floating rate to hedge against increases in the interest rate.

(4) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. Of the issue, €mil. 750 was converted to a floating rate, with a benefit of over 2 percentage points. The proceeds of the issues (the US dollar equivalent) were originally used to refinance (through an intercompany loan agreement) the DRS bonds redeemed early in January 2009.

(5) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. No rate transactions on the issue were made. The proceeds of the issue were partly used to repay the Senior Loan Facility.

(6) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and were completely used to partially repay the Senior Loan Facility. Rate transactions were made to optimise the total cost of the debt. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.

(7) DRS requested and received permission to delist all the bond issues on regulated US markets in December 2008. Therefore, the outstanding DRS bonds are no longer covered by the US Securities Act of 1933 and are no longer registered with the Securities and Exchange Commission (SEC).

(8) Bonds issued under Rule 144A and Regulation S of the US Securities Act. No rate transactions on the issue were made.

(9) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds of this issue, as well as of that referred to in footnote (8), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.

(10) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (9). No rate transactions on the issue were made.

(11) The difference between the face value of bonds and book value is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt. Furthermore, as regards the issue of exchangeable bonds in (1) above, IAS 39 provides for the separation of the financial debt component and the call option sold. The debt component is measured by applying the market interest rate at the issue date in place of the nominal interest rate, while the option component, excluded from the financial position, is subject to periodic measurement at fair value. At 31 March 2010, this valuation method led to posting a debt €mil. 6 less than the face value of the bond. This differential will gradually come down as the maturity date draws near.

The difference in the nominal value at 31 March 2010 compared with 31 December 2009 (€mil.501) is the result of repurchasing a portion of the bond issue.

All the bond issues of Finmeccanica Finance, DRS and Meccanica Holdings, are, as mentioned, irrevocably and unconditionally secured by Finmeccanica, and are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service, Standard and Poor's and Fitch. More specifically, at the date of this report, these credit ratings were: A3 (Moody’s), BBB+ (Fitch) and BBB (Standard and Poor’s).

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

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

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

In 2009, Finmeccanica signed a €mil. 500 loan agreement with the European Investment Bank (EIB) for Alenia Aeronautica (100%-owned by Finmeccanica) to be used for the production and development of technologically innovative aeronautical components. Repayment of the 12-year loan will begin in the third year. The loan will be disbursed by 31 January 2011, upon demand by Finmeccanica. The interest rate may be either variable or fixed, at the prior discretion of Finmeccanica. The loan was entirely unused at 31 March 2010.

In January 2010, Finmeccanica's board of directors authorised the issue of a guarantee, up to €bil. 1, to support the issuance of "commercial paper" up to the same amount, with maturities of between one day and one year, and for amounts divisible based on the issuer's needs and the market's receptiveness. The commercial paper, which may be listed on the Luxembourg Stock Exchange, will be placed by Finmeccanica Finance on Euro market and/or with French institutional investors. This programme augments the range of short-term financing sources for covering the Group's financial requirements. Similar to the practice for bond issues, the programme must be assigned a credit rating and the documentation must be updated annually.

In February 2010, Finmeccanica repurchased roughly €mil. 51 (nominal value) of bonds exchangeable for STM shares out of the August 2003 issue of €mil. 501, maturity in August 2010. The purchase price was equal to 99.40% of the bond's nominal value. This transaction, just one of the actions taken to optimise treasury resources, will make it possible to cancel a corresponding amount of the correlated debt.

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

Finally, in February 2010, Finmeccanica completed the transformation, begun in December 2009, of the remaining portion (€mil. 639) of the Senior Term Loan Facility (tranche C) into a revolving credit facility (same maturity June 2011), with a margin of 80 basis points over the Euribor for the period and a commitment fee of 32 basis points on the unused amount. The loan was entirely repaid in the first quarter of 2010. The transformation of the loan into a revolving credit facility usable and repayable based on the Group's financial needs for the entire duration of the loan, will give the Group greater flexibility in structuring its debt, and will negate the clause contained in the Senior Term Loan Facility requiring early repayment out of proceeds from the sale of assets.

In April, the process of renewing the Euro Medium Term Note (EMTN) programme, set to expire in May 2010, for a further 12 months was begun. The maximum amount was set at €bil. 3.8 of which a total of around €mil. 3,045 was already used at 31 March 2010 with respect to existing euro and pound sterling bond issues. The programme allows Finmeccanica and Finmeccanica Finance, secured by Finmeccanica, to act as issuer on the European bond market.

Outlook

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

The worldwide economic recession, triggered by the financial market difficulties of 2007 and the subsequent crisis of September 2008, which affected the capital-intensive sectors, appears to be ready to run itself out by the end of the current year, according to various sources. However, the Group must soon have to contend with the uncertainty about when the economic system will recover, with the search for new, highly competitive markets and with the possibility that advances paid by customers will be reduced.
Therefore, the Group companies must pay the utmost attention - while carrying out productive activities related to programme execution - to achieving targeted performance levels so as to not run the risk of compromising the Group's hard-earned financial soundness. In furtherance of this, since 2008, and especially in 2009, the Group has been committed to handling the crisis in an orderly fashion. This approach has made it possible for the Group to reach, and in some cases surpass, its revenues, adjusted EBITA and free operating cash flow targets. Finally, the volume of new orders in the first quarter of 2010 further reinforced the order backlog (which stands at over €bil. 45) ensuring that a high degree (over 80%) of expected production for the next nine months of the year will be covered.

At present, therefore, there would appear to be no circumstances that would alter the forecasts made during the preparation of the 2009 annual report, although admittedly the situation was not an easy one and a cautious approach was taken. As a result, Group revenues are expected to be between €bil. 17.8 and €bil. 18.6 and adjusted EBITA between €mil. 1,520 and €mil. 1,600.

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

Analysis of the balance sheet and income statements at 31 March 2010

Income Statement

(€ million)	Note	For the three months ended 31 March 2010	of which with related parties	For the three months ended 31 March 2009	of which with related parties
Revenue		4,039	*272*	3,911	*227*
Raw materials and consumables used and personnel costs	*24*	(3,649)	*(17)*	(3,515)	*(17)*
Amortisation, depreciation and impairment	*25*	(156)		(162)	
Other operating income (expenses)	*23*	(6)	*1*	(18)	
		228		**216**	
Finance income (costs)	*26*	(63)	*(2)*	(39)	*(4)*
Share of profit (loss) of equity accounted investments		2		-	
Profit before taxes and the effect of discontinued operations		**167**		**177**	
Income taxes	*27*	(76)		(69)	
(Loss) Profit from discontinued operations					
Net profit		**91**		**108**	
. equity holders of the Company		*82*		*98*	
. minority interests		*9*		*10*	
Earnings per Share	*29*				
Basic		*0.141*		*0.170*	
Diluted		*0.141*		*0.169*	
Earnings per Share net of discontinued operations	*29*				
Basic		*0.141*		*0.170*	
Diluted		*0.141*		*0.169*	

Statement of Comprehensive Income

€ million	For the three months ended 31 March			
	2010		*2009*	
Profit (loss) for the period		**91**		**108**
Reserves of income (expense) recognised in equity				
- Financial assets available for sale:		-		(27)
. *sale of shares*	-		-	
. *fair value adjustment*	-		*(27)*	
- Actuarial gains (losses) on defined-benefit plans:		(23)		(56)
. *plan measurement*	*(21)*		*(59)*	
. *exchange gains (losses)*	*(2)*		*3*	
- Changes in cash-flow hedges:		(92)		(14)
. *fair value adjustment*	*(103)*		*(16)*	
. *transferred to income statement*	*11*		*2*	
. *exchange gains (losses)*	-		-	
- Translation differences		212		148
Tax on expense (income) recognised in equity		31		20
. *fair value adjustment/measurement*	*29*		*17*	
. *transferred to income statement*	*1*		*4*	
. *exchange gains (losses)*	*1*		*(1)*	
Income (expense) recognised in equity		128		71
Total comprehensive income (expense) for the period		**219**		**179**
Attributable to:				
- Equity holders of the Company		203		164
- Minority interests		16		15

Balance Sheet

(€ million)	*Note*	*31 Mar. 2010*	*of which with related parties*	*31 Dec. 2009*	*of which with related parties*
Non-current assets					
Intangible assets	*9*	8,721		8,367	
Property, plant and equipment	*10*	3,203		3,125	
Financial assets at fair value					
Deferred tax assets		703		673	
Other assets	*12*	818	*12*	791	*12*
		13,445		**12,956**	
Current assets					
Inventories		4,867		4,662	
Trade receivables, including net contract work in progress	*13*	9,034	*535*	8,481	*523*
Financial receivables		767	*60*	797	*34*
Derivatives	*14*	191		193	
Other assets	*15*	849	*36*	759	*9*
Cash and cash equivalents		636		2,630	
		16,344		**17,522**	
Non-current assets held for sale		7		7	
Total assets		**29,796**		**30,485**	
Shareholders' equity					
Share capital	*16*	2,512		2,512	
Other reserves		4,049		3,839	
Capital and reserves attributable to equity holders of the Company		**6,561**		**6,351**	
Minority interests in equity		214		198	
Total shareholders' equity		**6,775**		**6,549**	
Non-current liabilities					
Borrowings	*17*	4,056		4,604	
Employee liabilities	*19*	1,123		1,136	
Provisions for risks and charges	*18*	390		364	
Deferred tax liabilities		473		488	
Other liabilities	*20*	652		651	
		6,694		**7,243**	
Current liabilities					
Trade payables, including net advances from customers	*21*	12,121	*91*	12,400	*99*
Borrowings	*17*	1,737	*660*	1,904	*679*
Income tax payables		115		126	
Provisions for risks and charges	*18*	597		595	
Derivatives	*14*	171		88	
Other liabilities	*20*	1,586	*13*	1,580	*13*
		16,327		**16,693**	
Liabilities directly correlated with assets held for sale					
Total liabilities		**23,021**		**23,936**	
Total liabilities and shareholders' equity		**29,796**		**30,485**	

Cash Flow Statement

(€ million)	*Note*	*2010*	*of which with related parties*	*2009*	*of which with related parties*
		For the three months ended 31 March			
Cash flow from operating activities:					
Gross cash flow from operating activities	*28*	432		407	
Changes in working capital	*28*	(984)	*(20)*	(885)	*5*
Changes in other operating assets and liabilities, taxes, finance costs and provisions for risks		(334)	*(29)*	(210)	*(37)*
Net cash used in operating activities		**(886)**		**(688)**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	*11*	(87)		(26)	
Sale of STM shares					
Purchase of property, plant and equipment and intangible assets		(225)		(269)	
Proceeds from sale of property, plant and equipment and intangible assets		5		1	
Acquisition of equity investments					
Other investing activities		12		(45)	
Net cash used in investing activities		**(295)**		**(339)**	
Cash flow from financing activities:					
Repayment of DRS's bonds		-		(868)	
Issue of bonds		-		259	
Net change in other borrowings		(830)	*(9)*	61	*(12)*
Net cash used in financing activities		**(830)**		**(548)**	
Net increase (decrease) in cash and cash equivalents		(2,011)		(1,575)	
Exchange gains/losses		17		7	
Cash and cash equivalents at 1 January		2,630		2,297	
Cash and cash equivalents at 31 March		**636**		**729**	

Statement of changes in shareholders' equity

	Share capital	Retained earnings and consolidation reserve	Reserve for assets available for sale	Cash-flow hedge reserve	Reserve for stock-option and stock-grant plans	Reserve for actuarial gains (losses) posted to shareholders' equity	Translation reserve	Total capital and reserves attributable to equity holders of the Company	Minority interests in equity
1 January 2009	2,519	4,183	-	23	19	41	(811)	5,974	156
Dividends paid								-	(1)
Capital increases								-	-
Profit/Loss for the period		98						98	10
Other comprehensive income		-	(27)	(13)	-	(38)	144	66	5
Stock options/grant plans:									
- services rendered					5			5	-
Other changes	(1)	(5)					5	(1)	1
31 March 2009	2,518	4,276	(27)	10	24	3	(662)	6,142	171
1 January 2010	2,512	4,605	-	60	24	(81)	(769)	6,351	198
Dividends paid								-	-
Capital increases								-	-
Profit/Loss for the period		82						82	9
Other comprehensive income				(67)		(18)	206	121	7
Stock options/grant plans:									
- services rendered					10			10	-
Other changes		(3)						(3)	
31 March 2010	2,512	4,684	-	(7)	34	(99)	(563)	6,561	214

1. GENERAL INFORMATION

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

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

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 31 March 2010 was prepared in accordance with Article 154-ter, paragraph 5 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. This interim report was prepared in accordance with IAS 34 - *Interim financial reporting,* issued by the International Accounting Standard Board (IASB).

In accordance with IAS 34, these notes are presented in a condensed form and do not include all the information required to be disclosed in the annual financial statements because they relate only to those items whose amount, breakdown or changes are key to the understanding of the financial condition of the Group. Therefore, this report must be read in conjunction with the 2009 consolidated financial statements.

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

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

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

This consolidated interim financial report has not been audited.

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

Treatment of income taxes

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

Cash flows relating to operations

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

4. EFFECT OF CHANGES IN ACCOUNTING POLICIES ADOPTED

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

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

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

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

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

No significant non-recurring transactions were carried out during the two periods compared.

6. SCOPE OF CONSOLIDATION

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

Name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
3083683 NOVA SCOTIA LIMITED	Halifax, New Scotland (Canada)		100	100
ABS TECHNOLOGY SPA	Florence		60	60
AEROMECCANICA SA	Luxembourg (Luxembourg)	99.967		100
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.AS SA	Grace Hollogne (Belgio)		100	100
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AMERICA LLC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (Australia)		100	100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND INC	Nex Castle,Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (the Netherlands)	100		100
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (U.K.)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		99.998	99.998
ALENIA AERONAUTICA SPA	Pomigliano D'Arco (Naples)	100		100
ALENIA IMPROVEMENT SPA	Pomigliano D'Arco (Naples)		98	98
ALENIA NORTH AMERICA INC	Nex Castle,Wilmington, Delaware (USA)		88.409	88.409
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO ESG AG	Wurenlingen (Switzerland)		100	100
ANSALDO FUEL CELLS SPA	Genoa		94.37	94.37
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO STS AUSTRALIA PTY LTD	Birsbane (Australia)		100	40.0655
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0524
ANSALDO STS CANADA INC.	Burlington, Ontario (Canada)		100	40.0655
ANSALDO STS DEUTSCHLAND GMBH	Berlin (Germany)		100	40.0655
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.0655
ANSALDO STS FINLAND OY	Helsinki (Finland)		100	40.0655
ANSALDO STS FRANCE SA	Les Ulis (France)		100	40.0655
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0655
ANSALDO STS IRELAND LTD	CO KERRY (Ireland)		100	40.0655
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0655
ANSALDO STS SWEDEN AB	Solna (Sweden)		100	40.0655
ANSALDO STS TRASP. SYST. INDIA PRIV. LTD	Bangalore (India)		100	40.0655
ANSALDO STS UK LTD	Barbican (U.K.)		100	40.0655
ANSALDO STS SPA	Genoa	40.0655		40.0655
ANSALDO STS USA INC	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO THOMASSEN BV	Rheden (the Netherlands)		100	100
ANSALDO THOMASSEN GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	100
ANSALDOBREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDOBREDA FRANCE SAS	Marseille (France)		100	100
ANSALDOBREDA INC	Pittsburg, California (USA)		100	100
ANSALDOBREDA SPA	Naples	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SA	Les Ulis (France)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
DAVIES INDUSTRIAL COMMUNICATIONS LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
DRS 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 MOBILE ENVIRONMENTAL SYSTEMS CO	Cleveland, Ohio (USA)		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
DRS RSTA INC	Wilmington, Delaware (USA)		100	100
DRS SENSORS & TARGETING SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
DRS SONETICOM INC	Tallahassee, Florida (USA)		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS TACTICAL SYSTEMS GLOBAL SERVICES INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS LTD	Farnham, Surrey (UK)		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden, Wurttemberg (Germany)		100	100
DRS TECHNICAL SERVICES INC	Baltimora, Maryland (USA)		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)		100	100
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden, Wurttemberg (Germany)		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS TEST & ENERGY MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Plantation, Florida (USA)		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
ED CONTACT SRL	Rome		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SPA	Rome		100	100
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG NORTH AMERICA LLC	Madison, North Carolina (USA)		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED ELECTRIC COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED SUPPORT SYSTEMS INC	Clayton, Missouri (USA)		100	100
E-SECURITY SRL	Montesilvano (Pescara)		79.688	79.688
ESSI RESOURCES LLC	Louisville, Kentucky (USA)		100	100
FATA ENGINEERING SPA	Pianezza (Turin)		100	100
FATA HUNTER INC	Riverside, California (USA)		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)		100	100
FATA SPA	Pianezza (Turin)	100		100
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	73.639	26.358	99.997
FINMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FINMECCANICA GROUP SERVICES SPA	Rome	100		100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	45.089
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)		80	80
LASERTEL INC	Tucson, Arizona (USA)		100	100
MECCANICA HOLDINGS USA INC	Wilmington, Delaware (USA)	100		100
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)		100	100
MECFINT (JERSEY) SA	Luxembourg (Luxembourg)		99.999	99.996
MSSC COMPANY	Philadelphia, Pennsylvania (USA)		51	51
NET SERVICE SRL	Bologna		70	70
NIGHT VISION SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
ORANGEE SRL	Rome		70	70
OTE MOBILE TECHNOLOGIES LIMITED (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
OTO MELARA IBERICA SA	Loriguilla, Valencia (Spain)		100	100
OTO MELARA NORTH AMERICA INC	Dover, Delaware (USA)		100	100
OTO MELARA SPA	La Spezia	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)		100	100

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)		100	100
PRZEDSIEBIORSTWO USLUG TRANSPORTOWYCH "SWIDTRANS" SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	100
PZL INWEST SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		72.0588	72.0588
SEICOS SPA	Rome	100		100
SELENIA MARINE CO LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELENIA MOBILE SPA	Chieti Scalo (Chieti)		100	100
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (U.K.)		100	100
SELEX COMMUNICATIONS INC	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS INTERNATIONAL LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELEX COMMUNICATIONS LTD	Chelmsford, Essex (U.K.)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucarest (Romania)		99.976	99.976
SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX COMMUNICATIONS SECURE SYSTEMS LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELEX KOMUNIKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX GALILEO LTD	Essex (U.K.)	100		100
SELEX GALILEO SPA	Campi Bisenzio (Florence)	100		100
SELEX GALILEO US INC	Wilmington, Delaware (USA)		100	100
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SELEX SYSTEMS INTEGRATION GMBH ex SELEX SISTEMI INTEGRATI GMBH	Neuss (Germany)		100	100
SELEX SYSTEMS INTEGRATION INC	Delaware (USA)		100	100
SELEX SYSTEMS INTEGRATION LTD	Portsmouth, Hampshire (U.K.)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Genoa		92.793	92.793
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
T - S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM LLC	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC	Wilmington, Delaware (USA)		100	40.0655
UNIVERSAL POWER SYSTEMS INC	Wilmington, Delaware (USA)		100	100
VEDECON GMBH	Cologne (Germany)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH & CO KG	Cologne (Germany)		100	100
VEGA DEUTSCHLAND HOLDING GMBH	Cologne (Germany)		100	100
VEGA DEUTSCHLAND MANAGEMENT GMBH	Cologne (Germany)		100	100
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (Fance)		100	100
WESTLAND HELICOPTERS INC	Wilmington, Delaware (USA)		100	100
WESTLAND HELICOPTERS LTD	Yeovil, Somerset(U.K.)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (U.K.)		100	100
WHITEHEAD ALENIA SIST. SUBACQUEI SPA	Livorno	100		100
WING NED BV	Rotterdam (the Netherlands)		100	100
WORLD'S WING SA	Geneva (Switzerland)		94.944	94.944
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-SWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)		93.8748	93.8748
ZAKLAD NARZEDZIOWY W SWIDNIKU SP.ZO.O.	Narzedziowa 16 - U1, Swidnik (Poland)		51.65785	51.65785
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Swidnik (Poland)		100	100
ZAKLAD REMONTOWY SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		100	93.8748
ZAKLAD UTRZYMANIA RUCHU SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	100

List of companies consolidated using the proportionate method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E - GEOS SPA	Matera		80	53.6
EURIMAGE SPA	Rome		100	60.166
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.774	66.1786
TELESPAZIO NORTH AMERICA INC	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SAT. TELEC. LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucarest (Romania)		61.061	40.911
FILEAS SA	Paris (France)		85	56.95
AURENSIS SL	Barcelona (Spain)		100	67
ISAF - INIZIATIVE PER I SISTEMI AVANZATI E FORNITURE SRL	Rome		100	67
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (U.K.)		100	25
MBDA FRANCE SAS	Paris (France)		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		99.9	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		100	25
MBDA UAE LTD ex MARCONI UAE LTD	London (U.K.)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		99.99	25
MBDA SERVICES SA	Paris (France)		99.68	24.92
LFK-LENKFLUGKORPERSYSTEME GMBH	UnterschleiBheim(Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (U.K.)		50	50
CONSORZIO ATR GIE e SPE	Toulouse (France)		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
ROTORSIM SRL	Sesto Calende (Varese)		50	50
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262

List of companies consolidated using the equity method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
A4ESSOR SAS	Neuilly Sur Seine (France)		21	21
ABRUZZO ENGINEERING SCPA	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER S.C.A R.L.	Milano		80	80
ALENIA HELLAS SA	Kolonaki, Athens (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, New Scotland (Canada)		100	88.409
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.993	99.993
ANSALDO ELECTRIC DRIVES SPA	Genoa		100	100
ANSALDO – E.M.I.T. SCRL	Genoa		50	50
ANSALDO ENERGY INC	Wilmington, Delaware(USA)		100	100
ANSERV SRL	Bucarest (Romania)		100	100
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)		40	40
BELL AGUSTA AEROSPACE COMPANY LLC	Wilmington, Delaware (USA)		40	40
BRITISH HELICOPTERS LTD	Yeovil, Somerset (U.K.)		100	100
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basildon, Essex (U.K.)		100	100
CISDEG SPA	Rome		87.5	87.5
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		40	40
CONTACT SRL	Naples		30	30
COREAT S.C. A R.L.	Rieti		30	30
DIGINT SRL	Milano		49	49
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
ECOSEN CA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukrain)		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
EURO PATROL AIRCRAFT GMBH (IN LIQ.)	Munich (Germany)		50	50
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH SPA	Amaro (Udine)	11.08		11.08
FATA DTS SPA (IN LIQ.)	Pianezza (Turin)		100	100
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	100		100
FINMECCANICA UK LTD	London (U.K.)	100		100
GROUPEMENT IMMOBILIER AERONAUTIQUE G.I.A. SA	Blagnac (France)		20	20
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)		100	67
IAMCO SCRL	Mestre (Venice)		20	20
ICARUS SCPA	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)		100	100
IMMOBILIARE FONTEVERDE SRL (IN LIQ.)	Rome		60	48
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL LAND SYSTEMS INC	Wilmington, Delaware (USA)		28.365	15.204
INTERNATIONAL METRO SERVICE SRL	Milan		49	19.63
I.M. INTERMETRO SPA	Rome		33.332	23.343
IVECO - OTO MELARA SCRL ex IVECO FIAT - OTO MELARA SCRL	Rome		50	50
JIANGXI CHANGE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)		40	40
JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT	Moscow (Russian Federation)		25.0001	23.735

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	25	25	50
LMATTS LLC	Georgia (USA)		100	88.409
MACCHI HUREL DUBOIS SAS	Plaisir (France)		50	49.99
MEDESSAT SAS	Toulouse (France)		28.801	19.296
METRO 5 SPA	Milan		31.9	17.156
MUSI NET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NAHUELSAT SA (IN LIQ.)	Buenos Aires (Argentina)	33.332		33.33
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyon (France)		40	40
NOVACOM SERVICES SA	Toulouse (France)		39.73	26.62
ORIZZONTE – SISTEMI NAVALI SPA	Genoa		49	49
PEGASO SCRL	Rome		46.87	18.778
POLARIS SRL	Genoa		49	49
QUADRICS LTD (IN LIQ.)	Bristol (U.K.)		100	100
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SCUOLA ICT SRL	L'Aquila	20		20
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Arabia Saudita)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	St. Petersburg (Russia)		35	35
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
SOGELI – SOCIETA' DI GESTIONE DI LIQ. SPA	Rome		100	100
SPACEOPAL GMBH	Munich (Germany)		50	33.5
TELBIOS SPA	Milan		34.471	23.096
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
THOMASSEN SERVICE AUSTRALIA PTY LTD	Canning Vale (Australia)		100	100
TRADE FATA BV	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (U.K.)		100	100
WITG L.P. INC	Kent, Dover, Delaware (USA)		24	21.218
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	17.682
XAIT SRL	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

List of companies valued at fair value

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
BCV INVESTMENTS SCA	Luxembourg		14.321	14.321
BCV MANAGEMENT SA	Luxembourg		14.999	14.999

List of subsidiaries and associates valued at cost

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	88.409
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)		100	40.0655
ANSALDO STS INFRADEV SOUTH AFRICA (PTY) LTD	Johannesburg (ZA - South Africa)		50.7	20.31
ANSALDO STS SISTEMAS DE TRANSORTE E SINALIZACAO LTDA	Rio De Janeiro (Brazil)		100	40.0655
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana - Africa)		100	40.0655
CCRT SISTEMI SPA (IN FALL.)	Milan		30.34	30.34
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi		24	24
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.94	25.189
FOSCAN SRL (IN FALL.)	Anagni (Frosinone)		20	20
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ.)	Bruxelles (Belgium)	18.939	18.94	25.189
IND. AER. E MECC. R. PIAGGIO SPA (AMM.STR.)	Genoa	30.982		30.982
SAITECH SPA (IN FALL.)	Passignano sul Trasimeno (Perugia)		40	40
SELEX SISTEMI INTEGRATI DO BRASIL LTDA	Rio De Janeiro (Brazil)		99.9998	99.9998
SEL PROC SCRL	Rome		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN FALL.)	San Giorgio Jonico (Taranto)		50.614	50.614

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

- on 3 April 2009, DRS C3 & Aviation Company and DRS RSTA Inc were formed and are consolidated on a line-by-line basis;
- on 21 April 2009, Mars Srl was merged with TeleSpazio SpA with accounting effect beginning 1 January 2009;
- on 29 April 2009, Alenia Aeronautica, through its subsidiary World's Wing SA, purchased roughly 25% of the share capital of Sukhoi Aircraft, which is consolidated using the equity method;
- on 12 June 2009, Vega Services Ltd was deconsolidated following its removal from the Company Register;
- on 12 June 2009, Vega Space Ltd was deconsolidated following its removal from the Company Register;
- on 17 June 2009, Orangee Srl, formed on 28 May 2009, began to be consolidated on a line-by-line basis;
- on 22 June 2009, Ansaldo Ricerche SpA was merged with Ansaldo Energia SpA;
- on 9 July 2009, Fata Group SpA (in liquidation) was merged with SO.GE.PA. SpA with accounting effect beginning 1 January 2009;
- on 31 August 2009, DRS Environmental Systems Inc was formed and is consolidated on a line-by-line basis;
- on 1 September 2009, Rotorsim Srl was formed and is consolidated on a proportionate basis**;**
- on 10 September 2009, DRS Soneticom Inc was formed and is consolidated on a line-by-line basis;
- on 1 October 2009, Ansaldo Signal NV was merged with Ansaldo STS SpA;
- on 7 October 2009, Ansaldobreda France SAS was formed and is consolidated on a line-by-line basis;
- on 19 October 2009, Meccanica Reinsurance SA was formed and is consolidated on a line-by-line basis;
- on 21 December 2009, Global Aeronautica LLC was deconsolidated upon sale to third parties;

- on 28 December 2009, SELEX Sensors and Airborne Systems SpA was deconsolidated following its removal from the Company Register;
- Quadrics Ltd (in liquidation), consolidated until March 2009 on a line-by-line basis and through the 2009 financial statements on an equity basis, was deconsolidated starting from 1 January 2010;
- on 1 January 2010, Alenia Composite SpA and Alenia Aeronavali SpA were merged with Alenia Aeronautica SpA;
- on 1 January 2010, DRS Intelligence & Avionic Solutions Inc and DRS Codem Systems Inc were merged with DRS Icas LLC;
- on 1 January 2010, DRS C3&A Intermediary LLC and DRS Data & Imaging Systems Inc were merged with DRS C3 & Aviation Company;
- on 1 January 2010, CISDEG was transformed from a consortium into a joint-stock company and is consolidated using the equity method;
- on 29 January 2010, the Wytwornia Sprzetu Komunikacyjnego ”PZL - SWIDNIK” Spolka Akcyjna group (PZL - SWIDNIK) was acquired and is consolidated on a line-by-line basis;
- on 5 March 2010, Lasertel Inc was purchased and is consolidated on a line-by-line basis;
- on 15 March 2010, SELEX Galileo Saudi Arabia Company Ltd was formed and is consolidated using the equity method.

The following companies were placed in liquidation during the first quarter of 2010:

- Ote Mobile Technologies Ltd;
- Davies Industrial Communications Ltd;
- SELEX Communications Secure Systems Ltd;
- SELEX Communications (International) Ltd.

The following companies changed their names during the first quarter of 2010:

- SELEX Sistemi Integrati Inc became SELEX Systems Integration Inc;
- Galileo Avionica SpA became SELEX Galileo SpA;
- SELEX Sensors and Airborne Systems Ltd became SELEX Galileo Ltd;

- SELEX Sensors and Airborne Systems Infrared Ltd became SELEX Galileo Infrared Ltd;
- SELEX Sensors and Airborne Systems Electro Optics (Overseas) Ltd became SELEX Galileo Electro Optics (Overseas) Ltd;
- SELEX Sensors and Airborne Systems (Projects) Ltd became SELEX Galileo (Projects) Ltd.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first three months of 2010 were again marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 31 March 2010 and the average exchange rates for the period showed, for the main currencies, these changes from 2009: final exchange rates for the period (euro/US dollar -6.43% and euro/sterling pound +0.19%); average exchange rates for the period (euro/US dollar +6.29% and euro/sterling pound -2.36%).

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

	At 31 March 2010		At 31 December 2009	At 31 March 2009	
	average exchange rate for the period	final exchange rate for the period	final exchange rate for the year	average exchange rate for the period	final exchange rate for the period
US dollar	1.38430	1.34790	1.44060	1.30244	1.33080
Pound sterling	0.88687	0.88980	0.88810	0.90826	0.93080

8. SEGMENT INFORMATION

In accordance with the compliance model followed, Management has adopted operating segments that correspond to the business sectors in which the Group operates: Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy, Transportation and Other Activities.
For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the report on operations.

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

The results for each segment at 31 March 2010, as compared with those of the same period of the previous year, are as follows:

	Helico-pters	**Defence and Security Electro-nics**	**Aeronau tics**	**Space**	**Defence Systems**	**Energy**	**Tran-sporta-tion**	**Other activities**	**Elimi-nations**	**Total**
For the three months ended 31 March 2010										
Revenues	837	1,452	592	194	231	337	445	58	(107)	**4,039**
of which from other segments	*23*	*144*	*146*	*6*	*27*		*19*	*14*	*(107)*	***272***
Adjusted EBITA	75	107	34		14	31	20	(30)		**251**
Investments	31	45	75	9	7	9	4	1		**181**

	Helico-pters	**Defence and Security Electro-nics**	**Aeronau tics**	**Space**	**Defence Systems**	**Energy**	**Tran-sporta-tion**	**Other activities**	**Elimi-nations**	**Total**
For the three months ended 31 March 2009										
Revenues	756	1,427	553	191	232	333	427	80	(88)	**3,911**
of which from other segments	*5*	*118*	*116*	*5*	*37*	*1*	*22*	*11*	*(88)*	***227***
Adjusted EBITA	74	110	22	(1)	11	31	29	(34)		**242**
Investments	40	50	106	12	12	11	7	1		**239**

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

	Helicopters	**Defence and Security Electro-nics**	**Aero-nautics**	**Space**	**Defence Systems**	**Energy**	**Transportation**	**Other Activities**	**Eliminations**	**Total**
31 March 2010										
Fixed assets	2,320	5,716	2,034	498	596	192	296	272	-	**11,924**

	Helicopters	**Defence and Security Electro-nics**	**Aero-nautics**	**Space**	**Defence Systems**	**Energy**	**Transpor-tation**	**Other Activities**	**Eliminations**	**Total**
31 Dec. 2009										
Fixed assets	2,182	5,455	2,004	496	595	189	296	275	-	**11,492**

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

	Helicop-ters	**Defence and Security Electro-nics**	**Aeronau-tics**	**Space**	**Defence Systems**	**Energy**	**Transpor-tation**	**Other Activities**	**Total**
For the three months ended 31 March 2010									
Adjusted EBITA	**75**	**107**	**34**		**14**	**31**	**20**	**(30)**	**251**
Impairment									
Amortisation of intangible assets acquired through a business combination	2	18			1				**21**
Restructuring costs		1		1					**2**
EBIT	**73**	**88**	**34**	**(1)**	**13**	**31**	**20**	**(30)**	**228**

	Helicopters	**Defence and Security Electro-nics**	**Aeronau-tics**	**Space**	**Defence Systems**	**Energy**	**Transpor-tation**	**Other Activities**	**Total**
For the three months ended 31 March 2009									
Adjusted EBITA	**74**	**110**	**22**	**(1)**	**11**	**31**	**29**	**(34)**	**242**
Impairment									
Amortisation of intangible assets acquired through a business combination	2	20			1				**23**
Restructuring costs		1					2		**3**
EBIT	**72**	**89**	**22**	**(1)**	**10**	**31**	**27**	**(34)**	**216**

9. INTANGIBLE ASSETS

Below is a breakdown of intangible assets:

	31 Mar 2010	*31 Dec 2009*
Goodwill	6,109	5,821
Development costs	639	624
Non-recurring costs	579	545
Concession of licences and trademarks	115	119
Acquired through business combinations	989	975
Other	290	283
Total intangible assets	**8,721**	**8,367**

In particular, the most significant changes were as follows:

- net increase in goodwill (€mil. 288), mainly due to the business combinations in Note 11 and to the positive translation differences on goodwill arising on assets denominated in pounds sterling and US dollar;
- amortisation of €mil. 55 (€mil. 63 at 31 March 2009) (Note 25);
- investments in the overall amount of €mil. 78 (€mil. 107 at 31 March 2009), broken down as follows:

	For the three months ended 31 March	
	2010	*2009*
Development costs	22	43
Non-recurring costs	40	50
Concession of licences and trademarks	1	3
Other	15	11
Total intangible assets	**78**	**107**

Purchase commitments of intangible assets are recorded in the amount of €mil. 25 (€mil. 23 at 31 December 2009).

10. PROPERTY, PLANT AND EQUIPMENT

Below is a breakdown of property, plant and equipment:

	31 Mar 2010	*31 Dec 2009*
Land and buildings	1,195	1,174
Plant and machinery	671	666
Equipment	642	657
Other	695	628
Total property, plant and equipment	**3,203**	**3,125**

In particular, the most significant changes were as follows:

- depreciation of €mil. 98 (€mil. 88 at 31 March 2009);
- the inclusion of the Polish group PZL - SWIDNIK in the scope of consolidation in the amount of €mil. 67;
- investments in the overall amount of €mil. 103 (€mil. 132 at 31 March 2009), broken down as follows:

	For the three months ended 31 March	
	2010	*2009*
Land and buildings	3	4
Plant and machinery	8	9
Equipment	13	17
Other	79	102
Total property, plant and equipment	**103**	**132**

Property, plant and equipment includes €mil. 56 (€mil. 58 at 31 December 2009) of assets held under contracts that can be qualified as finance leases, and "other assets" includes €mil. 87 (€mil. 98 at 31 December 2009) for aircraft owned by the GIE ATR group as well as for those that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, to recognise the sale, despite the fact that sales contracts have been concluded with external customers, and €mil. 41 (€mil. 25 at 31 December 2009) of aircraft owned by the AgustaWestland group.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 94 (€mil. 130 at 31 December 2009).

11. BUSINESS COMBINATIONS

During the period, AgustaWestland formalised the purchase of the PZL - SWIDNIK group, now owned with an interest of 93.87% (the Group owned 6.2% at 31 December 2009), with a net cash outlay of €mil. 79 (€mil. 81 including the transaction costs charged to the separate income statement) and the assumption of borrowings of €mil.38. SELEX Galileo Ltd also acquired 100% of the US company Lasertel Inc. The overall effect on the balance sheet and the cash flow statement was as follows:

€ millions	***Temporary Fair Values***		
	PZL - SWIDNIK	***Lasertel***	***Cash-flow***
Cash and cash equivalents	5		
Net working capital	29	3	
Property, plant and equipment and intangible assets	51	3	
Deferred tax assets, net	7		
Borrowings	(38)		
Other non-current liabilities	(30)		
Minority interests	(2)		
Net assets acquired	*22*	*6*	
Group	21	6	
Price paid	84	6	90
Price paid for the share acquired in 2009	5		
Cash acquired			(5)
Transaction costs			2
Total cost of the acquisition	89	6	87
Goodwill deriving from acquisition	68	-	

To that end, it must be noted that the process for the identification of the fair values of the assets and liabilities acquired is not complete yet, as permitted under IFRS3; therefore, the fair values of the individual assets and liabilities and the residual value now assigned to goodwill might be different at the end of the allocation process.

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

€ millions	*2010*		*2009*	
	Goodwill	Cash effect	Goodwill	Cash effect
Acquisition of PZL-SWIDNIK	68	81	-	-
Other acquisitions	-	6	-	-
Total	**68**	**87**	**-**	**-**

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 Mar 2010	*31 Dec 2009*
Third-party financing	58	69
Security deposits	24	26
Receivables for finance leases	2	3
Deferred receivables under Law 808/85	62	62
Net assets of defined-benefit retirement plans (Note 19)	3	11
Financial receivables from related parties (Note 22)	12	12
Other	31	29
Non-current receivables	**192**	**212**
Deferred expenses	8	4
Equity investments	341	343
Non-recurring costs awaiting interventions under Law 808/1985	277	232
Non-current assets	**626**	**579**
Total receivables and other non-current assets	**818**	**791**

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

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

Equity investments fell due to the consolidation of “PZL - SWIDNIK” (a negative €mil.7) - previously included in equity investments valued at cost - and were only partially offset by the positive translation differences of the companies denominated in foreign currency (€mil. 3) and by the results of the companies valued at equity (€mil. 2).

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	31 Mar 2010	***31 Dec 2009***
Receivables	4,437	4,433
Impairment	(193)	(188)
Receivables from related parties (Note 22)	535	523
	4,779	4,768
Work in progress (gross)	9,200	8,499
Advances from customers	(4,945)	(4,786)
Work in progress (net)	4,255	3,713
Total trade receivables and net contract work in progress	**9,034**	**8,481**

Trade receivables from related parties refer specifically to the non-eliminated portion of receivables from joint ventures and associated companies, lead companies or consortiums of major programmes in which the Group participates. The most important of these relate to the Eurofighter (EFA programme) totalling €mil. 112 (€mil. 81 at 31 December 2009) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Saturno consortium amounting to €mil. 24 (€mil. 67 at 31 December 2009) for work on high-speed train lines; receivables from the Iveco/Oto Melara consortium amounting to €mil.53 (€mil. 55 at 31 December 2009) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on VBM Freccia and PZH2000 self-propelled vehicle for the Italian Army); receivables from Metro 5 amounting to €mil. 17 (€mil. 34 at 31 December 2009) for the designing, construction and operation of the new line 5 of the Milan metro; receivables from Orizzonte-Sistemi Navali amounting to €mil. 15 (€mil. 21 at 31 December 2009) relating to the FREMM programme and from NH Industries amounting to €mil. 46 (€mil. 18 at 31 December 2009) for transactions for the final sale of the NH90 helicopter.

14. DERIVATIVES

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

	31 Mar 2010		***31 Dec 2009***	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	58	130	86	64
Forex options	1	27	-	5
Embedded derivatives	58	-	58	-
Interest rate swaps	67	7	42	19
Options on STM	-	-	-	-
Other equity derivatives	7	7	7	-
	191	**171**	**193**	**88**

The change in the fair value of forward instruments is mainly due to the volatility of the US dollar against the euro: the exchange rate went from 1.4406 at 31 December 2009 to 1.3479 at 31 March 2010.

The interest rate swaps with a total notional value of €mil. 1,650 were placed into effect to hedge bonds issued for a total of €mil. 4,507. The change in the fair value was mainly affected by the current favourable spreads between long-term fixed rates and short-term floating rates.

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

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

15. OTHER CURRENT ASSETS

		31 Mar 2010		*31 Dec 2009*
Income tax receivables		147		142
Assets available for sale		11		11
Other current assets:		691		606
Accrued income - current portion	*102*		*104*	
Receivables for contributions	*70*		*69*	
Receivables from employees and social security	*40*		*32*	
Indirect tax receivables	*244*		*198*	
Deferred receivables under Law 808/85	*35*		*35*	
Equity investments	*1*		*1*	
Other receivables from related parties (Note 22)	*36*		*9*	
Other assets	*163*		*158*	
Total other current assets		**849**		**759**

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

Other assets include, among others, insurance payment receivables of €mil. 6 (€mil. 20 at 31 December 2009), of which €mil. 4 relates to the earthquake in L'Aquila (€mil. 18 at 31 December 2009), and sundry advances in the amount of €mil. 14 (€mil. 13 at 31 December 2009), receivables for disputes for €mil. 6 (€mil. 6 at 31 December 2009) and receivables from the Camozzi group in the amount of €mil. 2 (€mil. 2 at 31 December 2009).

16. SHAREHOLDERS' EQUITY

	Number of ordinary shares	Par value €mil.	Treasury shares €mil.	Costs incurred net of tax effect €mil.	Total €mil.
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(1,144,077)	-	(13)	-	(13)
31 December 2009	577,006,318	2,544	(13)	(19)	2,512
Repurchase of treasury shares, less shares sold	-		-		-
31 March 2010	577,006,318	2,544	(13)	(19)	2,512
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(1,144,077)	-	(13)	-	(13)
	577,006,318	2,544	(13)	(19)	2,512

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

At 31 March 2010, the Ministry for Economy and Finance held 30.204%, Capital Research and Management Co. held 4.879% and BlackRock Investment Management (UK) Limited held 2.246% of the shares.

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

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

	Group			*Minority interests*		
	Amount before taxes	Tax effect	Amount net of tax effect	Amount before taxes	Tax effect	Amount net of tax effect
Available-for-sale financial assets	-	-	-	-	-	-
Actuarial gains (losses) on defined-benefit plans	(23)	5	(18)	-	-	-
Changes in cash-flow hedges	(94)	27	(67)	2	(1)	1
Exchange gains/losses	206	-	206	6	-	6
Total	**89**	**32**	**121**	**8**	**(1)**	**7**

17. BORROWINGS

	31 Mar 2010	***31 Dec 2009***
Bonds	4,507	4,476
Bank borrowings	282	913
Finance leases	4	4
Borrowings from related parties (Note 22)	660	679
Other borrowings	340	436
Total borrowings	**5,793**	**6,508**
Of which:		
Current	1,737	1,904
Non-current	4,056	4,604

The increase in bonds is essentially related to the net effect deriving from the worsening of the exchange rate euro/US dollar applying at the end of the period and the decrease in the value of bonds due to the repurchase on the market of €mil. 51 of exchangeable bonds in STM shares on the issue of €mil. 501 in August 2003 expiring in August 2010.

The decrease in bank borrowings essentially relates to the reimbursement of the last tranche (tranche C) of the Senior Term Loan Facility, as described in the "Financial transactions" section.

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

Borrowings from related parties of €mil. 660 (€mil. 679 at 31 December 2009) include the amount of €mil. 637 (€mil. 646 at 31 December 2009) of the Group companies from MBDA and Thales Alenia Space joint ventures, for the unconsolidated portion, and payables of €mil. 15 (€mil. 23 at 31 December 2009) to Eurofighter, held by Alenia Aeronautica (21%), which, due to the new cash pooling agreement, distributed the cash surplus available from time to time.

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

€ millions	***31 Mar 2010***	***31 Dec 2009***
Cash and cash equivalents	(636)	(2,630)
Securities held for trading	(11)	(11)
LIQUIDITY	**(647)**	**(2,641)**
CURRENT FINANCIAL RECEIVABLES	**(767)**	**(797)**
Current bank payables	143	200
Current portion of non-current borrowings	718	714
Other current borrowings	876	990
CURRENT NET FINANCIAL DEBT	**1,737**	**1,904**
CURRENT NET FINANCIAL DEBT (CASH)	**323**	**(1,534)**
Non-current bank payables	139	713
Bonds issued	3,790	3,763
Other non-current payables	127	128
NON-CURRENT NET FINANCIAL DEBT	**4,056**	**4,604**
NET FINANCIAL DEBT	**4,379**	**3,070**

18. PROVISIONS FOR RISKS AND CHARGES

	31 March 2010		*31 December 2009*	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	24	34	24	34
Restructuring	12	12	12	15
Penalties	65	19	62	20
Product guarantees	117	124	106	117
Other	172	408	160	409
	390	**597**	**364**	**595**

Other provisions for risks and charges came to a total of €mil. 580 (€mil. 569 at 31 December 2009) and specifically include:

- the provision for risks on the business of GIE ATR in the amount of €mil. 68 (unchanged from 31 December 2009);

- the provision for risks and contractual charges in the amount of €mil. 80 (€mil. 84 at 31 December 2009) related, in particular, to business in the Defence and Security Electronics, Space, Defence Systems and Other Activities divisions;

- the provision for losses related to shares of €mil. 16 (€mil. 15 at 31 December 2009) includes accruals to cover losses exceeding the carrying amounts of unconsolidated investees accounted for using the equity method;

- the provision for taxes in the amount of €mil. 74 (€mil. 72 at 31 December 2009);

- the provision for litigation with employees and former employees in the amount of €mil. 31 (€mil. 30 at 31 December 2009);

- the provision for pending litigation in the amount of €mil. 123 (€mil. 96 at 31 December 2009);

- the provisions for risk on contract-related losses in the amount of €mil. 39 (€mil.36 at 31 December 2009);

- other provisions in the amount of €mil. 149 (€mil. 168 at 31 December 2009).

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

Of course, in application of related accounting standards, provisions have been made for obligations related to probable and quantifiable risks. Likewise, to the best of our knowledge, regarding other disputes against the Group, no specific allocation has been made since the Group reasonably believes that such disputes may be resolved satisfactorily and without any significant impact on the results.
The situations below, in which there have been changes since the preparation of the 2009 annual financial statements (which should be consulted for further information), are mentioned here for the purposes of full disclosure:

Of particular note:

- the dispute initiated by Telespazio SpA against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2000, which contained a demand for a total of about €mil. 30 consisting of additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2001 in which the Tax Authority challenged the deductibility of the loss regarding receivables from a foreign company taken by Telespazio SpA within the context of a non-recourse sale carried out following many fruitless attempts to recover these receivables. Specifically, the Tax Authority, deeming the actions undertaken by the Company to forcibly collect the receivables and therefore the evidence of the foreign debtor's solvency or lack thereof to be insufficient, found that the requirements of certainty and precision under the law were not met to allow the loss to be fully deducted, regardless of the fact that the loss was conclusively realised by Telespazio SpA within the context of the non-recourse sale of the receivables arguing that sale per se guarantees certainty only of the legal loss of the receivable but not the financial loss. The court of first instance upheld the company's appeal with ruling filed on 25 September 2008. The ruling was appealed by the Tax Authority, an appeal the regional Tax Commission denied on 30 March 2010. The deadline for appeal of the Tax Authority's decision to the Supreme Court has not yet expired;

- in January 2009, Pont Ventoux Scrl initiated an arbitration with the joint venture formed by Ansaldo Energia, as representative (31%), Alstom Power Italia SpA (17%) and Voith Siemens Hydro Power Generation SpA (52%) concerning a contract worth €mil. 15 to supply two electric generators as part of the project to build a hydroelectric plant in Val di Susa (Italy). The plaintiff is seeking payment for alleged damages, both direct and consequential, and harm to its image, totalling about €mil. 90. It asserts that the serious fault renders the clause that limits the liability of the joint venture to the contract amount inapplicable. Ansaldo Energia maintains that it supplied the products required and that it carried out its responsibilities as representative with the greatest diligence, underlining that it has nothing to do with the objections raised by Pont Ventoux regarding delays and non-performance of the contract. Following the hearing to argue the matter held on 2 February 2010, a further hearing was scheduled for 12 May 2010;

- In December 2007, EADS ATR initiated arbitration proceedings with the International Chamber of Commerce of Paris (Lausanne branch) to challenge an alleged breach by Alenia Aeronautica in relation with an agreement signed in May 2001 for the transfer to GIE ATR (in which EADS ATR and Alenia own a 50% stake) of ATR 42 and ATR 72 aircraft components made by Alenia Aeronautica and EADS ATR. The plaintiff claims that Alenia Aeronautica had withdrawn itself from the contractual obligation of renegotiating the prices established in that contract. These prices have not been valid since 2003 and the plaintiff demands that the company be sentenced to pay US$ mil. 32, plus interest as compensation for the damages resulting from that breach. EADS ATR also demands that the arbitration panel determine a new price for the transfer to GIE ATR of the components made by the parties based on their actual industrial costs. In its appeal, Alenia Aeronautica challenged the plaintiff's claim and filed counterclaims. On 29 September 2008, EADS ATR served on Alenia Aeronautica a brief increasing the amount of damages from US$mil. 32 to US$mil. 55. On 20 October 2009, the arbitration panel rendered its partial award rejecting EADS ATR's claims and partially upholding Alenia Aeronautica's claims (Alenia quantified its counterclaim in the amount of US$mil. 2). On 20 November 2009 the counterparty challenged this award before the Federal Court of Lausanne which, on 18 March 2010, denied EADS ATR's appeal. Having assessed the situation, the company decided to continue the arbitration solely as to the issue of legal costs.

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

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

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

19. EMPLOYEE LIABILITIES

	31 Mar 2010			*31 Dec 2009*		
	Liabilities	***Assets***	***Net***	***Liabilities***	***Assets***	***Net***
Severance obligations	627		627	640		640
Defined-benefit plans	389	3	386	382	11	371
Share of MBDA joint-venture pension obligation	87		87	88		88
Other employee funds	20		20	26		26
	1,123	**3**	**1,120**	**1,136**	**11**	**1,125**

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

	31 Mar 2010	*31 Dec 2009*	*31 Dec 2008*	*31 Dec 2007*	*31 Dec 2006*
Present value of obligations	1,466	1,409	1,055	1,038	1,126
Fair value of plan assets	(1,080)	(1,038)	(846)	(886)	(796)
Plan excess (deficit)	(386)	(371)	(209)	(152)	(330)
of which related to:					
- net liabilities	(389)	(382)	(248)	(152)	(330)
- net assets	3	11	39	-	-

The total net deficit mainly relates to plans for which the Group is a sponsor in the United Kingdom (€mil. 205) and in the USA (€mil. 78).

The increase in net deficit is due, among other things, to €mil. 5 of the provision of the PZL - SWIDNIK group, following its acquisition.

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

	For the three months ended 31 March	
	2010	*2009*
Costs of current services	13	11
Total "personnel costs"	13	11
Interest expense	25	23
Expected return on plan assets	(17)	(14)
Costs booked as "finance costs"	8	9
	21	**20**

20. OTHER LIABILITIES

	Non-current		Current	
	31 Mar 2010	*31 Dec 2009*	*31 Mar 2010*	*31 Dec 2009*
Employee obligations	54	59	513	468
Deferred income	36	25	71	82
Social security payable	5	5	287	302
Payable to MED Law 808/85	267	267	36	36
Payable to MED for monopoly rights Law 808/85	80	77	35	35
Other liabilities Law 808/85	115	113	-	-
Indirect tax payables	-	-	149	182
Other payables to related parties (Note 22)	-	-	13	13
Other payables	95	105	482	462
	652	**651**	**1,586**	**1,580**

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

Other liabilities Law 808/85 includes the difference between the subsidies received or to be received pursuant to Law 808/85, relating to programmes qualifying as programmes "of European interest", with regard to the share of the subsidised costs classified among non-recurring costs, as well as the differential between the monopoly rights charged for the programmes of national security and the effective payable accrued based on the established reimbursement ratio.

Other payables include:

- the payable to Bell Helicopters of €mil. 67 included among non-current liabilities (€mil. 78 at 31 December 2009), of which €mil. 49 carried as a non-current liability (€mil. 64 at 31 December 2009), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW139, previously owned by Bell Helicopters;

- the payable to EADS NV due from GIE ATR (50/50 consortium owned by Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 32 (€mil. 6 at 31 December 2009);
- the payable for customer deposits in the amount of €mil. 33 (€mil. 28 at 31 December 2009);
- the payable for contractual penalties in the amount of €mil. 15 (€mil. 15 at 31 December 2009);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 8 (€mil. 8 at 31 December 2009);
- commissions due in the amount of €mil. 28 (€mil. 24 at 31 December 2009);
- royalties due in the amount of €mil. 24 (€mil. 28 at 31 December 2009);
- payables for insurance in the amount of €mil. 2 (€mil. 16 at 31 December 2009).

21. TRADE PAYABLES, INCLUDING NET ADVANCES FROM CUSTOMERS

	31 Mar 2010	*31 Dec 2009*
Trade payables	4,350	4,512
Trade payables to related parties (Note 22)	91	99
	4,441	4,611
Advances from customers (gross)	16,529	16,929
Work in progress	(8,849)	(9,140)
Advances from customers (net)	7,680	7,789
Total trade payables	**12,121**	**12,400**

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

22. TRANSACTIONS WITH RELATED PARTIES

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

(millions of euros) ***RECEIVABLES AT 31 MARCH 2010***	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Cisdeg S.p.A				8		8
Alifana Due Scarl				6		6
Finmeccanica North America Inc.			5			5
Other companies with unit amount lower than €mil. 5			8	1	1	10
Associates						
Eurofighter Jagdflugzeug GmbH				112		112
Iveco - Oto Melara Scarl				53		53
NH Industries Sarl				46		46
Metro 5 SpA				17		17
Orizzonte - Sistemi Navali SpA				15		15
Abruzzo Engineering Scpa				17		17
Euromids SAS				9		9
Joint Stock Company Sukhoi Aircraft				6		6
Eurosisnav SAS				6		6
Macchi Hurel Dubois SAS				5		5
Other companies with unit amount lower than €mil. 5	2		1	25		28
Joint ventures (*)						
MBDA SAS				82		82
Thales Alenia Space SAS	5		6	27		38
GIE ATR				22	32	54
Telespazio SpA			27	1		28
Rotorsim Srl			10	1		11
Aviation Training International Ltd.	5		1			6
Superjet International SpA				5		5
Other companies with unit amount lower than €mil. 5					1	1
Consortiums (**)						
Saturno				24	1	25
Ferroviario Vesuviano				13		13
Trevi - Treno Veloce Italiano				12		12
C.I.S. DEG						
S3Log				6		6
Other consortiums with unit amount lower than €mil. 5			2	16	1	19
Total	**12**	**-**	**60**	**535**	**36**	**643**
% incidence on the total for the period	***16,6***		***7,8***	***11,2***	***0,2***	

(millions of euros) ***PAYABLES AT 31 MARCH 2010***	**Non-current borrowings**	**Other non-current payables**	**Current borrowingss**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Other companies with unit amount lower than €mil. 5			1	15		16	
Associates							
Eurofighter Jagdflugzeug Gmbh			15	4		19	
Consorzio Start SpA				26		26	
Iveco Oto Melara Scarl					5	5	
Eurosysnav SAS							
Other companies with unit amount lower than €mil. 5			5	12		17	
Joint ventures (*)							
MBDA SAS			574	9	1	584	116
Thales Alenia Space SAS			63	10		73	1
Telespazio SpA							164
Other companies with unit amount lower than €mil. 5			2	6	7	15	
Consortiums (**)							
Other consortiums with unit amount lower than €mil. 5				9		9	
Total	**-**	**-**	**660**	**91**	**13**	**764**	**281**
% incidence on the total for the period			***37,5***	***2,0***	***0,9***		

(*) Amounts refer to the portion not eliminated for proportionate consolidation
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control

(millions of euros) ***RECEIVABLES AT 31 DECEMBER 2009***	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Other companies with unit amount lower than €mil. 5			11	6	1	18
Associates						
Eurofighter Jagdflugzeug GmbH				81		81
Iveco - Oto Melara Scarl				55		55
Metro 5 SpA				34		34
Orizzonte - Sistemi Navali SpA				21		21
NH Industries Sarl				18		18
Abruzzo Engineering Scpa				17		17
Euromids SAS				7		7
Joint Stock Company Sukhoi Aircraft				6		6
Eurosysnav SAS				5		5
Other companies with unit amount lower than €mil. 5	2		1	24		27
Joint ventures (*)						
MBDA SAS				75		75
Thales Alenia Space SAS	5		5	32		42
GIE ATR				11	6	17
Rotorsim Srl			10	1		11
Aviation Training International Ltd	5					5
Other companies with unit amount lower than €mil. 5			6	8		14
Consortiums (**)						
Saturno				67	2	69
Ferroviario Vesuviano				14		14
Trevi - Treno Veloce Italiano				12		12
C.I.S. DEG				10		10
S3Log				5		5
Other consortiums with unit amount lower than €mil. 5			1	14		15
Total	**12**	**-**	**34**	**523**	**9**	**578**
% incidence on the total for the year	***14,3***		***4,3***	***11,0***	***0,1***	

(millions of euros) *PAYABLES AT 31 DECEMBER 2009*	**Non-current borrowings**	**Other non-current payables**	**Current borrowingss**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Other companies with unit amount lower than €mil. 5			1	18		19	
Associates							
Eurofighter Jagdflugzeug Gmbh			23	3		26	
Consorzio Start SpA				22		22	
Eurosysnav SAS			6			6	
Other companies with unit amount lower than €mil. 5			1	12	5	18	
Joint ventures. (*)							
MBDA SAS			601	9	1	611	116
Thales Alenia Space SAS			45	16		61	1
Telespazio SpA				2	2	4	164
Other companies with unit amount lower than €mil. 5			2	5	5	12	
Consortiums *(**)*							
Other consortiums with unit amount lower than €mil. 5				12		12	
Total	**-**	**-**	**679**	**99**	**13**	**791**	**281**
% incidence on the total for the year	***-***	***-***	***35,6***	***2,1***	***0,9***		

(*) Amounts refer to the portion not eliminated for proportionate consolidation
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control

For the three months ended 31 March 2010 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Other companies with unit amount lower than €mil. 5	3		5			
Associates						
Eurofighter Jagdflugzeug Gmbh	132					
NH Industries Sarl	26					
Orizzonte Sistemi Navali SpA	19					
Iveco - Oto Melara Scarl.	16					1
Eurofighter Simulation Sistems GmbH	5					
Other companies with unit amount lower than €mil. 5	13		7			
Joint ventures (*)						
GIE ATR	16					1
MBDA SAS	21					
Thales Alenia Space SAS	6					
Other companies with unit amount lower than €mil. 5	1	1	3			
Consortiums (**)						
Saturno	11		1			
Other consortiums with unit amount lower than €mil. 5	3		1			
Total	**272**	**1**	**17**			**2**
% incidence on the total for the period	***6,7***	***0,8***	***0,1***			***0,7***

For the three months ended 31 March 2009 *(millions of euros)*	Revenue	Other operating income	Costs	Other operating expenses	Finance income	Finance costs
Subsidiaries						
Other companies with unit amount lower than €mil. 5	2		6			
Associates						
Eurofighter International Limited	78					
Iveco Fiat/Oro Melara Scarl	30					
Orizzonte Sistemi Navali SpA	8					
Other companies with unit amount lower than €mil. 5	29		9			1
Joint ventures/(*)						
GIE ATR	32					
MBDA SAS	21					
Thales Alenia Space SAS	6					
Other companies with unit amount lower than €mil. 5	2		1			3
Consortiums (**)						
Saturno	16					
Other consortiums with unit amount lower than €mil. 5	3		1			
Total	**227**	**-**	**17**		**-**	**4**
% incidence on the total for the period	***5.8***		***0.7***			***1.0***

(*) Amounts refer to the portion not eliminated for proportionate consolidation
(**) Consortiums over which the Group exercises considerable influence or which are subject to joint control

23. OTHER OPERATING INCOME (EXPENSES)

These regard:

	For the three months ended 31 March					
	2010			***2009***		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Grants for research and development	23	-	23	8	-	8
Exchange rate difference on operating items	65	(59)	6	60	(64)	(4)
Indirect taxes	-	(11)	(11)	-	(7)	(7)
Gains/losses on sales of assets	-	-	-	1	-	1
Insurance reimbursements	3	-	3	2	-	2
Reversal of impairment of receivables	3	-	3	5	-	5
Gains/losses on operating receivables	-	-	-	-	-	-
Restructuring costs	-	-	-	-	-	-
Reversals of/Accruals to provisions	21	(44)	(23)	15	(23)	(8)
Other operating income (expenses)	12	(20)	(8)	6	(21)	(15)
Other operating income (expenses) attributable to related parties	1	-	1	-	-	-
Total	**128**	**(134)**	**(6)**	**97**	**(115)**	**(18)**

The most significant changes in “Reversals of/Accruals to provisions” compared with the same period of 2009 relate to the provision for product guarantees, the provision for risks and contractual charges and other provisions.

24. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

In particular, these include:

	For the three months ended 31 March			
	2010		***2009***	
Raw materials and consumables used		1,361		1,369
Purchase of services		1,232		1,243
Costs to related parties (Note 30)		17		17
Personnel costs		1,194		1,143
Wages, salaries and contributions	*1,083*		*1,054*	
Cost of stock grant plans	*12*		*6*	
Costs related to defined-benefit plans	*13*		*11*	
Costs related to defined-contribution plans	*35*		*33*	
Restructuring costs	*2*		*3*	
Other personnel costs	*49*		*36*	
Changes in inventories of work in progress, finished and semi-finished products		(49)		(128)
Work performed by the Group and capitalised		(106)		(129)
Total raw materials and consumables used and personnel costs		**3,649**		**3,515**

Regarding personnel, average workforce went from 72,512 in the first three months of 2009 to 76,082 in the same period of the current period, with a very significant net increase in the foreign component of the Group, essentially due to the acquisition of the Polish group PZL-SWISNIK in January 2010.

Workforce at 31 March 2010 came to 76,907 from 73,056 at 31 December 2009, resulting from a positive net change in the scope of consolidation, offset by a general slight decrease by segments due to turnover, in particular in the Defence and Security Electronics segment.

Personnel costs of €mil. 1,194 in the first three months of 2010 as compared with €mil. 1,143 in the same period of 2009, with a change of €mil. 51, essentially reflects the increase in average workforce.

Cost of stock grant plans relates to the third tranche of the stock-grant plan 2008-2010. Restructuring costs include the costs of company reorganisations which affected in particular the Defence and Security Electronics and the Space divisions.

Purchase of services include, among other things, costs for acquisition of satellite capacity of the Telespazio joint venture, which are more than offset by revenue from sales (€mil. 17 from €mil. 15 at 31 March 2009), costs for airplane leases of GIE ATR (€mil. 2, unchanged from 31 March 2009) and costs of rents, operating leases and hires (€mil. 52 from €mil. 47 at 31 March 2009).

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	For the three months ended 31 March			
	2010		***2009***	
Depreciation and amortisation:				
• Amortisation of intangible assets (Note 9)		55		65
Development costs	*9*		*15*	
Non-recurring costs	*6*		*10*	
Acquired through a business combination	*21*		*23*	
Other	*19*		*17*	
• Depreciation of property, plant and equipment		98		88
Impairment:				
• non-current assets and investment properties		-		-
• goodwill		-		-
• operating receivables		3		9
Total amortisation, depreciation and impairment		**156**		**162**

26. FINANCE INCOME AND COSTS

Below is a breakdown of finance income and costs:

	For the three months ended 31 March					
	2010			***2009***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Dividends	1	-	1	2	-	2
Gains on investments and securities	-	-	-	-	-	-
Discounting of receivables, payables and provisions	1	(2)	(1)	4	(8)	(4)
Interest	13	(87)	(74)	18	(64)	(46)
Commissions (including commissions on non-recourse items)	-	(8)	(8)	1	(5)	(4)
Fair value adjustments through profit or loss	46	(36)	10	40	(25)	15
Premiums paid/received on forwards	3	(1)	2	5	(4)	1
Exchange-rate differences	149	(135)	14	260	(247)	13
Interest cost on defined-benefit plans (less expected returns on plan assets – Note 19)	-	(8)	(8)	-	(9)	(9)
Finance income (costs) - related parties (Note 22)	-	(2)	(2)	-	(4)	(4)
Other finance income and (costs)	3		3	1	(4)	(3)
	216	**(279)**	**(63)**	**331**	**(370)**	**(39)**

During the period the Group reported a significant increase in finance costs as compared with the first three months of 2009, mainly due to the costs for the existing bonds.

This is broken down as follows:

- net interest costs of €mil. 74 (€mil. 46 in the same period of 2009) inclusive of the premiums collected/paid on the hedging of interest-rate risk (interest-rate swaps) for a net income of €mil. 3 (net income of €mil. 5 in the same period of 2009). In particular, the Q1 2010 figure includes €mil. 71 (€mil. 42 in the same period of 2009) of interest on bonds;
- net income arising from the application of fair value to the income statement of €mil. 10 (€mil. 15 of net income in the same period of 2009), as detailed below:

	For the three months ended 31 March					
	2010			*2009*		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Exchange rate swaps	4	(27)	(23)	2	(18)	(16)
Forex options	1	(5)	(4)	6	-	6
Interest rate swaps	39	-	39	17	(3)	14
Options on STM	-	-	-	1	-	1
Ineffective component of hedging on swaps	2	(4)	(2)	14	(4)	10
Option embedded in the exchangeable bond	-	-	-	-	-	-
	46	**(36)**	**10**	**40**	**(25)**	**15**

- net costs on swaps and forex options include the effects of trading derivative instruments or instruments which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness;
- net income from interest-rate swaps reflects the significant reduction of interest rates (6-month Euribor went from 1.67% at 31 March 2009 to 0.944% at 31 March 2010); the Group was able to benefit from the reduction on the portion of bond issues transformed into variable-rate instruments via the use of derivatives (Note 14);

- finance income, of which €mil. 1 relates to the net effect of the sale of an option mirroring the earn-out mechanism under the agreement for the sale of the stake in STM between Finmeccanica and Cassa Depositi signed at the end of 2009.

27. INCOME TAXES

The item breaks down as follows:

	For the three months ended 31 March	
	2010	***2009***
Corporate income tax (IRES)	47	50
Regional tax on productive activities (IRAP)	24	23
Benefit under consolidated tax mechanism	(15)	(18)
Other income taxes	29	13
Tax related to previous periods	(6)	(3)
Provisions for tax disputes	1	-
Deferred tax liabilities (assets) - net	(4)	4
	76	**69**

28. CASH FLOW FROM OPERATING ACTIVITIES

	For the three months ended 31 March	
Cash flow from operating activities	***2010***	***2009***
Net result	91	108
Depreciation, amortisation and impairment	156	162
Share of profit (loss) of equity accounted investments	(2)	-
Income taxes	76	69
Costs of pension and stock grant plans	27	17
Net finance costs (income)	63	39
Other non-monetary items	21	12
	432	**407**

Costs of pension and stock grant plans include the portion of costs relating to defined benefit pension plans that is recognised as a personnel cost (the portion of costs relating to interest is carried among net finance costs). They also include the cash outlays relating to the stock grant plan classified among “cost of services”.

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

	For the three months ended 31 March	
	2010	***2009***
Inventories	(135)	(332)
Contract work in progress and advances received	(658)	(567)
Trade receivables and payables	(191)	14
Changes in working capital	**(984)**	**(885)**

29. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

	For the three months ended 31 March	
Basic EPS	***2010***	***2009***
Average number of shares for the period (in thousands)	577,006	577,703
Net result (not including minority interests) (€mil.)	82	98
Result of continuing operations (not including minority interests) (€mil.)	82	98
Basic EPS	0.141	0.170
Basic EPS from continuing operations	0.141	0.170

Diluted EPS	***For the three months ended 31 March***	
	2010	***2009***
Average number of shares for the period (in thousands)	577,665	578,362
Adjusted result (not including minority interests) (€mil.)	82	98
Adjusted result of continuing operations (not including minority interests) (€mil.)	82	98
Diluted EPS	0.141	0.169
Diluted EPS from continuing operations	0.141	0.169

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

Declaration of the officer in charge of the interim financial report at 31 March 2010 pursuant to art. 154-bis, paragraph 2 of Legislative Decree 58/98, as amended

I, Alessandro Pansa, as joint General Manager for Finmeccanica SpA and the officer in charge of preparing the company's accounting documents, hereby declare, in accordance with the provisions of Article 154-*bis*, paragraph 2, of Legislative Decree 58/98, that the interim financial report for the period ended 31 March 2010 corresponds to the related accounting records, books and supporting documentation.

Rome, 29 April 2010

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