FINMECCANICA - Società per azioni

2012 SEPARATE FINANCIAL STATEMENTS

Disclaimer

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BOARDS AND COMMITTEES

BOARD OF DIRECTORS
(for the period 2011-2013)

GUIDO VENTURONI (2)
Vice Chairman (*)

ALESSANDRO PANSA
Chief Executive Operating and Chief Operating Officer (**)

CARLO BALDOCCI (1)
Director (***)

PAOLO CANTARELLA (1) (2)
Director

GIOVANNI CATANZARO (2)
Director

DARIO GALLI (1) (3)
Director

IVANHOE LO BELLO (1)
Director (°)

SILVIA MERLO (2)
Director

FRANCESCO PARLATO (1) (3)
Director

CHRISTIAN STREIFF (3)
Director

BOARD OF STATUTORY AUDITORS (i)
(for the period 2012-2014)

Regular Statutory Auditors

RICCARDO RAUL BAUER
Chairman

NICCOLÒ ABRIANI

MAURILIO FRATINO

SILVANO MONTALDO

EUGENIO PINTO

Alternate Statutory Auditors

STEFANO FIORINI

VINCENZO LIMONE

INDEPENDENT LEGAL AUDITORS
KPMG S.p.A. (ii)
(for the period 2012/2020)

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LUCIANO ACCIARI
Secretary of the Board of Directors

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

FRANCO BONFERRONI: Director and Member of the Remuneration Committee up to 21.09.2012

GIUSEPPE ORSI: Chairman and Chief Executive Officer and Member of the Strategic Committee up to 15.02.2013

(*) Appointed Vice Chairman by the Board of Director on 13.02.2013.
(**) Chief Operating Officer since 04.05.2011, Director - Chief Operating Officer since 1°.12.2011 and appointed Chief Executive Officer and Chief Operating Officer by the Board of Directors on 13.02.2013.
(***) Director without voting right appointed by Ministerial Decree on 27.04.2011, effective from the date of appointment of the Board of Directors by the Shareholders' Meeting, pursuant to Art. 5.1-*ter* letter d) of the Article of Association.
(°) Appointed Director, pursuant to Art. 2386 c.c., by the Board of Directors on 16.05.2012 and by the Shareholders'Meeting on 15.04.2013; Member of the Strategic Committee by the Board of Directors on 14.06.2012.
(1) Member of the Strategic Committee.
(2) Member of the Control and Risks Committee (formerly Internal Audit Committee).
(3) Member of the Remuneration Committee.
(i) The former Board of Statutory Auditors, whose mandate is expired with the Shareholders' Meeting as of 16.05.2012, was composed as follows: Regular Statutory Auditors - LUIGI GASPARI Chairman, GIORGIO CUMIN, MAURILIO FRATINO, SILVANO MONTALDO, ANTONIO TAMBORRINO; Alternate Statutory Auditors - MAURIZIO DATTILO, PIERO SANTONI.
(ii) The Independent Auditors' engagement entrusted to the PRICEWATERHOUSECOOPERS S.p.A. expired with the Shareholders' Meeting as of 16.05.2012.

REPORT ON OPERATIONS AT 31 DECEMBER 2012

Dear Shareholders,

before commenting on Your Company results at 31 December 2012, certain factors that have had a significant impact on the Group's performance, and, therefore on Finmeccanica, performance during the year should be explained.

At 31 December 2012, the Finmeccanica Group's (the Group) results were higher than those of the corresponding period of 2011, except for the business trend, and were in line with the 2012 budget.

Initiatives undertaken to different extents by the various group companies during 2011 enabled the Group to improve its efficiency by drawing up and rolling out in-depth and detailed plans to improve competitiveness and to reorganise each company.

These plans regarded all critical business areas, including production processes (streamlining of facilities, product/component standardisation, lean manufacturing), purchases (streamlining of suppliers and make or buy policies), engineering (lean engineering, streamlining of investments), workforce (streamlining the indirect to direct ratio), controllable costs, overheads and administrative expense (streamlining of personnel and IT systems and the corporate structure). Guidance and monitoring undertaken during the 2012 financial year by the parent confirm that the steps are being rolled out as scheduled in terms of physical progress and that the trend of financial statements figures is consistent with the quantitative targets in terms of overall benefits for 2012 as well as for 2013 (note, the objectives for 2013 equal to €mil. 440).

As early as this reporting period, the results were especially significant in the Aerospace and Defence segment, while the *vehicles* line of the Transportation business segment is encountering difficulties in pursuing the objectives of the reorganisation plan, mainly due to production issues.

At 31 December 2012, in financial and economic terms, the effects of such benefits were higher than the budget forecasts and equal to about €mil. 280.

In the light of the above, the 2012 financial year closed with a net loss of €mil. 700 (net loss of €mil. 1,376 in 2011), which was mainly attributable to the write-downs that were necessary on the investee companies operating in the Defence and Security Electronics segment and in the *vehicles* line of the Transportation segment.

For the purposes of a better understanding of the following paragraphs, note that, in consideration of the role of Finmeccanica as a holding company that exercises industrial and strategic control over a number of companies operating in different sectors, we deemed it appropriate to comment, in large sections of the Report on Operations, the activities of the Group as a whole and the performance of the markets in which the investee companies operate rather than referring only to the ordinary operations of Finmeccanica.

ANALYSIS OF THE INCOME STATEMENT, BALANCE SHEET AND STATEMENT CASH FLOWS

In order to provide a better understanding of Finmeccanica Spa's income statement, balance sheet and statement of cash flows, the following reclassified statements have been prepared.

RECLASSIFIED INCOME STATEMENT *(€thousand)*	*Notes*	*2012*	*2011*
Revenue	*28*	74,016	73,826
Purchases and personnel expense	*(*)*	(138,950)	(187,177)
Amortisation and depreciation		(9,586)	(11,251)
Impairment losses		-	-
Other net operating income (expenses)	*(**)*	4,095	3,216
EBIT		(70,425)	(121,386)
Net financial income (expense)	*33*	(666,661)	(1,249,300)
Income taxes	*34*	37,045	(4,865)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		700,041	(1,375,551)
Profit (loss) from discontinued operations		-	-
NET PROFIT (LOSS)		**(700,041)**	**(1,375,551)**

Notes on the reconciliation between the reclassified income statement and the statutory income statement:
(*) Includes "Purchases", "Services" and "Personnel expense"
(**) Includes the net amount of "Other operating income" and "Other operating expenses"

As to the most important items:

- revenue is in line with the prior year and refers to the management fee Finmeccanica receives for the services provided to the Group companies in accordance with the direction and coordination it exercises;
- purchases and personnel expense decreased in comparison with 2011, following a reduction in the workforce and early retirement incentives, included in 2011 purchases and personnel costs, which were paid for the reorganisation of the Parent's management. As a consequence, EBIT came from negative €mil. 121 of 2011 to negative €mil. 70 of 2012;
- net financial expense totalling €mil 667, against €mil. 1,249 of net expense in 2011, significantly decreased as a result of lower impairment of equity investments (€mil. 1,256, mostly referable to Meccanica Holdings USA, SELEX ES and AnsaldoBreda, compared to €mil. 2,539 in 2011) and of higher dividends received from Group's companies (€mil. 614 compared to €mil. 398 in 2011). Moreover, it is highlighted that in 2011 the company benefitted from the gain of €mil. 1,014 on the sale of the equity investment in Ansaldo Energia.

The following table compares the balance sheets at 31 December 2012 and at 31 December 2011:

RECLASSIFIED BALANCE SHEET ***(€thousand)***	***Notes***	***31 December 2012***	***31 December 2011***
Non-current assets		8,768,061	8,930,842
Non-current liabilities	*(*)*	(204,365)	(189,564)
Capital assets		8,563,696	8,741,278
Trade receivables	*15*	79,573	65,035
Trade payables	*24*	(56,014)	(55,311)
Progress payments and advances from customers		-	-
Working capital		23,559	9,724
Provisions for short-term risks and charges	*21*	(262,562)	(924,150)
Other net current assets (liabilities)	*(**)*	(496,459)	(57,863)
Net working capital		(735,462)	(972,289)
Net invested capital		7,828,234	7,768,989
Equity	*19*	4,230,751	4,931,075
Net financial debt (cash)		3,597,483	2,837,914
Net (assets) liabilities held for sale	*(***)*	-	

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

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

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

(***) Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale"

The net invested capital (€mil. 7,828) is essentially in line with the prior year, as a result of a decrease in capital assets (mainly due to the write-downs of equity investments) which is offset by an increase in working capital (chiefly referable to the use of the provision for risks on equity investments against the recapitalizations performed during the year). As a result of the abovementioned actions taken in relation to the subsidiaries' capital, the net financial debt increased by €mil. 3,597 compared with €mil 2,838 at 31 December 2011.

The reclassified statement of cash flows at 31 December 2012, compared with the previous year, is as follows:

€thousand	***2012***		***2011***	
Cash and cash equivalents at 1 January	**695,373**		**1,269,103**	
Gross cash flows from operating activities	(55,240)		(94,154)	
Changes in other operating assets and liabilities (*)	(25,586)		39,828	
Funds From Operations (FFO)		**(80,826)**		**(54,326)**
Changes in working capital	(14,912)		(15,355)	
Cash flows generated (used) from/in operating activities	(95,738)		(69,681)	
Cash flows from ordinary investing activities	(2,946)		(257)	
Free operating cash flow (FOCF)		**(98,684)**		**(69,938)**
Interventions involving equity investments, disposals and acquisitions	(1,209,035)		546,546	
Changes in other investing activities (**)	495,688		515,241	
Cash flows generated (used) from/in investing activities	(716,293)		1,061,530	
Capital increases, net of purchase of treasury shares			(1,009)	
Dividends paid			(236,752)	
Cash flows from financing activities	1,323,846		(1,320,335)	
Cash flows generated (used) from/in financing activities	1,323,846		(1,558,096)	
Exchange rate differences on cash and cash equivalents	(12,298)		(7,483)	
Cash and cash equivalents at 31 December	**1,219,486**		**695,373**	

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

(**) Includes the change in non-current financial assets (included in "Other investing activities") and "Dividends received from subsidiaries"

The year 2012 ended with a €mil. 524 increase in cash and cash equivalents, specifically:

- *cash flows from operating activities* came to a negative €mil. 96 (negative €mil. 70 in 2011);
- *cash flows from investing activities* were negative for €mil. 716 (€mil. 1,061 in 2011 thanks to the sale of Ansaldo Energia);
- *cash flows from financing activities* were equal to €mil. 1,323 (negative €mil. 1,558 in 2011), as a result of the higher debt to Group's companies.

Finally, the brakdown of the net financial debt at 31 December 2012, compared with the corresponding information at 31 December 2011, is provided below.

€thousand	31 Dec. 2012	31 Dec. 2011
Short-term loans and borrowings	70,107	77,613
Medium/long-term loans and borrowings	912,806	944,038
Cash and cash equivalents	(1,219,486)	(695,373)
NET BANK DEBT AND BONDS (CASH)	(236,573)	326,278
Securities	(55)	(4,873)
Loans and receivables from related parties	(2,405,849)	(2,572,108)
Other loans and receivables	(40)	(40)
LOANS AND RECEIVABLES AND SECURITIES	(2,405,944)	(2,577,021)
Loans and borrowings to related parties	6,239,173	5,088,163
Other short-term loans and borrowings	827	494
Other medium/long-term loans and borrowings		-
OTHER LOANS AND BORROWINGS	6,240,000	5,088,657
NET FINANCIAL DEBT (CASH)	3,597,483	2,837,914

Finmeccanica's net financial debt at 31 December 2012 came to €mil. 3,597, compared with €mil. 2,838 at 31 December 2011. The figure incorporates, *inter alia*, the impact of a series of events involving significant amounts, such as:

- the actions taken totalling €mil. 1,257 with respect to the capital of certain subsidiaries, specifically:
  - €mil. 762 part of which to cover losses (€mil. 384) and part to make a capital contribution (€mil. 378) to Alenia Aermacchi SpA;
  - €mil. 463 part of which to cover losses (€mil. 422) and part to make a capital contribution (€mil. 41) to Ansaldobreda SpA;
  - €mil. 25 to cover losses and to make a capital contribution to Bredamenarinibus SpA;
  - €mil. 7 in favour of Elsacom NV.
- the collection of €mil. 614 related to dividends paid by Group companies;
- the payment of €mil. 132 for the purchase of the equity investment in BCV Investments S.A. and of the related hybrid financial instruments.

As to the composition of the debt, the bank debt largely consists of medium/long-term bonds totalling €mil. 495 (nominal value of €mil. 500), as well as amounts resulting from drawing upon the €mil. 468 (nominal amount of €mil. 463) facility entered into with the European Investment Bank (EIB), which was already in place in 2011.

As usual, the cash and cash equivalents that appear in Finmeccanica's accounts as a result of the net cash flow received from Group companies during the year was deposited in leading Italian and foreign banks holding at the very least an “investment grade” credit rating. The result of this is a considerable debt between Finmeccanica and its related parties. Both figures should decrease as a result of the higher use of cash by Group companies that traditionally occurs in the first few months of the year.

Borrowings from related parties consist, *inter alia*, of a medium/long-term debt, including current portions, of about €mil. 3,202 (€mil. 2,589 at 31 December 2011) arising from loans granted to Finmeccanica by its subsidiary Finmeccanica Finance SA, for amounts and maturities essentially in line with those of bond obligations assumed by Finmeccanica Finance SA.

Finmeccanica obtained a revolving credit facility with a pool of Italian and foreign banks in September 2010 for €mil. 2,400 (final maturity in September 2015), which remained entirely unused at the year-end.

Moreover, Finmeccanica had additional short-term unconfirmed credit lines for around €mil. 612, entirely unused at 31 December 2012. Finally, there are also unconfirmed guarantees of around €mil. 2,054.

The notes to the financial statements contain information on the operational criteria used in managing exchange rate risk, interest rate risk, risk related to equity and transactions with related parties.

“NON- IFRS” ALTERNATIVE PERFORMANCE INDICATORS

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

As required by CESR/05-178b Recommendation, below is a description of the components of each of these indicators that are relevant to Finmeccanica Spa:

- ***EBIT***: i.e. earnings before interest and taxes, with no adjustments. EBIT also does not include costs and income resulting from the management of equity investments and other securities, nor the results of any sales of shareholdings, which are classified on the financial statements as “Financial income and expense”.
- ***Free Operating Cash-Flow (FOCF)***: this is the sum of the cash flows generated by (used in) operating activities and the cash flows 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 being compared 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. The calculation of FFO for the periods being compared is presented in the reclassified statement of cash flows shown in the previous section.
- ***Working capital***: this includes trade receivables and payables, contract work in progress and progress payments and advances from customers.
- ***Net working capital***: this is equal to working capital less provisions for current risks 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 20.
- ***Workforce*:** the number of employees recorded in the register on the last day of the year.

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RELATED PARTY TRANSACTIONS

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

The transactions, which are carried out and regulated at arm's length, relate to business (disposals and purchases of goods and services within the Group's usual operations), financial (ordinary financing granted/obtained and the charging of related interest income or expense) and other relations (including all residual activities, as well as contractually-governed transactions of a tax nature, for those companies participating in the national tax consolidation scheme).

It should be noted that in 2010 Finmeccanica issued, and on 13 December 2011 updated, a specific "Procedure for Related Party Transactions" pursuant to CONSOB (the Italian Commission for Listed Companies and the Stock Exchange) Regulation no. 17221 of 12 March 2010, containing provisions on "related party transactions" and to the subsequent CONSOB Resolution no. 17389 of 23 June 2010, as well as in the implementation of article 2391-*bis* of the Italian Civil Code - which is available on the Company's website (under *Investor Relations/Corporate Governance*, Related Party Transactions section).

This Procedure aims at defining the rules to ensure the transparency and material and procedural fairness of Transactions with Related Parties, as set out later in this document under point 4.9 of the Corporate Governance Report and Shareholder Structure to which reference is made.

Pursuant to article 5.8 of CONSOB Regulation no. 17221 of 12 March 2010, note the following most important transactions, which were carried out by Finmeccanica S.p.a. in the 2012 financial year, through subsidiary companies identified on the basis of the indicators provided for by the abovementioned procedure and by Annex 3 attached to CONSOB Regulation no. 17221 /2010:

Parties involved		Relationship	Purpose of the transaction	Transaction consideration
Alenia Aermacchi S.p.A	Cassa Depositi e Prestiti S.p.A.	Alenia Aermacchi S.p.A. 100% owned by FNM S.p.a. CDP S.p.A. owned by MEF	Assignment of receivables from Alenia Aermacchi S.p.A. to Cassa Depositi e Prestiti S.p.A	€th. 233,190
Alenia Aermacchi S.p.A	SACE S.p.A.	Alenia Aermacchi S.p.A. 100%-owned by FNM S.p.a. SACE S.p.A. owned by MEF	Insurance intervention of SACE S.p.A. in favour of Alenia Aermacchi S.p.A.	€th. 311,563

The abovementioned transactions benefitted - pursuant to article 13.3.c) of CONSOB Regulation no. 17221/2010, as well as article 11.2c) of the abovementioned procedure - from the exemption envisaged for the ordinary transactions concluded at arm’s length or standard conditions. These transactions, were notified to CONSOB in compliance with the provisions under article 13.3 c) of CONSOB Regulation no. 17221/2010 and were put in place following the execution of the contract between Alenia Aermacchi S.p.A. and the Government of the State of Israel, which was signed on 19 July 2012, for the supply no. 30 M-346 advanced trainer aircraft and related logistics support to the Israeli Air Force.

Furthermore, note the following most important transactions, which benefitted from the exemption provided for in article 14.2 of CONSOB Regulation and in article 11.2.e) of the abovementioned Procedure.

Parties involved		Relationship	Purpose of the transaction	Transaction consideration
Finmeccanica S.p.a	SELEX Electronic Systems S.p.A.	Subsidiary (100%)	Sale of the SELEX Galileo Ltd equity investment from Finmeccanica S.p.a. to SELEX Electronic System S.p.A.	€th. 1,176,765
Finmeccanica S.p.a	SELEX Electronic Systems S.p.A.	Subsidiary (100%)	Sale of the SELEX Galileo S.p.A. equity investment from Finmeccanica S.p.A. to SELEX Electronic System S.p.A.	€th. 364,996
Finmeccanica S.p.a	SELEX Electronic Systems S.p.A.	Subsidiary (100%)	Granting of financing by Finmeccanica S.p.a. to SELEX Electronic System S.p.A.	€th. 581,640
Finmeccanica S.p.a.	Finmeccanica Finance S.A.	Subsidiary (100%)	Granting of financing by Finmeccanica Finance S.A. to Finmeccanica S.p.A.	€th. 600,000

With reference to these transactions, it should be noted that the first three transactions, which were completed in the early days of January 2012, relate to the combination of the Group's activities in the Defence and Security Electronics segment in Europe into a single transnational business, whereas the fourth transaction refers to the medium/long-term loan agreement between the Group's Luxembourg holding company and Finmeccanica.
It should be noted that there were no other related party transactions, which materially impacted on the Finmeccanica's financial position or its results as at 31 December 2012, and that no changes or developments took place in relation to the related party transactions described in the Directors' Report at 31 December 2011.

The disclosures on transactions with related parties required under CONSOB Communication DEM/6064293 of 28 July 2006 are found in this section, in the financial statements and in the explanatory notes to the financial statements of Finmeccanica Spa. There are no transactions that can be identified as atypical and/or unusual as set out in said CONSOB Communication.

The following table summarises the amounts of transactions with related parties (a breakdown is shown in Notes 12 and 26) occurred in 2012 and in the prior year.

31 Dec. 2012 *(€ thousand)*	**Subsidiaries**	**Associates**	**Joint Ventures**	**Consortia (*)**	**Other related parties**	**Total**
Non-current receivables						
- financial	248,699					248,699
- other	42		28		3	73
Current receivables						
- financial	2,369,412	14	35,342	884	197	2,405,849
- trade	50,120	180	17,805	1	602	68,708
- other	48,354	91	4,296	5	147	52,893
Non-current payables						
- financial	2,184,612					2,184,612
- other						
Current payables						
- financial	3,829,817		224,744			4,054,561
- trade	22,279	43	1,138	17	637	24,114
- other	694,341		69,583		312	764,236
Guarantees	16,513,363	12,250	2,770,873			19,296,486

2012 *(€ thousand)*	**Subsidiaries**	**Associates**	**Joint Ventures**	**Consortia (*)**	**Other related parties**	**Total**
Revenues	*60,501*		*13,515*			*74,016*
Other operating income (**)	30,624	1	4,632		13	35,270
Costs (***)	(42,633)		(584)	(223)	(108)	(43,548)
Financial income	87,978	18	10,280	11		98,287
Financial expenses	(203,848)		(1,283)			(205,131)

(*) controlled, associated, related and jointly controlled consortiums

(**) these include the recovery of those costs that in the income statement adjust the related cost items

(***) the difference with the income statement is represented by the recovery of costs

31 Dec. 2011 *(€ thousand)*	**Subsidiaries**	**Associates**	**Joint Ventures**	**Consortia (*)**	**Other related parties**	**Total**
Non-current receivables						
- financial	291,550	-	2,770	-	-	294,320
- other	42		28	-	3	73
Current receivables						
- financial	2,233,786	28	337,491	606	197	2,572,108
- trade	39,039	178	16,242	1	602	56,062
- other	10,205	91	7,373	5	148	17,822
Non-current payables						
- financial	2,573,411	-	-	-	-	2,573,411
- other	-	-	-	-	-	-
Current payables						
- financial	1,989,738	-	525,014	-	-	2,514,752
- trade	21,470	43	1,592	24	707	23,836
- other	282,074	-	62,465	-	311	344,850
Guarantees	16,475,182	12,250	3,254,411	-	-	19,741,843

2011 *(€ thousand)*	**Subsidiaries**	**Associates**	**Joint Ventures**	**Consortia (*)**	**Other related parties**	**Total**
Revenues	59,506	-	14,320	-	-	73,826
Other operating income (**)	31,924	1	16,845	-	-	48,770
Costs (***)	(50,283)	-	(1,162)	(288)	(548)	(52,281)
Financial income	94,292	18	13,160	6	-	107,476
Financial expenses	(206,835)	-	(4,854)	-	-	(211,689)

(*) controlled, associated, related and jointly controlled consortiums

(**) these include the recovery of those costs that in the income statement adjust the related cost items

(***) the difference with the income statement is represented by the recovery of costs

CONSOB Market Regulation, Art. 36

In accordance with CONSOB provisions contained in the Market Regulation and specifically Art. 36 of Resolution 16191/2007, Finmeccanica made the checks on the subsidiaries that were incorporated and are governed under the laws of non-EU Member States and that, as a result, became significantly relevant based on the requirements under Art. 151 of the Issuers' Regulations adopted with CONSOB Resolution 11971/1999. As regards the non-EU foreign subsidiaries (DRS Technologies Inc, Meccanica Holdings USA Inc, AgustaWestland Philadelphia Co, AgustaWestland Tilt-Rotor Company Inc, AgustaWestland Inc and Alenia Aermacchi North America Inc) identified based on the above regulations and in compliance with the regulations of local laws, these checks revealed the existence of an adequate administrative and accounting system and the additional requirements envisaged in said Art. 36.

Information pursuant to articles 70 and 71 of Consob Issuers' Regulations

With a Board of Directors' resolution on 23 January 2013 the Company adopted the simplification regime under articles 70/8 and 71/1-bis of the Issuers' Regulations adopted with CONSOB Resolution 11971/1999 as subsequently amended. By this resolution the Company chose the option to make exceptions to the obligation to issue the documents required by the law when significant transactions (such as mergers, spin-offs, capital increases by means of the conferral of assets in kind, acquisitions or disposals) occur.

FINMECCANICA AND THE COMMERCIAL SCENARIO

The global economic situation in 2012 continued to show low growth in industrialized Countries, with a persistent crisis in the Eurozone, and reduced growth of numerous newly-industrialized Countries compared to the previous years. This caused a slowdown in internal demand and barter trades, with a reduction in expected growth rates of industrial production over the coming years. Specifically, in the Eurozone the recurrent tensions about the sovereign debts of some Countries and the general economic stagnation are leading to the adoption of restrictive measures aimed at reaching the balancing of accounts, and an effective economic recovery is expected only after 2014.

The markets in which the Group operates (Aeronautics, Helicopters, Defence and Security Electronics, Space, Defence Systems, Energy and Transportation) continued to suffer from the negative effects of global macroeconomic trends, particularly because of the strong pressure exerted on public budgets and the general slowdown in demand internationally, although the medium/long-term outlook is still positive for the main market segments.

Particularly, in the **Defence** segment, 2012 reported global expenses equal to about $bil. 1,600. For the first time since 1998 the US budget showed a significant decrease of about 1.2%, as a result of the reduction in field operations (Iraq, Afghanistan) and of the postponement of some upgrading programmes. These phenomena now appear to have a structural nature (also following the re-election of President Obama to the White House), with a substantial reduction in supplementary expenses connected with Peace Enforcement operations and stability in the base budget, which is mainly due to the performance of multi-annual programmes of development and acquisition of new military equipment. Another point of interest is the so-called sequestration process which envisages linear cuts within the public budget. Cuts on the military sector would entail a reduction in the range of $bil. 500 in the next 10 years. The gradual reduction in the US expenses is largely offset by further growth in defence investments in newly-industrialized areas (Asia – Pacific region) or areas that are still subject to regional tensions (Middle East, North Africa). In the coming years the traditional BRIC countries (Brazil, Russia, India, China), as well as other "emerging" Countries, which are interested in developing their own skills in advanced and high-tech industrial sectors, will be the main relevant markets in the sector (despite all the limitations related to the transfer of sensitive technology). However, the United States will remain the main national market both in terms of size (about one third of the global total) and in terms of the characteristics of the demand. Europe, where spending should grow by less than 1% per year on average, will still represent about 16-17% of the total global market. However, it is important to note that major investment programmes for new weapons systems were confirmed in the US and in Europe, although some over a more protracted time period or for lower volumes. It is also interesting to note that much of the expertise developed in the Defence industry can be increasingly transferred to related sectors, which are characterized by high growth dynamics, such as, for example, security, environmental monitoring and protection, Cyber Security and Smart City.

Therefore, the global Aerospace, Defence and Security market showed a slight growth trend (thanks in part to good performance in Civil Aeronautics), with important specific characteristics in each of the various business segments.

Within the **Aeronautics** market, the civil aircraft segment, for both commercial and regional transport, showed growth, with an effective recovery to pre-crisis levels starting from 2012. Thanks to higher traffic demand (+ 5% on average per year for passenger transport), renewed profitability of the major airlines and the resulting need to replace and expand fleets, deliveries of new aircraft are expected to be equal to an overall value of more than €bil. 900 (78% for commercial aircraft, 13% for business jets and 9% for regional aircraft) over the next ten years, with an average annual growth rate of around 4%. The greatest growth rates will be seen in wide-body aircraft (i.e. aircraft with two aisles), the sub-segment worth the most in absolute terms with the most important development and production programmes (B787, A350XWB and A380) and regional aircraft, where the trend should be towards the development of a new-generation aircraft offering better capacity and operational performance than models currently in service. The narrow-body aircraft sub-segment (i.e. aircraft with a single aisle), therefore, was substantially stable, even if it is expected to increase starting from 2016, driven by deliveries of re-engined Airbus (Neo A320) and Boeing (B737Max) aircraft. A new generation of narrow-body aircraft is expected to be launched after 2025. Prime contractors are continuing to make greater use of outsourcing of structural components and sub-systems, while new competitors from newly industrialised Countries continue to enter the market. As a result, the outsourced structural components market is growing at an average rate of about 6% per year.

The military aircraft segment suffered from the stagnation in investments in the Defence market and from the slowdown of some important acquisition programmes, both in the USA and in other Countries. The market will be substantially stable (or will show a slightly reduction) until 2014, and then it will expand significantly in the following years as a result of upgrading and renewal needs of operating fleet that can no longer be postponed. Therefore, the total value of new deliveries over the next ten years is estimated at about €bil. 400, with an additional market for upgrading programmes and logistics of almost €bil. 350. The latest-generation multi-role aircraft segment is the largest, worth over 50% of the total market, followed by aircraft for special missions (applications for naval and coastal surveillance represent a particularly important part), by medium- and large-transport aircraft and advanced training aircraft. The most important technological developments currently being pursued relate to: (*i*) unmanned combat aerial vehicles for reconnaissance and combat applications, which are expected to enter into service in the US in 2020 and in Europe in 2025; (*ii*) use of new materials; (*iii*) the full insertion of vehicles in net-centric systems and (*iv*) fine-tuning new uses that meet asymmetric warfare and rapid response requirements. Despite all the limitations connected to the restrictive regulations governing the use of unmanned vehicles in civil air traffic airspace (the so-called "non-segregated airspace"), a growing demand in unmanned vehicles is being recorded for civil protection and environmental monitoring purposes. Several development programmes are currently being carried out in many countries, also on the basis of the lessons learnt in the military use of this aircraft.

The **Helicopters** segment, both civil and military applications, will show an overall slight increase over the next ten years, with an average annual value (referring to new helicopter deliveries) at around €bil. 15-16, which is much higher than the average for recent years. It should be noted that, while the military market has important characteristics of a cyclical nature (a slight decline is expected to start in 2015 due to cuts on some programmes), the demand in the civil sector is steadily increasing (the average value of the civil market, which is currently equal to about 25% of the total helicopters sector, will represent, indeed, about 50% of the total around 2021). In fact, this sector includes both the strictly commercial applications (e.g. the VIP / Corporate transport) and the sales of non-military government applications, such as security, environmental monitoring, emergency medical services, connections to off-shore platforms. There are a multitude of factors underlying market growth which regard technology (availability of new satellite navigation technologies, development of unmanned aircraft, success of tilt-rotor technology), operations (larger range of use, higher speeds, use in hostile environments) and regulations (reducing the environmental impact, greater security for over-flight of densely populated areas, utilisation in all weather and visibility conditions). In particular, technology currently being developed will make helicopters even more important in operational environments for asymmetric warfare, counter-guerrilla warfare, controlling and interdicting illegal activities, monitoring the environment and rescue operations. The gradual growth in the number of operational helicopters increases the importance of maintenance, upgrading and logistics activities, which has been further emphasised by the growing demand for turnkey solutions and operational support over the entire product life-cycle.
From a geographical point of view, Europe and the United States of America remain mature markets, while the BRIC Countries, Asia and Africa represent the most attractive areas for growing requirements for helicopters for different types of applications (i.e. mobility, security and defence).

The **Defence and Security Electronics** market continues to represent the largest market of interest to the Group. Despite cutbacks in the Defence budgets of the major countries in the world, the volumes and trends in the market have remained stable compared with last year (around €bil. 150 annually), with a shift towards homeland security/security systems (estimated at around €bil. 70 per

year) where the growth rate has been higher, at around 5% per year, due to rising demand for security (border surveillance, security systems for critical infrastructures, security for transport systems, etc.), growing demand for cyber-security solutions driven by the need to make ICT systems invulnerable to attempts to access and damage data and information and increased investments in environmental monitoring and managing natural disasters and civil emergencies.
In particular, the cyber market is experiencing significant growth at a rate of around 10% annually, with strong investments by the US and the major European nations.
By contrast, the growth trend in defence electronics equipment and systems has been more contained, at around 2% per year.
Within the sector, technology exchanges between military applications and civil and security applications are becoming more evident, so that the main industrial groups in the sector are turning their attention to adjacent areas of application, such as Healthcare, Energy (Clean Renewable Energy), Urban Security and Mobility (Smart and Safe City), by leveraging the traditional planning and management capacity of complex systems for military use.
The continuing global financial crisis and the resulting rationalisation of government spending, as well as the related re-prioritising of budgets given customers' different operational needs, have pushed demand for low-cost solutions and contractual models that include the supply by the industry of support services and solutions for installed capacity. For these reasons, industrial competitiveness and selective investment in R&D are crucial to ensuring complete alignment with market drivers, including responding to growing competition (also a result of the drop in the "captive" component).

The **Space** market includes both production, especially the development and manufacture of satellites and orbiting manned infrastructures, and provision of services (earth observation, satellite navigation, communications, science) for civil and military applications. Another business area includes the in-orbit launch of satellites and control of satellite constellations. The worldwide market is worth around €bil. 80 annually, of which around 25% is for satellite services in those application segments in which the Group operates. The institutional market, both civil and military, represents more than 75% of the total, with a leading role of management government Bodies, both national (e.g. NASA in the USA) and supranational (EU, ESA). For this reason, thanks to the proven strategic nature of the space sector at an institutional level (also confirmed by the recent ESA Interministerial Conference), the Space market is among those least sensitive to the downturn in the world economy. In the area of manufacturing, demand by government, even if in the presence of a significant slowdown of some development programmes, has shown for long time annual growth rates by around 2-2.5% on average, and the market for commercial applications is showing interesting signs of recovery. Demand in the military segment is driven by demand for new satellites used for earth observation and secure communications, the development of new satellite systems based on dual purpose technologies and new demand for the development of observations systems for security applications. The government civil systems market, which is excepted to receive growing support from the European Community, centres mainly around programmes for replacing and upgrading in-orbit telecommunications satellite capacity and the development of new scientific and navigation applications. The rate of growth is rather high (around 5-6% per year) in the satellite services segment, driven by new technological developments (broadband and related networks, value-added services) and by demand in the security, mobility and environmental monitoring arenas.

The **Defence Systems** market includes the segments land vehicles and land and sea weapons systems, missile systems, and underwater systems. As a result, in part, of the experience with asymmetric warfare in Iraq and Afghanistan, the land vehicles segment has seen peak demand in recent years, based on the need to modernise a large part of the fleets of armoured vehicles (particularly multirole wheeled vehicles and vehicles for personnel transport) so as to ensure greater protection against land mines and light fire. The demand is expected to be substantially stable over the next ten years, with average values of about €bil. 15-16 per year, in line with the trend of the major countries to cut their expenditure budgets and the resulting delays in major programmes. The demand increasingly tends to lighter vehicles – both wheeled and tracked - which can be used more quickly and flexibly in field operations, including the so-called "protected vehicles" that are able to ensure high personnel safety against light fire and mines. The sector is also supported by important technological developments, which are related to the use of new materials, the development of turrets and remote-control weapon systems, the construction of unmanned vehicles. Interesting developments are also being seen in the naval weapons segment, despite an overall reduction in demand related to a standstill in new construction programmes. The greatest opportunities will continue to be in guided munitions systems to be used, above all, with medium calibre weapons, which are particularly effective in coastal operations and interdiction actions on missions to protect against asymmetrical threats.

In the underwater systems segment, together with the traditional demand for on-board sonar systems and for both heavy (launched from naval platforms) and light (also launchable from air platforms) missiles surveillance systems for protecting coastal and harbour infrastructures are undergoing a profound change with the integration of mobile systems (underwater and surface systems). Navies are attempting to develop new multi-function systems (military, security and environmental protection) over the medium-long term using technologies already available, for integrated protection against land, air and sea threats, which includes protection against nonconventional threats within underwater surveillance.

Moreover, providing navies with multi-function platforms will also create opportunities in the area of anti-torpedo countermeasures that can even be integrated in small-scale platforms.

Finally, in the missile systems market there has been a slight increase, with an estimated overall value of about €bil. 170 over the next ten years. Almost 60% of the demand relates to the air defense systems, both land based and on board; the United States, at a geographical level, still represent the main national market, but their share, compared to the overall market, is expected to fall from current 50% to 35% in 2021, due to the significant increase in demand in the Asia Pacific area and in the Middle East. The greatest market drivers are related to the need to renew the stock of missiles with new systems that provide greater versatility and attack precision. Another important development is being seen in systems for protecting urban areas and high-value civilian and military infrastructures from the threat of missile attacks. These operating needs positively influence developments in the areas of sensors (both on land and on-board the missiles), flight control, and integrated command and control systems.

The **Energy** market has always been characterized by a strong cyclical demand, which is linked to the renewal and modernization of systems installed in highly industrialized Countries and to long-term investments programmes for the construction of new power plants and infrastructures in newly-industrialized Countries. 2011 and 2012 showed a new downturn in trend, after a peak recorded in 2007/2008, resulting from significant orders in the Chinese market and the sharp decline (-35% of the total) recorded in the following years due to the economic crisis. In this case, the demand concerns, above all, the gas turbine systems (both open cycle and combined cycle) and renewable energy plants, above all solar and wind energy. It is estimated that, over the next ten years, global demand for power plants and components for generating electricity from fossil and nuclear fuels and renewable resources will have an annual average market value of around €bil. 340, with a peak of about €bil. 360 between 2017 and 2020. Fossil fuel plants will continue to be the main product segment, recording a gradual growth of importance of the gas turbine technology compared to steam. Renewable energy plants, which represent about 25% of the total demand, are expected to record a contained but constant increase, whereas the nuclear sector shows a further decrease, with a share that is slightly more than 5% of the total market, due to also the negative impact of the Fukushima accident.

In general, customer preferences should, more than in the past, favour components that ensure greater efficiency while reducing emissions and providing greater flexibility in operations. The renewable energy market (i.e. wind, photovoltaic, hydroelectric, etc.) continues to grow, particularly in Europe, thanks to generous government incentive plans, and in China, and is expected to become increasingly important in the United States and the Middle East.

Finally, the post-sale service and maintenance market is also expected to grow because certain countries, as a result of the crisis, had postponed programmes to replace installed capacities in favour of extraordinary maintenance so as to extend the useful life of their plants. Demand is expected to reach around €bil. 35, mainly in servicing gas turbines. Growth is also expected in servicing nuclear power plants, driven by demand for stress testing and programmes to extend the remaining useful life of plants.

In the rail **Transportation** market, the competitive rolling stock segment (according to the definitions of the trade association UNIFE [*Union des Industries Ferroviaires Européennes*, Union of European Railway Industries]) is substantially stable at about €bil. 16 per year. These values, which are related to the supply of new vehicles, must be added to the service market (maintenance, spare parts, upgrades and revamping of operational fleet), which increased significantly from €bil. 14 per year in 2007-2011 to €bil. 18 per year in 2017-2021. The demand is particularly stable in the regional and urban transport sector, thanks to the increasing demand for transport in densely populated regions both in Europe and in newly-industrialized Countries, particularly Brazil and China. This trend is being also favoured by technically more complex customer needs (for driverless trains, catenary-free pick-up systems, etc.). Western Europe is the area of greatest interest in terms of the technical characteristics of the products and the rate of technological innovation required due to infrastructure constraints and to increase safety. Nonetheless, in terms of the size of the market, Asia has now surpassed Europe. In the regional rail transport segment, we expect to see strong growth due to a combination of growth in emerging nations and the replacement of rolling stock in the industrialised countries. In the area of high-speed trains, growth is expected to be strong over the next few years thanks to environmental concerns that support rail transport, as well as to the development of the trans-European network and the liberalisation of passenger transport in Europe, the USA and China. Finally, in the area of post-sale service and maintenance, customers continued to prefer “turnkey” solutions.

With regard to the signalling and transport systems segment, the market, worth around €bil. 12-13, continues to expand despite the impact of the crisis, and demand is tending to grow at an average annual rate of around 3.5%. The main drivers for this market are the important programmes to construct new transportation infrastructures that enable different modes and different standards to interoperate, as well as by the need to increase safety, efficiency and traffic capacity. Technological development in terms of upgrading railway lines and pressure on the service and maintenance costs for signalling systems remain of key importance. The transport systems market is expected to grow at an average annual rate of 6%, more than double the 2% growth expected for the signalling market.

In the bus segment, over the last two years the European market has posted a slight decline (-4%) compared to the previous two-year period. In Italy, however, the lack of national government funding has considerably slowed purchases by local authorities.

PERFORMANCE BY DIVISION

In order to provide a better presentation of the operating performance of activities directly or indirectly controlled by Finmeccanica, we deem it better to comment on the performance of the divisions rather than restricting comments to the performance of direct subsidiaries. To give full information below are reported the key figures taken from the 2012 financial statements of the most significant subsidiaries and jointly-controlled entities.

Key figures on the main subsidiaries and jointly-controlled entities						
€ million	Revenue	EBIT	Net debt (liquidity)	Order backlog	New orders	Workforce (no.)
AgustaWestland SpA	2,650	257	261	8,113	2,625	5,836
AgustaWestland Philadelphia Co (USA)	600	49	(16)	199	648	543
AugustaWestland Ltd	1,481	103	(685)	3,933	1,298	3,168
Alenia Aermacchi SpA	2,484	65	(1,012)	7,362	2,473	11,159
Ansaldo Energia SpA (*)	1,118	61	295	3,248	1,384	1,602
Ansaldo STS SpA (cons.)	1,248	117	(302)	5,683	1,492	3,991
AnsaldoBreda SpA	426	(326)	195	2,943	785	2,248
DRS Technologies Inc (cons.)	2,156	(862)	843	1,688	1,928	7,428
Finmeccanica Finance S.A.	-	(3)	2,000	-	-	1
Fata SpA	161	(6)	(4)	111	55	198
GIE ATR (*)	1,170	89	(28)	2,947	1,393	351
MBDA SAS (cons.) (*)	2,824	373	(1,612)	8,539	2,259	2,395
Meccanica Holdings USA Inc	-	-	799	-	-	-
Oto Melara SpA	421	46	(85)	1,006	389	1,136
PZL-SWIDNIK SA	181	17	77	213	169	3,181
SELEX Elsag Ltd	157	1	(60)	200	188	664
SELEX Galileo SpA (**)	780	75	53	1,563	792	2,673
SELEX Electronic SystemLtd	1,123	112	(317)	94	841	3,801
SELEX Elsag SpA (**)	866	48	732	1,951	897	5,305
SELEX Sistemi Integrati SpA (**)	603	(86)	372	1,182	323	3,261
Telespazio SpA (*)	326	16	55	1,119	396	701
Thales Alenia Space SAS (cons.) (*)	2,064	141	(804)	3,988	1,371	2,438
Whitehead Sistemi Subacquei SpA	129	12	31	244	51	407

(*) amounts relating to 100% of the company /groups

(**) It was merged into Selex Electronic System SpA on 1 January 2013

HELICOPTERS

€ million	31 December 2012	31 December 2011
New orders	4,013	3,963
Order backlog	11,876	12,121
Revenues	4,243	3,915
Adjusted EBITA	473	417
ROS	11.1%	10.7%
Research and development	506	472
Workforce (no.)	13,050	13,303

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

The total volume of **new orders** at 31 December 2012 came to €mil. 4,013, a slight increase of 1.3% compared to the previous year-end (€mil. 3,963). New orders break down into 69.3% for helicopters (new helicopters and upgrading) and 30.7% for product support (spare parts and inspections), engineering and manufacturing. The increase is largely due to the launch of the new AW169 and AW189 models in the market, which received orders for 98 units in 2012. Among the most important new orders of the period received in the *military-government* segment there are the following:

- the supply of integrated operational support services for the Sea King British fleet (SKIOS programme) (Q4);
- the supply of seven AW139 helicopters to the Swedish Maritime Administration for Search and Rescue operations (Q4);
- three AW139 units, configured for medical emergency, search and rescue, law enforcement and homeland security missions, for the Maryland State Police Aviation Command (Q3);
- one AW139 helicopter for the *Policia do Brasil* (Q3);

- six AW Super Lynx 300 helicopters for a key customer in the southern Mediterranean area (Q2);
- five AW169 units for a United Arab Emirates governmental customer (Q2);
- two law enforcement-configured AW139 helicopters for the Japanese National Police Agency (Q1);
- one AW109 helicopter to the Chilean military police (Q1).

The most important new orders in the *civil-government* segment include:

- the supply of seven AW139 and two AW189 helicopters to the Azerbaijan Airlines for medical emergency services, for VIP transportation, for Search and Rescue operations and offshore transportation (Q4);
- the supply of two AW169 and one AW139 helicopters to the *Kaan Air* company for the VIP / Corporate transportation missions (Q4);
- the contract with Heli One to supply four AW 139 helicopters (Q3);
- the supply of fifteen AW139 helicopters in the off-shore configuration to Gulf Helicopters to provide support for oil rigs in the Middle East (Q1);
- the supply of five AW169 helicopters to the air rescue services provider, Inaer Aviation Spain (Q1).

The value of the **order backlog** at 31 December 2012 came to €mil. 11,876, showing a decrease compared to 31 December 2011 (€mil. 12,121). The order backlog breaks down into 67% for helicopters (new helicopters and upgrading), 33% for product support (spare parts and inspections), engineering and industrial production. This amount ensures around 2.5 years of production.

Revenues at 31 December 2012 came to €mil. 4,243, up by 8.4% compared to 31 December 2011 (€mil. 3,915), largely due to the significant growth in certain helicopter production segments (AW101 and AW139).

Adjusted EBITA at 31 December 2012 came to €mil. 473, up (+13.4%) compared to 31 December 2011 (€mil. 417). This improvement is partially due to the above-mentioned increase in production volumes and partly to the streamlining and restructuring initiatives rolled out at the end of last year. Accordingly, **ROS** increased (up 0.4 percentage points) to 11.1% from 10.7% for the period ended 31 December 2011.

In 2012, **research and development** costs came to €mil. 506 (€472 in 2011) and mainly related to the development of:

- technologies, primarily for military use, for a new 8 tonne class helicopter named AW149;
- multi-role versions of the AW609 convertiplane for national security which is fully owned by and under the full responsibility of AgustaWestland;
- a 4.5t twin-engine helicopter (AW169).

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

The **workforce** at 31 December 2012 came to 13,050, down by net 253 employees on the 13,303 employees at 31 December 2011. This is mainly due to:

- the restructuring plan at the British site of Yeovil, which was fully funded by the British Ministry of Defence, with the laying off of 375 employees at 31 December 2012;
- the outsourcing of certain non-core activities of the Polish site of Swidnik.

DEFENCE AND SECURITY ELECTRONICS

€ million	31 December 2012	31 December 2011
New orders	5,136	4,917
Order backlog	8,831	9,591
Revenues	5,754	6,035
Adjusted EBITA	384	303
ROS	6.7%	5.0%
Research and development	732	823
Workforce (no.)	25,183	27,314

Finmeccanica operates in the Defence and Security Electronics industry through the SELEX ES Group and the DRS Technologies (DRS) group.

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

Security, also including the protection against threats deriving from the unauthorised use of digital information and communications systems (cyber security), has become one of the priority issues of governments and decision makers. Leveraging their distinctive expertise, the companies have developed an offering of products and services for government and civil security operators aiming the protection of critical and strategic infrastructures and locations, while paying particular attention to issues related to the security of telecommunications networks and IT systems that are the crucial core on which the modern digital economy is based.

New orders at 31 December 2012 totalled €mil. 5,136, up by the figure posted for the same period of the previous year (€mil. 4,917). Key new orders in the various segments include:

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics equipment and radars for the third lot, as well as logistics (Q1-2-3-4); the order for activities related to the fixed and mobile component of the ground-based part of a surface-to-air surveillance system forming part of NATO's Alliance Ground Surveillance programme (Q2); orders for various space programmes and, specifically, as part of the Aurora Exomars and Galileo programmes (Q1-2-3-4); orders for countermeasure systems (Q1-2-3); orders for the NH90 helicopter programme (Q1-2-3-4); the order from SAAB for development activities of the active electronic-scan radar of the Gripen NG multirole fighter (Q2); the order from the Italian Navy for the ground station supporting ATOS surveillance systems on the ATR 72 aircraft as part of its P72A programme (Q1); the order for Unmanned Aerial Vehicle systems for a foreign country (Q1); the order from the British Ministry of Defence for the supply of electro-optical turrets for the fleet of Chinooks (Q2); the order to upgrade the laser targeting capability of the Apache helicopters used by the US army (Q2); customer support (Q1-2-3-4);
- *major integrated defence and security systems*: the further lot of the contract with the Italian Ministry of Defence to raise the level of protection at Italian operating and support bases in Afghanistan (Q3);
- *command and control systems* in the *defence systems* area: the order from the Italian Navy to implement the TESEO system on Orizzonte vessels (Q1); orders for the Medium Extended Air Defence System programme (Q1); the order from the Indian navy to supply a RAN 40L ship-detection radar (Q2). In the *civil systems* area: contracts with Uruguay's Civil Aviation Department and the Royal Bahraini Air Force for the supply of primary and secondary radar systems to control and manage air and airport traffic (Q2); the order to upgrade the control tower at Kuala Lumpur's airport in Malaysia (Q3); the contract with the National Centre for Natural Disaster Monitoring and Alerts (*Centro Nacional de Monitoramento e Alertas de Desastres Naturais)* in Brazil for the supply of nine weather radars (Q4); the order from the Aeronautical Radio of Thailand for the supply of six secondary radars, civil works and radio devices (Q4);
- *integrated communication networks and systems*: the order from NATO to develop, implement and manage the Computer Incident Response Capability - Full Operating Capability programme to protect data from threats and weaknesses as part of cyber security at numerous NATO command centres and locations in various countries (Q1); the order, as part of NATO's above-mentioned Alliance Ground Surveillance programme, to supply the broadband data link (Q2); further orders in the EFA programme to supply various communications devices (Q1-2-3-4); orders for communications systems for helicopter platforms (Q1-2-3-4); orders for

communications systems of the VBM and VTMM vehicles from the Italian Army (Q2-3-4); the order, as part of a cooperation agreement between the Italian and Israeli Governments, for the supply of identification and communication systems and flight control computers for Alenia Aermacchi's M346 training aircraft and, via ELTA Systems Ltd, communication subsystems (NATO standard), tactical data links and identification systems for two Conformal Airborne Early Warning aircraft for the Italian Air Force (Q3); the order for the supply of radio jammers for the Italian Directorate General for Land Weapons Systems (*Direzione Generale Armamenti Terrestri*) (Q4); the order for a tactical transmission system for the German Army (Q4); the order from Ansaldo STS to supply the communication system for the Shah-Habshan-Ruwais railway section in the United Arab Emirates (Q2); the order from ENAV for the supply and installation of Ground Stations aimed at implementing and upgrading the data link system for aircraft (Q4);

- *information technology and security:* the order to develop and manage the Ministry of Education, University and Research's IT system (Q1); further orders from the Russian postal service to supply systems for their revenue protection programme (Q1-4); the order for maintenance and technical assistance services for Poste Italiane S.p.A.'s mail sorting lines and equipment (Q2-3); the order for the turnkey supply of the postal sorting centre in Budapest (Q4); orders for various system and software support initiatives for the Ministry of Justice (Q3);
- *DRS*: the order to supply modular fuel tanks for the US Army's Modular Fuel System (Q1); the order from the US Navy to supply electronic security services to the Space and Naval Warfare Systems Command (Q2); further orders to supply Thermal Weapon Sight vision systems used by the US Armed Forces (Q1-2); additional orders for the upgrade of the target acquisition sub-systems of the Bradley fighting vehicles (Q1-2-3); orders for support, technical assistance and logistics services for the Mast Mounted Sight vision system for OH-58D Kiowa Warrior helicopters (Q1-4); additional options to the contract in order to provide logistics support to the fleet of E6-B aircraft of the U.S. Navy (Q1-2-3-4); orders to supply satellite communication services as part of the Future Commercial Satellite Communications Services Acquisition programme (Q2-3).

At 31 December 2012, the **orders backlog** came to €mil. 8,831, compared to €mil. 9,591 at 31 December 2011. Around 80% of this amount related to operations of European companies active in the sector.

At 31 December 2012, **revenues** came to €mil. 5,754, with a €mil. 281 decrease over the corresponding period of the previous year (€mil. 6,035), which was mitigated by the appreciation of the US dollar and the pound sterling against the Euro. This trend was seen across all lines of the

segment, due to the generalised difficulties and the slow-down in purchases and start-up of new orders, worsened by the simultaneous decrease in the contribution of important programmes now in their final stages. This includes the decreased activities for the US Armed Forces, as substantially expected, and the drop in production volumes in the *command and control systems* and, to a lesser extent, the *avionics* and *information technology and security* lines, which were also impacted by the freezing of the Ministry for the Environment, Land and Sea's SISTRI programme (see Note 23).
This is also confirmed by new orders/revenues ratio of less than one, like in 2011. The sluggish demand in this business segment will impact its growth in the coming year.

Revenues in the various lines were mainly generated by:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub-System production and the production of avionics equipment and radar for the EFA programme; countermeasure systems; equipment for the helicopter and space programmes; combat and surveillance radar for other fixed-wing platforms; customer support and logistics;
- *major integrated defence and security systems:* continuation of the Forza NEC programme; progress on activities related to the Phase 2 Coastal Radar programme; activities related to the Panama Maritime Security System programme;
- *command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading Italian Navy vessels; the programme to supply combat systems for the Algerian logistic support amphibious vessel; progress in the Medium Extended Air Defence System international cooperation programme; progress on the programme to supply Fixed Air Defence Radar ground radar for the domestic customer; progress on the supply of fighting systems for vessels for various foreign customers;
- *integrated communications systems and networks*, the development and manufacture of equipment for EFA and helicopter platforms; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme and to the construction of the national TETRA network;
- *information technology and security*: activities relating to postal and industrial automation services both in Italy and abroad, to monitoring and physical security for domestic customers and ICT services for government agencies;
- *DRS*: the additional supply of Thermal Weapon Sight system issued to soldiers as sight device; 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 system for helicopters; the continuation of deliveries of rugged computers and

displays, particularly for the Joint Battle Command - Platform programme (JBC-P); provision of services and products for the Rapid Response contract and satellite communications services.

At 31 December 2012, **Adjusted EBITA** came to €mil. 384, showing an increase compared to 31 December 2011 (€mil. 303), mainly due to the negative effect of some "extraordinary" events, which were recorded at the end of the previous financial year. These events related to the review of the assumptions of development and competitiveness in various areas of activity in the segments of *major integrated defence and security systems* and *command and control systems*. Beyond this situation, Adjusted EBITDA was affected by the abovementioned drop in production volumes, as well as by the continuing difficulties in the *command and control systems* line and in some areas of activity of the *information technology and security* line, which were partially offset by savings generated by the plans underway to improve competitiveness and efficiency and for restructuring. **ROS**, consequently, was 6.7%, higher compared to the value recorded at 31 December 2011 (5.0%).

The sector was affected by the implementation of competitiveness, streamlining and restructuring plans, as well as by the integration of the European businesses into a single company, aimed at developing, within the set timeframes, a significantly streamlining technologies, product lines and industrial facilities. This entity will operate in conjunction and in coordination with DRS (which will not be affected by the business combination given the special regulations to which it is subject). The single entity will be able to successfully take on key industry players, compete on the main markets and take advantage of a technological, financial and production structure that will make it possible to generate significant cash flows and an adequate return on invested capital.

Research and development costs at 31 December 2012 came to €mil. 732 (compared to €mil. 823 at 31 December 2011) and mainly relates to:

- *avionics and electro-optical systems* segment: development for the EFA programme; new systems and sensors for Unmanned Aerial Vehicles (UAV); new electronic-scan radar systems for both surveillance and combat; improvements to avionics suites to satisfy the demands of the new fixed and rotary-wing platforms;
- *major integrated defence and security systems* and *command and control systems* segments: the continuation of activities for the 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); on naval combat systems; the completion of activities for the Kronos 3D surveillance radar and the active multifunctional MFRA;

- *integrated communication systems and networks* segment: the development of TETRA technology products and software defined radio products; satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions; specific functionalities for advanced Unmanned Airborne Systems.

At 31 December 2012, the **workforce** numbered 25,183, down by a net 2,131 on the 27,314 employees at 31 December 2011, attributable to the on-going reorganization process of various segments, particularly at DRS.

AERONAUTICS

€ million	31 December 2012	31 December 2011
New orders	3,169	2,919
Order backlog	8,819	8,656
Revenues	2,974	2,670
Adjusted EBITA	104	(903)
ROS	3.5%	(34)%
Research and development	310	326
Workforce (no.)	11,708	11,993

The Aeronautics division includes Alenia Alenia Aermacchi SpA (production of military aircraft for combat, transport, special missions and training, as well as civil applications such as regional turboprop aircraft, aerostructures and engine nacelles) and its subsidiaries, including: Alenia Aermacchi North America Inc., operating in the US market through a joint venture and GIE-ATR (final assembly and marketing of ATR aircraft), and SuperJet International SpA (sale and assistance for Superjet aircraft) joint ventures, which are consolidated on a proportional basis at 50% and 51%, respectively.

New orders at 31 December 2012 came to €mil. 3,169, up by €mil. 250 (+8.6%) compared to 31 December 2011 (€mil. 2,919). The increase was due to increased orders in the *military* segment, related to EFA, M346 and C27J programmes, which more than offset the drop in the civil line, which had experienced significant orders of ATR aircraft in 2011.

The main orders received in 2012 included the following:

- in the *military* segment:
  - for the EFA programme, the contract to supply technical-logistics services for five years. This order forms part of a broader contract agreed by the Eurofighter consortium with NETMA to support the fleet of aircraft of the programme’s four partner nations: Italy, Germany, Spain and the United Kingdom (Q1);

- for the M346 programme, the order for the supply of 30 training aircraft to the Israeli Air Force, which was signed in July as part of a cooperation agreement between the Italian and Israeli governments;
- for the C27J programme: the order for ten aircraft for the Australian Air Force via a Foreign Military Sales agreement with the government of the United States, with the contract awarded to the partnership between L-3 - as prime contractor - and Alenia Aermacchi (Q2);
- for the Maritime Patrol version of the ATR 72 aircraft, the additional order for logistical support for the four aircraft under production ordered by the Italian Air Force in 2008 for maritime patrol (Q1);

- in the *civil* segment:
  - for the ATR aircraft, GIE-ATR received new orders for 74 aircraft (59 in the fourth quarter), from various airlines, 20 of which from Malaysia Airlines (Q4), 15 from the Colombian Avianca Taca Airline (Q4), 9 from Taiwan TransAsia Airways (Q2-4), 7 from the Australian Sky West Airlines (Q4) and 8 from the Irish Aer Arann Airlines (Q4);
  - for aerostructures, orders for additional lots of the B767, B777, A380, ATR and A321 programmes and for engine nacelles (Q1-2-3-4).

The **order backlog** at 31 December 2012 came to €mil. 8,819 (€mil. 8,656 at 31 December 2011) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (36%), B787 (15%), ATR, (17%), M346 (9%) and C27J (6%) programmes.

Revenues at 31 December 2012 came to €mil. 2,974, up by €mil. 304 (+11.4%) compared to 31 December 2011 (€mil. 2,670), due to increased operations in the *civil* segment and, in particular, to the increased production rates for the B787, ATR, A380 and A321 aircraft. In the *military* segment, revenues were essentially in line with the previous year, due to increased activities for EFA (supply of equipment and logistics activities), M346 and ATR special version aircraft, which offset the reduced production rates of transport aircraft (C27J and G222).

Adjusted EBITA at 31 December 2012 came to €mil. 104 compared to a negative value of €mil. 903 at 31 December 2011, which included considerable "extraordinary" charges totalling €mil. 800, €mil. 753 of which related to the B787 programme. Excluding these "extraordinary" events, the final result posted at 31 December 2012 showed an improvement of €mil. 207 compared to the corresponding period of the previous year and was mainly attributable to:

- higher volumes of activities (€mil. 36);
- increase in profitability (€mil. 89), mainly attributable to the renegotiation of trade agreements and to the higher contribution from some programmes (A380, Falcon, ATR special version and transport aircraft), which recorded higher costs for the completion of some supplies in 2011;
- the improvement in industrial efficiency as a result of the on-going restructuring and reorganization plan, the reduction in operating costs and the benefits arising from streamlining the supply chain (€mil. 82).

Accordingly, **ROS** came to 3.5% compared to a negative value recorded at 31 December 2011.

In 2012, **research and development** expenses came to €mil. 310 (€mil. 326 at 31 December 2012) and comprise the progress made on the main programmes under development: M346, C27J, B787 basic version, and Unmanned Aerial Vehicles and in activities related to innovative aerostructures using composite materials and system integration. Development also continued on important military (EFA, AMX and Neuron) and civil (CSeries and B787-9 derivative version) programmes.

The **workforce** at 31 December 2012 was 11,708, down a net 285 employees on the 11,993 employees at 31 December 2011. This is due, *inter alia*, to:

- the final hiring of 472 employees, former temporary workers, as per the agreement reached with the trade unions on 8 November 2011;
- the early retirement incentive and redundancy scheme of 620 employees as part of the restructuring and business reorganisation underway.

SPACE

€ million	31 December 2012	31 December 2011
New orders	866	919
Order backlog	2,261	2,465
Revenues	1,053	1,001
Adjusted EBITA	84	18
ROS	8.0%	1.8%
Research and development	53	77
Workforce (no.)	4,131	4,139

Finmeccanica operates in the space industry through the **Space Alliance** between Finmeccanica and Thales through two joint ventures dedicated, respectively, to satellite services (Telespazio S.p.A., in which Finmeccanica S.p.a. holds 67% and Thales SAS 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 SAS 67%).

Telespazio focuses on *satellite services* in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, value-added services); satellite operations (in-orbit satellite control, telemetry services, command and control and Launch and Early Operation Phase services, operational management of infrastructures and systems for satellite communications and television broadcasting); satellite systems and applications (earth centre design, development and management, consulting and engineering services, development of navigation, training and meteorology applications) and geoinformation (data, thematic maps, operational services, monitoring services and territorial surveillance).
Thales Alenia Space focuses on *manufacturing* (design, development and production) in the following segments: telecommunications satellites (commercial, government and military), scientific programmes, earth observation systems (optical and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

New orders at 31 December 2012 totalled €mil. 866, down by approximately 6% compared to 31 December 2011 (€mil. 919). This decrease mainly related to the postponement of the order relating to the acquisition of the *Cosmo 2G* contract, which was expected in the latter period of 2012. The most significant new orders for the period relate to the following segments:

- in the *commercial telecommunications* segment, the contract with the satellite operator Arabsat for the implementation of the payload of the BADR-7 sixth-generation satellite (Q4); contracts for the supply of the Turkmensat and Eutelsat 8 West B satellites (Q3); new orders for TV satellite capacity and services (Q1-2) and satellite telecommunications services (Q1-2-3);
- in the *military telecommunications* segment, additional lots of the order from the Italian Space Agency and the French Space Agency (CNES) for the Athena Fidus satellite (Q1) and orders for military satellite telecommunications services (Q1-2-3);
- in the *earth observation* segment, additional lots of the order for third-generation Meteosat satellites (Q1-2); the order for the supply of the OPSAT - 3000 optical satellite system (Q3); orders for Cosmo data and stations and for GeoEye data (Q1-2-3);
- in the *satellite navigation* segment: the order related to the Egnos programme (Q1);
- in the *science programmes* segment: an additional lot for the Bepi-Colombo (Q1) and Exomars (Q1-2-3) programmes.

The **order backlog** at 31 December 2012 totalled €mil. 2,261, a decrease of €mil. 204 from the figure at 31 December 2011 (€mil. 2,465). The backlog at 31 December 2012 is composed of manufacturing activities (58%) and satellite services (42%).

In 2012, **revenues** came to €mil. 1,053, an increase of €mil. 52 compared to the corresponding period of the previous year (€mil. 1,001). Production, broken down for 65% to manufacturing and for 35% to services, mainly relates to the continuation of activities in the following segments:

- in the *commercial telecommunications* segment for the Russian AM8/AT1&AT2, Yamal- 401 and 402 satellites and payloads; for the O3B and Iridium NEXT satellite constellations; for the provision of satellite telecommunications services and the resale of satellite capacity;
- in the *military telecommunications* segment for the Sicral 2 and Athena Fidus satellite and for the provision of military satellite telecommunications services;
- in the *earth observation* segment for the satellites for the Sentinel mission (Kopernikus programme, previously known as GMES); for the Göktürk satellite system for the Turkish Ministry of Defence; for the third-generation Meteosat constellation;
- in the *science programmes* segment for the Exomars and Bepi-Colombo programmes;

- in the *satellite navigation* segment for the ground mission segment of the Galileo programme and activities related to the Egnos programme.

Adjusted EBITA at 31 December 2012 came to €mil. 84 compared to €mil. 18 recorded at 31 December 2011, which included "extraordinary" charges totalling €mil. 50 due only to the *satellite services* segment. Excluding these "extraordinary" events, the final result posted at 31 December 2012 showed an improvement of €mil. 16 compared to the corresponding period of the previous year and was attributable to the abovementioned higher volumes for €mil. 6 and to the benefits from efficiency-improvement actions started in 2012, for the remaining €mil. 10. Accordingly, **ROS** amounted to 8.0%, compared to 1.8% recorded at 31 December 2011.

In 2012, **research and development** costs came to €mil. 53, a decrease of €mil. 24 from the figure posted in the corresponding period of the previous year (€mil. 77).
Activities in this area largely included the continued development of systems, solutions and applications for security, emergency management, homeland security (Kopernikus programme) and for navigation/infomobility services (Galileo programme); aerial communications solutions (SESAR); solutions for optimising the satellite band; processing systems for earth observation SAR data; flexible payload devices for military communications applications; studies on landing systems for planetary exploration and on technologies for orbiting structures and life-support systems.

The **workforce** at 31 December 2012 came to 4,131, essentially in line with the value of employees reported at 31 December 2011 (4,139 units).

DEFENCE SYSTEMS

€ million	31 December 2012	31 December 2011
New orders	1,005	1,044
Order backlog	3,381	3,656
Revenues	1,256	1,223
Adjusted EBITA	164	117
ROS	13.1%	9.6%
Research and development	257	247
Workforce (no.)	3,963	4,066

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

New orders at 31 December 2012 came to €mil. 1,005, a slight decrease over €mil. 1,044 figure at 31 December 2011, due to lower purchases of *missile systems* and *underwater systems,* which were affected by the postponement of important contracts, both domestic and export and which were offset by the increase in the *land weapon systems* segment, due to a significant order for the supply of additional MAVs to the Italian Army. Key new orders of the reporting period include:

- in the *missile systems* segment: the order to supply Mica air-to-air missiles as part of the upgrade of the Mirage 2000 fleet used by the Indian Air Force (Q1); an order for naval air defence systems in Eastern Europe (Q4); an important contract from domestic customers for support activities within the air defence programme Aster (Q3); customer support orders (Q1-2-3-4);
- in the *land, sea and air weapons system* segment: the order for an additional lot of MAVs to the Italian Army (Q2-4); the acquisition of the contract for two 127/64 LW naval cannons from Algeria (Q3); the orders for four 76/62 SR naval cannons and eight Marlin 30mm machine gun

systems from Oman (Q4); an additional contract related to the *Forza NEC* programme for the Italian Army (Q4) and logistics orders from various customers;

- in the *underwater systems* segment, orders related to the FREMM programme from France (Q2) and various logistics orders, as well as other minor contracts in the business areas of heavy and light torpedoes and countermeasures.

The **order backlog** at 31December 2012 came to €mil. 3,381, compared to €mil. 3,656 at 31 December 2011, of which about 63% related to *missile systems*.

Revenues at 31 December 2012 came to €mil. 1,256, up by about 3% compared to 31 December 2011 (€mil. 1,223), essentially recorded in the *underwater systems* line. Revenues were the result of the following activities in the various segments:

- in the *missile systems* segment: activities for the production of Aster surface-to-air missiles, Spada air defence missile systems and Exocet anti-ship missiles; the first deliveries of air-to-surface missiles as part of an important programme for a foreign country; activities relating to the development of the air defence system in connection with the Medium Extended Air Defence System programme; customer support;
- in the *land, sea and air weapons systems* segment: production of MAVs for the Italian Army; Hitfist turrets kits for Poland; FREMM programme activities; production of SampT missile launchers; the production of machine guns for various foreign customers and logistics;
- in the *underwater systems* segment: activities relating to the Black Shark heavy torpedo and the A244 light torpedoes and to countermeasures; activities relating to the FREMM programme and logistics.

Adjusted EBITA at 31 December 2012 totalled €mil. 164, up on the figure reported for 31 December 2011 (€mil. 117), mainly due to the considerable improvement in the profit margins in *underwater systems* segment, which, however, in the latter part of the previous year, reflected the impact of some “exceptional” events related to the deterioration in relationships with certain counterparties and to higher costs on a programme, and in *missile systems* segment, which benefitted, in particular, from the start of the deliveries on an important export programme and from successful achievement of some technical milestones. Accordingly, **ROS** came to 13.1% (9.6% at 31 December 2011).

Research and development costs at 31 December 2012 came to €mil. 257, 4% higher compared to €mil. 247 recorded at 31 December 2011. Key activities included: in the *missile systems* line, activities for the Medium Extended Air Defence System programmes and activities for the development programmes for the UK Ministry of Defence, as well as the continuation of development of the Meteor air-to-air missile; in the *land, sea and air weapons systems* segment, activities for guided ammunition programmes and for the development of the 127/64 LW gun; in the *underwater systems* segment, activities relating to the A244 light torpedo and the Black Shark heavy torpedo.

The **workforce** at 31 December 2012 came to 3,963, down by 103 employees on the 4,066 employees at 31 December 2011.

ENERGY

€ million	31 December 2012	31 December 2011 (*)
New orders	834	1,258
Order backlog	1,978	1,939
Revenues	715	981
Adjusted EBITA	65	91
ROS.	9.1%	9.3%
Research and development	17	23
Workforce (no.)	1,830	1,872

(*) 2011, financial data and orders included 100% consolidation of Ansaldo Energia up to the date of the partial transfer to First Reserve (13 June 2011). After such date, this Group was consolidated on a proportional basis (55%). In order to provide an accurate picture of the division's performance, changes in income statement items will each time be reported on a like-for-like basis of accounting for the periods compared.

Finmeccanica is active in the Energy division through Ansaldo Energia S.p.A. (55% Joint Venture) and its investees, Ansaldo Nucleare S.p.A., Asia Power Projects Private Ltd, Ansaldo Swiss AG, the Ansaldo Thomassen group and Yeni Aen Insaat Anonim Sirteki.

The Energy division specialises in providing plants and components for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), post-sale *service*, *nuclear* activities (plant engineering, service, waste and decommissioning) and services related to power generation from *renewable energy* resources.

New orders at 31 December 2012 amounted to €mil. 834, down by €mil. 424 over the €mil. 1,258 figure of the corresponding period of the previous year. Using a like-for-like basis of accounting, new orders decreased by €mil. 65, mainly due to lower orders in the *service* segment. Key new orders of the reporting period include:

- in the *plants and components* segment: an open-cycle plant in Algeria (Hassi Messaud) (Q2); supply of a gas turbine and alternator in Algeria (Labreg) (Q2); supply of two steam turbines and alternators in Chile (Cochrane) (Q2-Q4); the supply of a steam turbine and alternator in Egypt (Giza North) (Q3); supply of a combined-cycle plant in Tunisia (Sousse D) (Q4); supply of two alternators in Italy (Codrogianus) (Q4); supply of four gas turbines and related alternators in Russia (Moscow and Saint Petersburg) (Q4);
- in the *service* segment: the solution contract (changing parts of the turbine) related to the revamping of the nuclear turbo alternator for a power station in Argentina (Embalse) (Q1); the Long Term Service Agreement (LTSA) related to the combined-cycle plant in Tunisia (Sousse D) (Q4); various contracts for spare parts and field service operations;
- in the *nuclear* segment: the plant engineering order in Argentina (Embalse) (Q1); the order for the full-scale prototype of the divertor's inner vertical target for a nuclear power station in France (Cardache) (Q2); the supply of emergency diesel generators, related components and services for the nuclear plant in Embalse, in Argentina (Q4).

The **order backlog** at 31 December 2012 totalled €mil. 1,978, up by €mil. 39 over the €mil. 1,939 at 31 December 2011. The composition of the backlog is attributable for 41% to *plants and components,* 56% to *service* activities (72% of which is represented by long-term service agreements - LTSAs - for scheduled maintenance contracts) and the remaining 3% to *nuclear*.

Revenues at 31 December 2012 amounted to €mil. 715, a decrease of €mil. 266 from the €mil. 981 reported for 2011. Using the same basis of accounting, revenues decreased by €mil. 13, attributable to lower operations in the *plants and component* line. Revenues were mainly generated by the following activities:

- in the *plant and components* segment: orders from Italy (Aprilia), Tunisia (Sousse), Egypt (El Sabtia – Cairo, Giza North), Turkey (Gebze) and Algeria (Ain Djasser II, Labreg and Hassi Messaud);
- in the *services* segment: LTSAs in Italy (Servola, Rizziconi, Ferrara, Naples, Sparanise, various Enipower facilities), in Poland (Rzeszow) and in Northern Ireland (Ballylumford); in the spare part area, the activities on the gas and steam turbines in Spain (Algeciras and Escatron), Jordan (Amman-East), Bolivia (Carrasco), Turkey, Algeria (Hamma, Batna) and in Greece (Chania); activities in Italy (Ravenna, Ferrera and Mantua) and in Chile (Mejillones) in the field service area;
- in the *nuclear* segment: in the *plant engineering* area, activities continued on the Sanmen project in China with Westinghouse for the new AP1000 nuclear reactors and engineering activities on

the Slovakia power station to complete the two VVER 440 reactors (Mochovce). In the *services* area, revamping activities at the power station in Argentina (Embalse). In the waste and decommissioning area, note the activities on the nuclear power plant in Ignalina in Lithuania and the treatment and storage of radioactive waste from submarines in Russia (Andreeva Bay);

- in the *renewable energy* segment: in the *wind* segment, note the activity relating to the order from Avellino (Bisaccia) for construction of a 66 MW wind farm; in the *photovoltaic* area, progress on the orders relating to Siracusa (Francofonte), Avellino (Bisaccia), Lecce (Martano and Soleto) and L'Aquila (Pratola).

Adjusted EBITA at 31 December 2012 came to €mil. 65, down by €mil. 26 over the €mil. 91 at 31 December 2011. Using the same basis of accounting, Adjusted EBITA showed a decrease of €mil. 7 compared to the previous year, mainly due to lower production volumes and lower industrial profitability in *plants and components* and *service* lines. At 31 December 2012, **ROS** was 9.1%, compared to 9.3% at 31 December 2011.

Research and development costs at 31 December 2012 came to €mil. 17, down by €mil. 6 compared to the previous year (€mil. 23). Using the same basis of accounting, there were no substantial changes with respect to the corresponding period of the previous year.

The **workforce** at 31 December 2012 stood at 1,830, down by 42 employees on the 1,872 employees at 31 December 2011.

TRANSPORTATION

€ million	31 December 2012	31 December 2011
New orders	2,290	2,723
Order backlog	8,679	8,317
Revenues	1,719	1,877
Adjusted EBITA	(67)	(110)
ROS	(3.9%)	(5.9%)
Research and development	49	46
Workforce (no.)	6,568	6,876

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

New orders at 31 December 2012 totalled €mil. 2,290, down by €mil. 433 compared to the previous year (€mil. 2,723). This decrease mainly related to the lower purchases in signalling and transportation solutions line, which, in 2011, benefitted, in particular, from the recording of the important order for the construction, operation and maintenance of the new automated metro system in Honolulu.

Key new orders of the reporting period include:

- for the *signalling and transportation solutions* line:
    - in the *signalling* area: the order for the first two stages of a signalling system for the train line for heavy traffic use for the Roy Hill Iron Ore project in Australia (Q2); the contract agreed with South-eastern Pennsylvania Transportation Authority for the Positive Train Control integrated signalling system (Q1); the order for the High Speed/ High Capacity Line between Treviglio and Brescia stations (Q4); the order for the new Shah-Habshan-Ruwais line in the United Arab Emirates (Q1); the contract for the supply of the railway traffic control system for a high-speed line in Korea (Q3); the order for the development of

the computer-based interlocking system (*Apparato Centrale Computerizzato*, ACC) of Brescia Central station (Q4); various components and service & maintenance contracts;

  - in the *transportation solutions* area, the AutoHaul™ contract to develop and supply an automated train management system for the heavy transport of the iron ore for Rio Tinto Iron Ore, awarded as part of the master agreement signed with Rio Tinto Iron Ore (Q2), other contracts under the same master agreement, in Australia, and changes relating to the automated metro system project in Copenhagen, named Cityringen;

- in the *vehicles* line, the order for the supply of vehicles for the Miami metro system (Q4); the contract for the supply of vehicles for line 1 and 2 of the Milan metro system (Q4); the change to Trenitalia's 2010 order for high-speed trains (Q2); additional vehicles that had already been optioned for the Fortaleza metro system in Brazil (Q2); service orders;
- in the *bus* line, orders for nineteen buses and various post-sales orders.

At 31 December 2012, the **order backlog**, totalled €mil. 8,679, up by €mil. 362 compared to 31 December 2011 (€mil. 8,317). The *signalling and transportation solutions* line accounts for 64.9%, the *vehicles* line for 34.9% and the *bus* line for 0.2%.

At 31 December 2012, **revenues** came to €mil. 1,719, down by €mil. 158 compared to 2011 (€mil. 1,877). This decrease mainly related to lower revenues from *vehicles* and *buses* segments, which were partially offset by the increased activities in the *signalling and transportation solutions* segment. In particular, revenues were generated by the following orders:

- for the *signalling and transportation solutions* line:
  - in the *signalling* area, high-speed projects, train control systems and the Turin-Padua stretch in Italy; contracts for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale railway lines and for the Ankara metro in Turkey; orders for Australian Rail Track in Australia; the contract for the Red Line of the Stockholm metro in Sweden; the order related to the Shah-Habshan-Ruwais line, in the United Arab Emirates; the Union Pacific Railroad project in the US; various components contracts;
  - in the *transportation solutions* area, the Copenhagen, Rome Line C, Naples Line 6, Milan, Brescia, Genoa, Milan and Riyadh (Saudi Arabia) metros; the Rio Tinto projects in Australia;
- in the *vehicles* line, double-decker carriages for Trenitalia; trains for the Danish railways; high-speed trains for Trenitalia; trains for the Dutch and Belgian railways; vehicles for the Fortaleza (Brazil), Milan and Riyadh (Saudi Arabia) metros;
- in the *bus* line, various bus orders, representing 56% of this line's revenues, and post-sales activities.

At 31 December 2012, **Adjusted EBITA** was negative for €mil. 67, up by €mil. 43 compared to the value recorded at 31 December 2011 (negative for €mil. 110).

It should be noted that, at 31 December 2011, Adjusted EBITA included an "extraordinary" provision in the *vehicles* segment to cover risks related to "non-quality costs" (€mil. 47); excluding this impact, at 31 December 2012, **Adjusted EBITA** in the sector showed a reduction of €mil. 4 compared to the previous year, mainly due to the *vehicles* segment. Therefore, at 31 December 2012, this sector showed profitability which was still negative and lower than the expected performance, and which was affected, in particular, by losses in profits in the *service* area.

The *buses* segment also showed a decrease (€mil. 3), compared to 2011, in production volumes, which were significantly lower than the previous year and the expected performance (due to lack of new orders), whereas the *signalling and transportation solutions* segment showed an increase, due to higher production volumes and lower structure costs, which were partially offset by a negative effect arising from the different composition of the activities developed during the reporting period. Accordingly, **ROS** recorded a negative value of 3.9% (5.9% negative at 30 December 2011).

Research and development expenses at 31 December 2012 came to €mil. 49 (€mil. 46 at 31 December 2011) and mainly related to projects in the *signalling and transportation solutions* line.

The **workforce** at 31 December 2012 numbered 6,568, down by net 308 employees on the 6,876 employees at 31 December 2011. This relates to the *vehicles* line and to the *signalling and transportation solutions* line.

OTHER ACTIVITIES

€ million	31 December 2012	31 December 2011
New orders	124	319
Order backlog	159	256
Revenues	347	305
Adjusted EBITA	(127)	(149)
ROS	n.s.	n.s.
Research and development	5	6
Workforce (no.)	975	911

The business segment includes, *inter alia*, Finmeccanica Group Services S.p.A., which manages group services, Finmeccanica Finance SA and Meccanica Holdings USA Inc., which provide the Group with financial support, Finmeccanica Group Real Estate S.p.A. (FGRE), which manages, streamlines and enhances the Group's real estate assets, and So.Ge.Pa. S.p.A. in liquidation. It also includes the **FATA** group, which provides plant and equipment for the processing of aluminium and steel and contracting services to electricity generation and primary aluminium production companies.

At 31 December 2012, the FATA group had received **new orders** of €mil. 124, down €mil. 195 compared to the previous year (€mil. 319). At 31 December 2011, the FATA group was positively affected by a large new order received from Oman.

At 31 December 2012, **revenues** totalled €mil. 221, up by €mil. 60 compared to 31 December 2011 (€mil. 161).

At 31 December 2012, the **workforce** numbered 469, compared to 346 employees at 31 December 2011.

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

Group will, therefore, benefit from an additional stimulus to its profitability through streamlining and cost-saving processes. These processes, aimed at reducing costs and which are progressing as planned, also involved Finmeccanica Spa directly, which has benefitted significantly at 31 December 2012.

SIGNIFICANT EVENTS IN 2012 AND EVENTS SUBSEQUENT TO CLOSURE OF THE ACCOUNTS

Industrial transactions

In the **Helicopters** business segment, AgustaWestland signed an agreement on 18 September 2012 with the US-based Northrop Grumman Corporation to take part in the forthcoming tender of the US Air Force for a new Combat Rescue Helicopter (CRH) and the future tender for the new presidential helicopter Marine One (VXX) which is under the responsibility of the US Navy. The partnership between AgustaWestland and Northrop Grumman brings together Finmeccanica's leadership in the rotary-wing sector and the US company's long experience in the area of mission systems and equipment integration on aircraft for the United States Department of Defense.

On 21 January 2013, AgustaWestland and Embraer announced that they had signed a Memorandum of Understanding to set up a joint venture in order to produce the AgustaWestland helicopters in Brazil (for military and commercial applications) intended for local and Latin America markets.

In the **Aeronautics** business segment, the merger of subsidiaries Alenia Aermacchi S.p.A. and Alenia SIA S.p.A. by incorporation into Alenia Aeronautica S.p.A. took effect on 1 January 2012.

On 17 January 2013, Alenia Aermacchi and General Dynamics signed a Letter of Intent that ratifies the partnership of the two companies in the tender for the supply of the future advanced trainer to the US Air Force (T – X programme). The two companies will offer the customer an integrated training system for pilots based on Alenia Aermacchi's T-100 platform, which is a variation of the M-346 advanced trainer in the US market. General Dynamics will play the role of Prime Contractor – through the C4 Systems business unit– and will share with the team its proven experience as a system integrator in order to deliver to the customer: aircraft, flight simulators, multimedia training courses and logistics support.

The programme to upgrade Finmeccanica's industrial structure in the **Defence and Security Electronics ("D&SE")** business segment, which was launched as early as 2010, continued with the corporate streamlining process, in response to the new strategic plan, which provides for an integrated organization at a European level. This will provide all business areas with a centralized and consistent direction and will further streamline the industrial and investment structure, thus adopting a unique approach to domestic and international customers. In this respect, 2012 saw the completion of the merger of Seicos S.p.A. and Amtec S.p.A. by incorporation into SELEX Elsag S.p.A., as well as the corporate combination of SELEX Galileo S.p.A., SELEX Elsag S.p.A. and SELEX Sistemi Integrati S.p.A. into SELEX ES S.p.A., with legal effect from 1 January 2013, and of the related businesses into SELEX Galileo Ltd (now SELEX ES Ltd) in the United Kingdom.

On 19 December 2011, Finmeccanica - through SELEX Elsag and Vega - and Northrop Grumman signed a collaboration agreement to meet the NCIRC (NATO Computer Incident Response Capability) - Full Operating Capability (FOC) programme requirements. The programme's aim is to ensure information security at around 50 NATO locations and sites across 28 countries, thus enabling a rapid and effective detection and response to Cyber Security risks and vulnerabilities. On 29 February 2012, Finmeccanica and Northrop Grumman were awarded the related contract by NATO NC3A (Consultation, Command and Control) Agency.

On 23 July 2012, Finmeccanica signed a strategic partnership agreement with the Italian and Russian postal services for the supply by its subsidiary SELEX Elsag of know-how and technology to develop and modernise the Russian postal network (comprising 42 thousand offices) by upgrading the logistics network and rolling out new digital services. Under this agreement, joint activities will also be carried out in 2012, which will be aimed at identifying further business opportunities that permit the application of Italian know-how to the Russian postal services.

On 15 November 2012, Finmeccanica and EXPO 2015 SpA signed an agreement according to which the Group will be the technology partner of the Universal Exhibition (*Esposizione Universale*) to be held in Milan from 1 May to 31 October 2015, for the Safe City & Main Operation Center platform. The partnership involves the supply of goods, infrastructures and services for a value of €mil. 28.3 and will allow the Finmeccanica Group – through its subsidiary SELEX ES – to implement, for the first time in Italy, the innovative Smart, Safe and Secure City model for the surveillance and protection of the exhibition site, pavilions and other infrastructures, as well as for the security of operators and visitors, leveraging on an operating center that is able to monitor and oversee the event in terms of safety.

At the end of October 2012, as to DRS, the new Proxy Agreement was signed with the Defense Security Service, which will be applied to the entire DRS Group. The company will be managed by a governance system, which on the one hand considers the needs to protect the national security interest of the United States, and, on the other, it ensures higher transparency and governability on the part of the non-US shareholder with respect to the rules imposed by the previous Proxy Agreement.

In the **Space** business segment, the overhaul of Telespazio group's organisational and management model involved the merger of Telespazio Holding S.r.l., Telespazio group's holding company (67% owned by Finmeccanica and 33% owned by the French company Thales) by incorporation into the operating company Telespazio S.p.A., as well as the restructuring of certain operations in Germany, through the merger of VEGA Space GmbH and Telespazio Deutschland GmbH into a single company (Telespazio VEGA Deutschland GmbH).

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

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

On 17 October 2012, AnsaldoBreda signed a trade agreement with Cnr Dalian for the transfer of AnsaldoBreda’s technology related to the Sirio platform for 600 new trams to be used for public transport in China. With the exception of the first ten vehicles that will be produced by AnsaldoBreda in its Pistoia facilities and that will be used to train Cnr Dalian personnel, the vehicles will be produced by Cnr Dalian in China under licence from AnsaldoBreda.

On 30 August 2012, Finmeccanica (on behalf of SELEX Sistemi Integrati, SELEX Elsag, Thales Alenia Space Italia, MBDA and Elettronica) and the University of Trento signed a three-year master agreement whereby Centro di Ricerca di Diagnostica Elettromagnetica ELEDIA (ELEctromagnetic DIAgnostic) - against financial consideration – grants the above companies a right of option on all results that should arise from the basic research into issues regarding innovation in the RF antennas area, including radiating systems architecture and new-generation sensing devices, as well as Wireless Power Transmission techniques.

On 23 November 2012, Finmeccanica signed a Memorandum of Understanding with the Ministry of Education, Universities and Research and with the Ministry of Labour and Social Policies, to launch, for the first time in Italy, the "Ticket to Work" project, which is aimed at supporting young generations in the transition from school to work through the enhancement of skills acquired in different work experiences: in Italy and abroad, on both a part-time and full-time basis, either formal or less formal such as internships, temporary and seasonal jobs.

Financial transactions

In December 2012 the Luxembourg subsidiary Finmeccanica Finance S.A. seized a favourable opportunity in the capital market, which is characterised by high availability of liquidity, with the consequent drop in price levels, and completed a new issue of Eurobonds on the market of institutional investors througha 5-year bond issue for a nominal value of €mil. 600 and with an annual coupon of 4.375%. The issue price was equal to 99.4% of the nominal value. The coupons will be paid on an annual basis. The issue, like all the other issues which have been previously completed by Finmeccanica Finance, is fully guaranteed by Finmeccanica S.p.A., is listed in the Luxembourg Stock Exchange and has been implemented within the EMTN programme of a total amount of €mil. 3,800, about €mil. 3,450 of which have been used after the abovementioned last issue. The proceeds from the issue will be used to refinance, at favourable conditions, part of the current debt expiring in December 2013, in line with the prudent borrowing policy which Finmeccanica has always pursued, extending the average term of the Group's debt and allowing a reduction in its average cost. In this framework, as early as December 2012, a nominal amount of €mil. 65 of bonds, due December 2013 and a coupon of 8.125%, was repurchased in the market, at an average purchase value equal to 106.4 % of the nominal value. Said purchase must be added to those that were already carried out in 2011 and in the previous months of 2012, thus determining a total average repurchase value equal to 105.88% of the nominal value of the bonds and reducing the outstanding amount to a nominal amount of €mil. 750. The issue was implemented by Banca IMI, Barclays, BNP Paribas, Citi, Commerzbank, Crédit Agricole, HSBC, JP Morgan, RBS, Société Générale and Unicredit.

Furthermore, it must be recalled that in 2012 the US subsidiary Meccanica Holdings redeemed (in several tranches) bonds to an overall amount of $mil. 66, due July 2019, with a coupon of 6.25%, issued by the company in 2009 to an overall amount of $mil. 500. The average repurchase price totalled 89.81% of the nominal amount, with an average annual yield of 8.13%. Unlike with bonds issued for the Euromarket, these bonds do not need to be cancelled immediately.

Below is a list of bond issues outstanding at 31 December 2012 which shows, in addition to those directly issued by Finmeccanica ("FNM") also the bond issuedby the subsidiaries Finmeccanica Finance ("FinFin") and Meccanica Holdings USA ("MH"), specifying switches (if any) from fixed-rate to floating-rate bonds. The average residual life of bond issues is about 10 years.

Issuer		Year of issue	Maturity	Currency	Outstanding nominal amount (€mil.)	Annual coupon	Type of offer
FinFin	(1)	2003	2018	€	500	5.75%	European institutional
FNM	(2)	2005	2025	€	500	4.875%	European institutional
FinFin	(3)	2008	2013	€	750	8.125%	European institutional
FinFin	(4)	2009	2019	GBP	400	8.00%	European institutional
FinFin	(5)	2009	2022	€	600	5.25%	European institutional
FinFin	(6)	2012	2017	€	600	4.375%	European institutional
MH	(7)	2009	2019	USD	434	6.25%	American institutional *Rule 144A/Reg. S*
MH	(8)	2009	2039	USD	300	7.375%	American institutional *Rule 144A/Reg. S*
MH	(9)	2009	2040	USD	500	6.25%	American institutional *Rule 144A/Reg. S*

1) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. The transaction was authorised pursuant to Art. 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 better than the coupon and corresponding to an average of some 5.6%.

2) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. The transaction was authorised pursuant to Art. 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange. It must be recalled that, at the end of 2011, the related transactions on interest rates were terminated in advance, which have allowed to turn the fair value into liquidity for €mil. 36; accordingly, the bond returned to a fixed rate of issue equal to 4.875%

3) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. To date, the entire residual value of the transaction (€ mil. 750) was converted into a floating-rate bond, with a benefit of over 200 basis points in 2012; as currently expected, it should be confirmed in 2013 as well.

4) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and 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.

5) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange.

6) Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange.

7) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue were entirely used by Meccanica Holdings USA to finance the purchase of DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Finmeccanica's purchase of DRS. As a result, these issues were not hedged against exchange rate risk, and no interest rate transactions on the issue were performed.

All the bond issues of Finmeccanica Finance and Meccanica Holdings are irrevocably and unconditionally secured by Finmeccanica, and are given a medium/long-term financial credit rating by the three international rating agencies: Moody’s Investors Service (Moody’s), Standard and Poor's and Fitch.

At the presentation date of this Report, Finmeccanica’s credit ratings are as follows: Baa3 with a negative outlook from Moody’s, BBB - with a negative outlook from Fitch and BB+ with a stable outlook from Standard and Poor’s. Specifically, it should be noted that Moody’s rating was changed first on 24 October 2012, following its decision to place Finmeccanica’s debt “on review for downgrade” in July as a result of the further downgrading of the Italian Republic. Following the closing date of the financial year, Moody’s changed the outlook previously assigned, from stable to negative, in consideration of the financial and operative profile of the Group, as well as of delays in the implementation of the disposals announced on which could weigh further uncertainties also considering judicial measures that involved some senior managers of the Group. On the basis of similar considerations, in February 2013 Fitch decided to place the rating of Finmeccanica on credit watch for a period of six months.

In January 2013, Standard and Poor’s decided to downgrade the rating assigned to the medium/long-term debt of Finmeccanica from the previous BBB - with a negative outlook to BB+ with a stable outlook, essentially in consideration of the extension of the time limits relating to the implementation of the disposal plan.

In this regard, it must be recalled that, in rating companies’ debt, Standard and Poor’s and Moody’s use methodologies that take account of a company’s strong connection with its government or of significant state interest in a company which may result in the issuer receiving a rating other than what it would have been given on a stand-alone basis. Moreover, the current credit ratings assigned by Standard and Poor’s and Moody’s do not show, to date, any difference between the “stand alone” rating and the rating determined based on Standard and Poor’s “Government related entities“ (GRE) and Moody’s “Government related issuers” (GRI) methodologies. Overall, Finmeccanica is rated “Investment Grade”, with a negative outlook, by Fitch and Moody’s, while, after the last downgrading, the rating assigned by Standard & Poor’s is “sub investment grade”.

Finally, it should be noted that the overall changes that have occurred in the rating of the Finmeccanica’s debt have not determined any significant effects on the loans in place that have been confirmed. However, it could be more difficult and costly to use some of the sources of financing used to date. On the other hand, the Group is actively committed to rolling out the steps of the restructuring plan launched in 2011, which include, *inter alia*, the reduction of debt. Moreover, the Group’s financial and investment and contract selection policies mean the Group constantly monitors the soundness of its financial position and its financial debt level, which also enable compliance with the indicators the rating agencies refer to.

All the bonds above are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets. In the case of the above 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 in which Finmeccanica SpA owns more than 50% of the share capital and represent at least 10% of Finmeccanica's consolidated gross revenues and capital) are expressly prohibited from pledging collateral security or other obligations to secure their debt in the form of bonds or listed financial instruments or financial instruments that quality for listing, unless these guarantees are extended to all bondholders. Exceptions to this prohibition are securitisation and, starting from July 2006, the establishment of assets for the use indicated in Art. 2447-bis et seq. of the Italian Civil Code. On the contrary, the cross-default clauses give the bondholders the right to request early redemption of the bonds in their possession in the event of default by the Group issuers and/or Finmeccanica and/or any "Material Subsidiary" that results in a failure to make payment beyond preset limits.

Other events

As part of the Group’s focus on its strategic sectors, on 21 December 2012 Avio S.p.A. signed an agreement with the General Electric Group (“GE”) for the transfer of its businesses concerning its aeronautical engine division. The completion of the transaction is subject to the antitrust and regulatory conditions precedent. It is expected that, at the time of the closing of the transaction, Finmeccanica will collect a gross amount of about €mil. 260, to be applied to reduce the Group’s debt level, against a total initial amount equal to about half of this sum invested in 2006. Furthermore, Finmeccanica will remain a shareholder holding 14.3% of BCV, which is the company that wholly owns Avio S.p.A., together with the majority shareholder Cinven. At the end of the transaction, Avio S.p.A. will only conduct the business in the Space sector that has not been acquired by GE. The shareholders have also agreed to start a process, led by Finmeccanica, aimed at increasing the value of the business outside Cinven control, in accordance with the national regulations on the management of strategic companies, also considering the possibility to increase the stake held by Finmeccanica through an option which is exercisable, independently or with third parties, if certain conditions are met. Finally, it must be recalled that the stake indirectly held in Avio was already the object of a previous agreement with Fondo Strategico Italiano SpA (“FSI”), with the condition precedent of Avio’s listing on the stock exchange before the end of 2012 under favourable market conditions, which would have allowed FSI to become a shareholder of Avio with a stable approximate 15% investment, acquiring Finmeccanica’s entire investment therein. However, this agreement is expired without the conditions for its entry into force having been fulfilled.

FINMECCANICA AND RISK MANAGEMENT

Inasmuch as Finmeccanica operates towards its subsidiaries and jointly-controlled entities as an industrial and strategic holding company, we deem it better to present the following section at Group level in order to give a comprehensive representation.

	RISKS	ACTIONS
The Group reported significant operating losses.Returning to profitability and a fully sustainable financial position is connected to the success of the restructuring plan launched by management	Management has launched a plan to thoroughly restructure the Group, particularly the Aeronautics, Defence and Security Electronics and Transportation divisions, in order to become more industrially efficient and reduce debt. If this plan should not prove to be successful, the Group's ability to effectively compete in global markets, as well as its financial stability, could be negatively affected.	In 2011, the Group launched a thorough restructuring plan, in addition to that begun in 2010, designed to restore efficiency, cut production costs and rationalise its product portfolio and production structure, along with identify assets to be sold. During 2012 the implementation of this plan has continued and the first significant results were obtained.
The Group is strongly dependent on the level of expenditure of national governments and public institutions which, in the reference sectors of the Group, are affected by further cuts	The major customers of the Group are national governments or public institutions. Moreover, the Group takes part in numerous international programmes funded by the European Union or other intergovernmental organisations. Therefore, the Group was affected by the reduction in the expense budgets of the public institutions. Given that the expenditure programmes adopted by governments may be subject to delays, changes under way, annual reviews or cancellations, in particular in periods with high instability like those that mark the global economy now, the Group's industrial plans, as well as the financial resources necessary for their implementation, might be affected by changes, even significant ones. The worsening of the reference economic scenario, with a possible negative review of the expense budgets of public authorities that are intended for the sectors in which the Group operates, might affect not only the volumes and results, but also Group debt, due to lower amounts received as advances or down payments on new orders. Moreover, following the acquisition of DRS, the Group is greatly exposed to the risk of US Defence budget cuts. Finally, situations of political instability, if any, in those countries where the Group operates (such as those occurred in North	The Group continues pursuing an international diversification policy, which led to the identification of three "domestic markets" (Italy, the UK and the US), and to competition in emerging markets marked by high growth rates, in particular in the aeronautics and defence markets, in order to be less dependent on cuts that may be made by individual countries. Moreover, under the Group strategy, performance in the major countries is constantly monitored in order to ensure a timely alignment of activities planned with customer needs and a strict selection of its investments, through assessment procedures of the potential returns and their strategic capacity. In addition, the restructuring plan in which the Group is involved, should guarantee, against the reduction in the customers' budgets, an increased ability to compete in national and international markets.

	Africa in 2011) could affect the trade activity of the Group in those countries.	
Cuts in public budgets could affect also grants for the research and development activities of the Group and as a consequence, also the Group ability to successfully compete in global markets.	The strong tensions on public budgets have already reduced and could further reduce public grants for R&D activities, for which the Group invested €bil. 1,9 in 2012, considering the unavoidable need to constantly improve its products portfolio. In particular, in Italy, grants for R&D expenses for the Aeronautics and Defence sectors, which are regulated by Law 808/1985, were suspended in 2012. Even if the 2012 Stability Law envisages new grants starting from 2013, a non-compliance of the granting levels with that of the other European competitors could negatively influence the Group capacity of being successfully competitive, due to a lower self-financing ability caused by the complex economic scenario.	The Group pursues a strict policy as regards the assessment and selection of the investments through which it focuses the limited resources available on the most efficient programmes with the highest potential of return.
The persistence of the economic crisis could reduce the Group's profitability and its ability to generate cash flow even in the civil sectors	The persistence of the economic crisis not only involves budget cuts by public institutions, which represent a significant portion of the Group's customers, but also significantly affects civil markets, in particular helicopters, civil aeronautics and energy, thereby increasing competition in the sectors in which the Group operates. Delays or reductions in the acquisitions of new orders, or the acquisition of new orders on less favourable terms than in the past, including financially, could reduce the Group profitability and increase the Group's financial requirements during the performance of such orders.	The Group's goal is to improve its industrial efficiency and its ability to perform contracts, while reducing overhead costs.
Certain Group companies are involved in judicial investigations	As more fully explained in the "Corporate Governance Report and Shareholder Structure", certain Group companies and the parent company itself are involved in judicial investigations which *inter alia*, led to the arrest of the Chairman and Chief Executive Officer of Finmeccanica Spa. Such investigations are currently underway, as well as the closer examinations started by the Group which are described in the same section. These investigations may potentially have significant effects both on the existing contracts and on the outlook for the acquisitions of new orders. In this regard and considering that these legal proceedings are in an initial stage and on the basis of the information obtained and the analyses performed, the Directors did not make any specific	The Group has taken all steps necessary to more thoroughly examine any irregularities and to prevent employees, directors and suppliers from continuing to engage in inappropriate practices. These actions, together with the outcome of the actions completed to date, are described in detail in the "Corporate Governance Report and Shareholder Structure".

provisions during 2012. However, further developments presently unforeseeable and undefinable could have significant impacts on the Group's performance and financial position, as well as on its relationships with its customers.
In this respect, it is noted that investigations have been already started and partially completed at Finmeccanica and other Group companies, aiming at verifying inadequate behaviours, if any, and at setting out more effective processes for the governance system.

The Group operates significantly on long-term contracts at a given price

In order to recognise revenues and margins resulting from medium- and long-term contracts in the income statement of each period, the Group adopts the percentage-of-completion method, which requires: (i) an estimate of the costs necessary to carry out the contract, including risks for delays and additional actions to be undertaken to mitigate the risk of non-performance and (ii) checking the state of progress of the activities. Given their nature, these are both subject to management's estimates and, as a result, they depend on the ability to foresee the effects of future events. An unexpected increase in the costs incurred while performing the contracts might determine a significant reduction in profitability or a loss, if these costs exceed the revenues deriving from the contract.

Finmeccanica's goal is to regulate within the Group the process of preparing and authorising major contracts by issuing a special directive. In fact, starting with the business proposal stage, Finmeccanica controls the main performance and financial parameters including the Economic Value Added (EVA), which is one of the aggregates used to evaluate the major contracts of directly controlled and strategic companies (as in the "Training and operation of the Board of Directors and Boards of Statutory Auditors of subsidiaries" directive). Moreover, the Group reviews the estimated costs of contracts regularly, at least quarterly. In order to identify, monitor and assess risks and uncertainties linked to the performance of the contracts, the Group adopted, as provided in the "Order risk management" directive, Lifecycle Management and Risk Assessment procedures, aimed at reducing the probability of occurrence or the negative consequences identified and at timely implementing the mitigation actions identified. Under these procedures, all significant risks must be identified from the offering stage and monitored while the programme is being carried out, by constantly comparing the physical progress and the accounting status of the programme. Top management, programme managers and the quality, production and finance departments are all involved in making these assessments

		("phase review"). The results are weighted in determining the costs necessary to complete the programme on an at least quarterly basis. The Group is also committed to improving its industrial efficiency and its ability to precisely perform to customer specifications.
During the current activity, the Finmeccanica Group is exposed to liability risks to customers or associated third parties in connection with the proper performance of contracts, also because of activities pertaining to sub-suppliers	As part of its activities, the Group may be held liable in connection with (i) the delay in or non-supply of the products or the services indicated in the contract, (ii) the non-compliance of these products or services with the customer's requests, due to design and manufacturing defects of products and services, for example, and (iii) defaults and/or delays in marketing, rendering of after-sale services and maintenance and revision of products. These liabilities might arise from causes that are directly ascribable to Group companies or causes that are ascribable to third parties outside the Group that act as suppliers or sub-suppliers for the Group.	Group companies usually take out insurance policies available on the market to cover potential damages. However, it cannot be excluded that there may be damages that are not covered by insurance policies, that exceed the limit of liability insured or that insurance premiums may be increased in the future. Moreover, the Group continuously monitors the performance of programmes using the aforementioned Lifecycle Management techniques. In connection with these programmes the Group is committed to improving its industrial efficiency and its ability to precisely perform to customer specifications.
The Group's debt position was affected by the acquisition of DRS in 2008 and by the negative cash-flow of the Transportation sector. This debt could have an impact on the Group's operational and financial strategies	At 31 December 2012, the Group's net financial debt came to €mil. 3,373, equal to 90% of its shareholders' equity at that date. This level of debt is attributable to the acquisition of DRS Technologies (DRS) in October 2008, which caused the Group's debt to rise by €bil. 3.6. Following this acquisition, Finmeccanica reduced its impact through a successful capital increase, the selling off of non-core assets, and a debt rescheduling through the issue of bonds in Europe, the US and the UK. This strategy made it possible to repay DRS's debts and the bridge loan used for the acquisition. However, the inadequate cash flow levels obtained by the Group, also due to the negative performance of the Transportation sector, did not make possible to further reduce the indebtedness. Such debt level is still high, thereby reducing the Group's profitability through higher borrowing costs and exposing it to future fluctuations in interest rates (as to the floating portion), which could influence the Group's strategy, limiting its operational and strategic flexibility, in part due to current market conditions,	The Group has implemented a financial strategy allowing it to significantly extend the remaining life of its debt to over 10 years, and to reduce its exposure to interest rate fluctuations by issuing fixed-rate bonds. Following the €mil. 600 bond issue, successfully placed in December, the Group already possesses the funds necessary to refinance short-term debts (the next maturity that needs to be refinanced is the redemption of the €bil. 1 bonded loan at 8.125% maturing in December 2013, for which, from 2011, the Group already partially bought back a nominal €mil. 250. The Group also has confirmed short-term credit lines totalling €mil. 2,400 (until September 2015) from a pool of leading Italian and foreign banks. This credit line is an important source of medium-term liquidity and, given its amount and that it is a revolving facility, it meets the Group's working capital requirements, in which collections are

which could cause the Group's funding needs to increase, at least during certain periods of time. Potential future liquidity crises could also restrict the Group's ability to repay its debts.

highly seasonal in nature.

Finally, the Group seeks to continually reduce its debt by keeping a close eye on cash generation and the disposal of assets.

The Group's credit rating is also linked to the opinions of the rating agencies

All Group bond issues are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard and Poor's and Fitch. At the presentation date of this report Finmeccanica's credit ratings were: Baa3 with a negative outlook from Moody's (from Baa2 with a negative outlook), BBB- with a negative outlook from Fitch and BB+ with a stable outlook from Standard and Poor's. In January 2013, Standard and Poor's lowered its rating on the medium/long-term debt of Finmeccanica from the previous BBB- with a negative outlook to BB+ with a stable outlook. The downgrading of the Group's credit rating in 2011 and 2012 is attributable to the deterioration in the Group's performance, to the delays in the execution of the expected disposal plan and, in part, to the downgrade in the rating for the Italian Republic. Overall, Fitch and Moody's assigned the investment grade status to Finmeccanica, with a negative outlook, while after the last downgrading performed, Standard & Poor's assigned it the sub-investment grade rating. A further downgrade in the Group's credit rating below investment grade status, even with no effect on the existing loans, could severely limit its access to funding sources, as well as increase its borrowing costs for existing and future loans, which would have a negative impact on the Group's business prospects and its performance and financial results.

As noted previously, the Group is actively engaged in implementing actions identified under the restructuring plan for reducing its debt. Moreover, the Group's financial policies and careful selection of investments and contracts involve being constantly alert to maintaining a balanced financial structure. In seeking out alternatives to pursue, the Group always takes into account the potential impact such could have in the indicators used by the rating agencies.

The Group realises part of its revenues in currencies other than the currencies in which costs are incurred, exposing it to the risk of exchange rate fluctuations. A part of consolidated assets are

The Group reports a significant portion of revenues in dollars and pounds, while costs can be denominated in other currencies (mainly euros). Accordingly, any negative changes in the reference exchange rate might have negative effects (transaction risk).

Moreover, the Group made significant investments in the United Kingdom and in the United States. Since the reporting currency of the consolidated Group financial statements is the euro, negative changes in the exchange rates between the euro and the dollar and between the euro and the pound sterling might have a negative impact on the Group

The Group continuously applies an organised hedge policy to combat transaction risk for all contracts using the financial instruments available on the market.

Changes in the dollar and pound exchange rates also give rise to translation differences recognised in Group equity that are partially mitigated through the aforementioned pound and dollar issues. Moreover, in intercompany financing activities denominated in currencies other than the euro individual positions are

denominated in US dollars and pound sterling.	balance sheet and income statement due to the translation of the financial statements of foreign investees (translation risk).	hedged at the Group level.
The Group operates in some segments through joint ventures, in which the control is shared with other partners	The major joint ventures in the Aerospace and Defence area are MBDA, held at 25% (with partners BAE Systems and EADS), Thales Alenia Space, held at 33%, and Telespazio, held at 67% (both with partner Thales) and GIE-ATR, held at 50% through Alenia Aermacchi (with EADS). These joint ventures, which are consolidated by the Group on a line-by-line basis, jointly generated 18% of the revenues consolidated in 2012. The operations of the joint ventures are subject to management risks and uncertainties, mainly due to the possible arising of differences between the partners on the identification and the achievement of operating and strategic objectives, and the difficulties in resolving any conflicts that may arise between them in the ordinary course of business of the joint venture. In particular, the joint ventures in which the Group has an interest may be subject to decision deadlocks which may ultimately lead to the liquidation of the joint venture. In the case of liquidation of the joint venture or sale of the interest by the Group, it may have to share or transfer technological skills or know-how that were originally contributed to the joint venture.	The Group constantly follows, including through the involvement of its own top management, the performance of these activities, in order to timely identify and manage critical issues.
The Group is a sponsor of defined-benefit pension plans in the UK and the US and of other minor plans in Europe	Under the defined-benefit plans, the Group is required to ensure a specific future retirement benefit level for employees participating in the plan, assuming the risk that the plan assets (stocks, bonds, etc.) are not sufficient to cover the agreed-upon benefits. If the value of plan assets is less than the agreed-upon benefit level, the Group duly recognises the amount of the deficit among liabilities; at 31 December 2012, this amounted to €mil. 289. If the value of plan assets falls significantly, for example due to high volatility in the stock and bond markets, the Group must make good this loss to plan participants, which therefore has a negative effect on its own performance and financial position.	The Group keeps a close eye on plan deficits and investment strategies and takes immediate corrective action when necessary.
The Group operates in particularly	The Group is party to judicial, civil and administrative proceedings; for some of these, the	The Group regularly monitors potential and existing disputes, taking the necessary

complex markets, where disputes are settled after a considerable period of time and following extremely convoluted procedures. The Group also operates numerous industrial facilities and is therefore exposed to environmental risks	Group has established a specific provision in the consolidated financial statements to cover any potential liabilities (totalling €mil. 242 at 31 December 2012). Some of these proceedings in which the Finmeccanica Group is involved - for which a negative outcome is unlikely or that cannot be quantified - are not covered by the provision. The Group's business activities are subject to laws and regulations protecting the environment and human health that impose limits on air emissions and the release of waste into the water and the soil and that regulate the handling of hazardous waste and the restoration of contaminated sites. Under current regulations, owners and operators of contaminated sites are responsible for pollution found on such sites and, therefore, may be required to bear the costs of environmental assessment and remediation, regardless of the source of the contamination. While carrying out its production activities, the Group is exposed to the risk of accidental contamination of the environment and may be required to bear the costs of restoring any sites that may be contaminated.	corrective actions and adjusting its provisions for risks on a quarterly basis. As to environmental risks, the Group has established an environmental monitoring and assessment programme and has insurance coverage to limit the impact of any contamination event.
The Group operates in particularly complex markets which require compliance with specific regulations	The Group designs, develops and manufactures products in the defence sector. These products are particularly important to the protection of national security interests and, therefore, their exportation is subject to the receipt of special authorisations from the relevant authorities. The prohibition, limitation or withdrawal, if any (in the case, for example, of embargoes or geopolitical conflicts), of the authorisation to export the products might have significant negative impact on the Group's operations and financial situation. Moreover, non-compliance with these regulations could result in withdrawal of authorisations.	The Group monitors, through specific structures, the constant updating of the relevant regulations. Commercial actions are subject to regulatory restrictions and receipt of the necessary authorisations.
A significant portion of the consolidated assets relate to intangible assets, specifically goodwill	At 31 December 2012 the Group reported intangible assets of €mil. -7,388, of which €mil. 4,384 relate to goodwill (14% of total assets) and €mil. 1,507 to development costs. The recoverability of these amounts is linked to the realization of future plans of the reference businesses/products.	The Group constantly monitors performance against the expected plans, implementing the necessary corrective measures in the case of unfavourable trends. These updates are reflected, when the consistency of the amounts posted is assessed, in the expected flows used for the impairment tests.

FINMECCANICA AND THE ENVIRONMENT

Strategic guidelines and management approach

In an international context that is evolving and increasingly attentive to sustainable development and to the needs of the future population, the adoption of business strategies aimed at safeguarding the environment and protecting natural resources are the key elements for the long-term maintenance of the value, both economic and social, of a company.

Finmeccanica, which is fully aware of the importance of these issues, works proactively and hard, in particular integrating the concept of environmental sustainability into its business: focus on the management and use of natural resources; research and development of advanced technological solutions; continuous monitoring of corporate performance on environmental issues and health and safety of workers at the workplace.

The Group has renewed its commitment, once again ranking among the leading companies in terms of sustainability in the Aerospace and Defense sector: after having been confirmed once again in the prestigious Dow Jones Sustainability Indexes (DJSI, both Europe and World) in 2012, Finmeccanica is the only company in the sector worldwide, which has been included in both Indexes since 2010. The DJSI, through specific analyses drawn up by the Sustainability rating agency SAM - Sustainable Asset Management, assesses the performance of leading companies in terms of economic, environmental and social sustainability.

Furthermore, Finmeccanica has been voluntarily participating, since 2008, in the Carbon Disclosure Project (CDP), an independent, non-profit organization that is committed to reducing greenhouse gas emissions and to the sustainable use of water resources. The CDP, on behalf of 655 institutional investors, asks companies to declare corporate strategies, objectives and practices adopted for the management of climate change in a transparent manner. This information is then used by financial analysts and decision makers for their investments. In 2012 Finmeccanica, which is included in the Industrial sector of Italy 100 (represented by the top 100 Italian companies by market capitalization listed on the Italian Stock Exchange, in nine different market segments), once again obtained excellent results, thus reflecting the intense activity carried out by the Group in relation to Climate Change issues.

The Group's third Sustainability Report for 2012, which has been prepared in accordance with the Guidelines of the Global Reporting Initiative (GRI), version 3.1, in all material aspects, including environmental issues, increasingly shows Finmeccanica's determination *to build sustainable value* as a driver of technological innovation and an important market opportunity. Therefore, for a detailed analysis of these issues, reference is made to the Sustainability Report.

In 2012, thanks to the implementation of numerous actions, as regards both plants and structures and operations, the Group continued its sustainable path, allocating considerable financial resources to environmental and health and safety activities, which were devoted both to projects implemented and managed directly by the companies, and to the Group's centralized projects.
In particular, in relation to the development and implementation of environmental projects that can be used by all companies, the EHS - Environment, Health and Safety organisational unit of Finmeccanica Group Real Estate (FGRE) - which has been tasked with the direction, coordination and control of the Group's activities on environmental and health and safety issues – completed, during the year, the implementation and testing of the Risk Gate model, i.e. the mathematical model which allows the calculation of the environmental risk of the Group's industrial sites through self-assessment. The first survey was carried out on the main Italian sites of the Group and allowed the assessment of the environmental risk associated with various aspects (air, water, soil, ecosystem), thus providing companies with useful indications as to the aspects that require intervention on a priority basis and allowing the same to define a targeted and structured plan of action for the reduction of risks. The implementation of campaigns using the Risk Gate model will be a valid support to the periodical assessment of the risk concerning the Group companies' sites. Furthermore, the Group is considering to also extend the application of the Risk Gate model to the main foreign sites.

In addition to the activities aimed at implementing the Risk Gate model, a number of actions were performed which were aimed at improving the performance of the new web-based system for the Group's EHS reporting: it should be noted that the main actions taken for the 2012 campaign to gather EHS data and information included, in particular, the creation of a number of environmental indicators aimed at making reporting even more complete and exact (e.g. improving reporting of carbon data and of the Group's Carbon Management System - CMS, which is already integrated in the platform), the improvement of procedures for the calculation of emissions into the atmosphere, the introduction of additional checks for consistency aimed at testing, in real time, the consistency and strength of any data entered into the system.
Within the CMS, which has been developed in line with the relevant international rules and standards, in particular with the Greenhouse Gas Protocol (GHG), activities continued in relation to the assessment and management of the environmental impact due to the emissions of climate-changing gases: conducting analyses in relation to the corporate performance achieved in terms of reduction of emissions of carbon dioxide; design, implementation and dissemination of dedicated Group Guidelines (CO_2 and Climate Change: Carbon Management in the Finmeccanica Group; Guidelines for the management of Fluorinated Greenhouse Gases (F-gases) at the sites of the

Finmeccanica Group) that can help both to improve the environmental management of these aspects and to improve future performance; implementation by the companies of a number of projects and initiatives aimed at reducing emissions of CO_2, which are subject to monitoring and control in order to assess and establish their environmental and economic benefits (also through the Group's EHS reporting system).
This approach, which is structured in line with the methodology known as PDCA Plan-Do-Check-Act, represents a crucial element for the correct management of aspects connected to environmental protection and, furthermore, forms an integral part of the Environmental Management Systems (EMS) and of the Management Systems for Health and Safety in the Workplace (EHS), which are largely widespread within the Group. For any additional information, reference is made to the 2012 Sustainability Report.

Finally, within the analysis, direction and support activities carried out by FGRE for the Group companies in relation to the Italian environmental crimes legislation (Legislative Decree 121 of 7 July 2011), the Group reviewed the Organisational, Management and Control Models (OMCM) pursuant to Legislative Decree 231 of 8 June 2001 in relation to the Group companies based in Italy. Reviews, additions and updating activities are in progress in relation to the internal procedures for the management of corporate processes on the part of the companies.

Innovation and disclosure of best practices

In the last few decades consumers have become increasingly aware that they can influence market dynamics through a "positive selective pressure" towards products with lower environmental impact, while at the same time pushing the economic and industrial world to these issues, in order to achieve an advantage in a competitive global environment.
Finmeccanica sees Sustainability as both the rationalization of natural resources that are necessary to the production of finished products, while also going through the redefinition of production processes, and the manufacturing and supply of products and services with lower environmental impact. Therefore, the innovation and sharing of the Group's good practices represent two essential aspects, which form an integral part of the business and of the sustainable commitment of Finmeccanica. Corporate know-how with respect to environmental, health and safety matters is the property of the Group EHS Community, which is coordinated by FGRE and is currently made up of more than 100 dedicated staff members who meet periodically to share best practices and their own management experience.

Communication, education and training

Finmeccanica is committed to creating a corporate culture of sustainability by spreading awareness that every action, though minimal, can actually make a difference, as well as the communication and information at all levels regarding the need to build and implement sustainability on a daily basis.
The numerous opportunities to meet and share experience aim to implement an all-round sustainable vision: during 2012 FGRE organised and coordinated a number of meetings on environmental, health and safety issues (workshops, roundtables to discuss and share plans/projects), which involved all Group companies all over the world. Furthermore, the implementation of the new EHS Portal, the EHS Web Community, which was developed by FGRE in 2011 and is operational since 2012, with more than 150 technical papers and in-depth studies on EHS issues, including Guidelines and sector studies, and which is accessible to more than 190 EHS Resources of the Group located in 4 continents, contributes even more concretely to the dissemination of good practices and to specialist training in these areas.

Energy issues

The structured management of energy issues is of primary importance to the large industrial groups, which are called to face challenges linked to international markets that are increasingly complex and rapidly changing.
Since 2003, Finmeccanica Group Services (FGS), in close collaboration with the community of Energy Managers of the operating companies, has developed an Energy Management model for the Group, with the aim of managing energy costs in an integrated manner, thus freeing up economic and financial resources in order to structurally reduce consumption and the environmental impact of the same.
The areas of intervention are divided into 3 macro-areas:

- Energy Supply*:* centralised management of the Group's energy costs, equal to more than €mil. 120 per year, through competitive and transparent negotiations and a constant evolution of procurement models. The negotiations concluded on 2013 supplies will allow the companies to benefit, in the course of the next year, from an estimated reduction in energy costs equal to about €mil. 5.8[1].

  Furthermore, 23% of the Group's Italian consumption will be certified as from renewable source (RECS - Renewable Energy Certificate System).
- Energy Demand: structural reduction in energy demand from sites, through a model that supports the re-investment of savings from negotiations in efficiency improvement initiatives and

[1] This estimate only refers to the negotiable "energy and pure gas" components, excluding system charges, taxes and duties.

feasibility studies aimed at encouraging implementation of technology for the use and production of high-efficiency energy from renewable source.

In the period 2006-2012 the long-term energy efficiency programme of FGS reported investments by the group companies equal to about €mil. 18, with an average payback of 3-4 years.

- *Sustainability, Communication and Social Services*: Supporting the group parent in any initiatives linked to sustainability and communication issues, including the Finmeccanica Sustainability Report, the Dow Jones Sustainability Indexes and the Carbon Disclosure Project.

Relevant environmental issues and Group performance

The most significant environmental aspects of the activities carried out by Finmeccanica are associated with the consumption of energy resources, water resources, production and waste management, use of hazardous substances, emissions into the atmosphere. Apart from these, other aspects are reported, which are particularly connected with biodiversity, soil and subsoil, the management of ozone-depleting substances. A brief description in this regard is reported below. For more details, please refer to the environmental section of the Finmeccanica website (Sustainability/Finmeccanica and the environment).

Energy consumption, emissions into the atmosphere and Emission Trading

The energy sources used within the Group are:

- electricity;
- natural gas;
- diesel fuel for generating power and heat;
- other energy sources (e.g. district heating).

Electricity and natural gas represent approximately all the power consumption.

The reporting of the Group's energy consumption has been made even more complete thanks to the introduction of specific indicators by which it has been possible to improve reporting on fuels used for product tests (aircraft, trains, etc.).

Even though Finmeccanica's activities are not in high-energy intensity sectors, the rationalization of energy consumption is one of the most significant environmental issues for the Group's companies, which have performed and perform operations to improve plant energy efficiency, mainly relating to:

- heat recovery;
- improvements to lighting efficiency;
- replacement of obsolete machinery with more efficient machines.

Of significant importance is the gasification process which has been started by AgustaWestland for some years at the main Italian sites: in 2012, for example, the Vergiate site eliminated the use of fuel oil thanks to the conversion of the plant serving the factory from a thermal power plant to a natural gas plant, thus obtaining a significant reduction in CO_2 emissions.
Furthermore, 2012 saw the completion of the certification of SELEX Galileo Ltd. according to the standard ISO 50001:2011 "Energy management systems“, which sets out requirements to establish, start, maintain and improve an energy management system.

The atmospheric emissions produced by Group sites are due to both combustion processes and industrial processes: the improvement of the reporting procedures introduced in the web-based system in 2012 have helped to make reporting of air quality parameters (in addition to CO_2 calculated through the CMS, NOx, SO_2, Volatile Organic Compounds - VOC, Volatile Inorganic Compounds - VIC-, heavy metals - Pb, Hg, Cd, Cr, As, Co, Ni- and particulate are also reported) even more precise.

In the scope of application of the Emission Trading Directive (Emission Trading Scheme - ETS) (Directive 2003/87/EC), which implements the Kyoto Protocol for the reduction of greenhouse gas emissions, all the sites covered by the scheme, located throughout Italy, have received certification of their emissions from a body accredited by the Ministry for the Environment, Land and Sea.

Water resources management

In recent years, the issue of water and the problems arising from its management has become central in the global debate. A corporate commitment to sustainability cannot be separated from the definition of strategies on the efficient use of water resources capable of also generating economic benefits, in addition to environmental benefits.
For this reason, Finmeccanica promotes the adoption of a sustainable water management model at its sites, which should not be limited to achieving or maintaining regulatory compliance, but it must necessarily consider the possibility of reducing water consumption in terms of quantity and the pollution caused by waste water in terms of quality.
The definition of performance indicators related to the use of water resources at the Group sites has allowed the identification of several areas for improvement over the years and the subsequent definition and implementation of specific projects. In particular, activities continued in 2012 to establish systems for recycling and reuse of water (including stormwater) at plants, with the conversion of open cycles in closed cycles, where possible.

Waste production and management

Waste production and management, which is among the most important aspects connected to the activities of the Finmeccanica Group, constitute an important environmental sustainability indicator: Finmeccanica, as expressed through its Environmental Policy, pursues the objective of reducing the amount of waste produced and increasing the amount sent for recovery.

Waste is monitored during all phases of operation (storage, transport, treatment, disposal/recovery). The awareness-raising activity carried out by the companies just aims to make their staff and suppliers working at the sites integral to a virtuous cycle that sees, in the foreground, the reduction in waste production and the recovery of the same, thus maximising their separate collection.

Soil and subsoil

The Group companies have performed environmental investigations to ascertain the state of the soil in the areas that are potentially exposed to a risk of pollution due to the industrial activities carried out there; where necessary, safety and/or reclamation procedures have been started.

In some cases, companies have started the process of developing environmental profiles to identify potential sources of contamination of environmental receptors, so that these can be eliminated and potentially contaminated areas can be remediated and developed. In many cases, the site profiles find no contamination at the sites investigated.

One of the main potential sources of soil pollution at industrial sites is the presence of underground tanks, which are used to store liquid raw materials, fuels and/or liquid waste. Wherever possible, the Group is taking steps to gradually eliminate or replace underground tanks - which are used to store liquid raw materials, fuels and/or liquid waste and which are one of the main potential sources of soil pollution at industrial sites – with aboveground tanks, in order to reduce the risk of soil contamination.

Biodiversity

In 2011 Finmeccanica launched, due to the large variety of local areas in which it operates and being aware of the importance played by biodiversity, some activities connected to the reporting of the related aspects.

For the second consecutive year, the survey was conducted in line with the GRI and with best practices in sustainability reporting and returned a detailed picture of the location of the sites falling within the scope of the EHS reporting with respect to protected and / or high-biodiversity natural areas (sites inside, containing portions of or near these areas). This allowed the Group to understand, given the type of activities that are carried out therein, the environmental impact on these areas.

The analysis continued through screening of business plans (strategies, plans and actions) in place for managing impacts on biodiversity. The geographical areas in which the Group companies operate are extremely diversified: therefore, the definition of strategies and actions aimed at protecting biodiversity is functional and connected to the characteristics of the related land and habitats, as well as to the particular production activities conducted.

Hazardous substances

Consistently with the Group's Environmental Policy, the Finmeccanica Group companies implement measures aimed at controlling and reducing the use of substances that are classified as hazardous substances as defined by the legislative, regulatory and administrative provisions for the classification, packaging and labelling of hazardous substances, in order to prevent and minimize risks for the workers' health and safety and for the environment.

The Group's sustainable approach to hazardous substances management sees, as a priority, the elimination of hazardous substances, by also changing production processes, where possible; alternatively, the Group may take steps to replace hazardous substances with other lower-impact substances. The operational approach, which is in line in particular with the REACH Regulation (Registration, Evaluation and Authorisation of Chemicals) (EC) 1907/2006, is aimed at improving protection of human health and of the environment, while at the same time maintaining competitiveness and strengthening the spirit of innovation of the European chemical industry.

Due to the amounts of substances and preparations used in the processes typical of companies in the Aeronautics and Helicopters sectors and due to the size of the galvanizing baths used for surface treatment of metals, some of the Group sites included in these sectors of activity are classified as being of Major Accident Hazard (MAH). Some of these sites, together with others which are not considered as being of MAH, are subject to the Integrated Pollution Prevention & Control (IPPC) Directive; the aim of the IPPC regulations is to minimise pollution caused by various sources, requiring the compulsory issue of Integrated Environmental Authorisations (IEAs) for certain types of plant. All the sites subject to IEA must consider using Best Available Techniques (BAT) in their processes to reduce environmental impact.

Ozone-depleting substances

The attention paid by Finmeccanica to climate-changing gases is further demonstrated by the procedures adopted to manage ozone-depleting substances, which are mainly present in cooling and air-conditioning systems of the plants and whose audit is being completed.

During 2012, activities were conducted at various sites in order to remove systems containing these substances and/or to replace them with other ozone-friendly ones, as provided in international agreements and current regulations.
Furthermore, the adoption by the sites of the already mentioned Guidelines for the management of Fluorinated Greenhouse Gases (F-gases), which deals, among other things, with the management and disposal of ozone-depleting substances, can positively contribute to the reduction of the impacts arising therefrom.

FINMECCANICA AND RESEARCH AND DEVELOPMENT

Consistent with its strategic objectives, in 2012 **Finmeccanica** continued programmes already under way and initiated new research and development (R&D) programmes, focusing on those that contribute to strengthening its technological and competitive position and featuring highly innovative content.

Aerospace, Defence and Security

In the Aerospace, Defence and Security sectors, the subdivision of R&D into the areas of (a) **technological Research and Development** and (b) **Research and Development applied to products**, each under a different timeline, allows for proper planning with containment of risk, optimising the incorporation of new technologies in Group products and launching them in such a way that they are able to be commercially successful over time and remain competitive.

a) Technological Research and Development

These are technological developments that are sometimes described as “basic”, in that they are highly strategic and long term, and that by their very nature require highly-qualified staff and specialised facilities.

Activities in the microelectronics field progressed in various sectors, from the materials and technologies to be used for microelectronic integration, ranging from individual SoC (System on Chip) components to miniaturised, to the hybrid analogue/digital SiPs (System in Package), involving several of the Group’s major companies (**SELEX ES** and the **MBDA** and **Thales Alenia Space Italia** joint ventures).

In the area of advanced on-chip integration, in the development of gallium nitride (GaN)- based solutions for creating high-powered, highly-efficient and reliable Monolithic Microwave Integrated Circuits (MMIC) for radar and active array applications, activities continued to optimize and validate the reliability of phase-essential devices for integration into products, especially in critical applications such as space applications. At the same time activities started, which were aimed at developing powered MMIC for AESA (Active Electronic Scanning Array) radars, specifically operating in C-band.

With regard to multi-chip integration, activities continued for the development of high-density integration technologies utilising 3D solutions and for the study of advanced solutions for the thermal management of SiPs. Within the technology for the 3D integration of SiPs, new important progresses were achieved in the development of solutions for the radio frequency (RF) front end of active array antennas, both in airborne applications, for X-band radars, and in naval and land applications, for C-band radars. These developments were aimed, on one side, at

lowering costs by going beyond the traditional architectures populated by individual transmit/receive modules developed orthogonally to the radiant plane, to concepts involving combinations of sub-arrays on plane boards or tiles and, on the other side, at the implementation of “conforming” antennas of considerable strategic importance for airborne applications.
As regards the issue of thermal management in SiP context, the studies on the inclusion of Diamond microstructures in materials used in bonding, led to significant results in terms of increase in thermal conductivity.
There was continued activity in the area of Micro Electro-Mechanical Systems (MEMS) focusing both on electronics, especially on some key components for electronic scanning antennas, such as high-isolation switches and on inertial sensor applications (**SELEX ES**), gyroscopes and accelerometers, and chemical/bacteriological sensor applications.

Research continued in the fields of metamaterials and metastructures to be used in miniaturising microwave devices and advanced antennas (**SELEX ES**). Within this sector, a study was started on the potential solutions in metamaterials for the cloaking of structures adjacent to radar antennas, i.e. aimed at reducing their “visibility” in the radiation path, thus mitigating any interferences caused to the functionality of the radar by reflexes from obstacles such as radome supports or other structures on board ship.

With regard to materials for electro-optical applications, within the collaboration between **DRS Technologies (DRS)** and **SELEX ES**, studies continued for the optimisation of the material (CMT - Cadmium Mercury Telluride) and configuration of the sensor, in order to increase the operating temperatures of the IR radiation detectors up to and beyond 150-160°K, within the MWIR (Mid-Wave Infrared) range, compared to the 70-90°K of traditional solutions. These solutions, named HOT (High Operating Temperatures) solutions, allow a considerable reduction of the workload of the cryogenic system with a consequent drastic reduction in the electricity consumption of the thermal chamber system and the increase in operating life. The significant reduction in the powers necessary to manage the IR sensor makes it possible to develop man-portable and un-attended applications, which have so far been the uncontested domain of uncooled technologies, less performing than CMT-based cooled technologies.

SELEX ES continued to make advances in its activities (which had been previously developed by SELEX Sistemi Integrati) in the innovative photonic field applied to radar systems, particularly as regards the implementation of delay lines in optic fibres in which it is possible to set up the delay with a resolution of up to 10 bits by directing the optical signal to paths of

different length by using optical switches, and fibre-optic network architectures for broadcasting digital and analogue signals using active array antennas.
Work continued to expand the use of fibre optic sensors in detecting chemical, biological and explosive (CBE) threats (**SELEX ES**).

There was continued development of uses for photonic technologies in underwater settings, where **WASS** is developing sensor and fibre optic networks for passive monitoring of maritime areas and for advanced sonar equipment, and in the area of rail transportation, where **Ansaldo STS** is researching the installation of sensors using fibre optics on railway lines. Specifically, a device for the dynamic weighing of train cars in transit was developed in 2011 using this technology.

Activity in the area of nanotechnologies has progressed on several fronts: in the field of microelectronics on the use of carbon nanotubes for the manufacture of nano-electronic devices (**SELEX ES**), cold cathode emitters for tubes operating in the range of GHz to THz, and material with high thermal conductivity for microelectronic packaging (**Thales Alenia Space Italia and SELEX ES**).

In the aeronautics field, work continues into the use of nanotechnologies in composite materials, particularly in building electrically conductive composite aerostructures for protection against lightning strikes, and the nanostructuring of metal alloys (**Alenia Aermacchi**). **MBDA** is currently conducting studies of high-resistance nanostructured ceramics to create radomes operating in the millimetric band. **Thales Alenia Space Italia** is researching high-resistance shields to be used on re-entry vehicles and hypersonic flights.

In addition, new materials and structures technologies stimulate future development and production capabilities, both with low infrared and electromagnetic footprints and with high resistance thanks to the use of composite materials and specific welding treatments that are also intended for use on future national security projects (**AgustaWestland**, **Alenia Aermacchi** and **Oto Melara**).

b) Research and Development applied to products

All of our companies are heavily involved in maintaining, improving and streamlining their range of products to maintain and increase their competitiveness and customer satisfaction ratings thanks to the mentioned basic Research and Development. The Group is conducting technological and systems development primarily in the following areas:

- in **radar**, with modern electronic phased-array (PA) scanning systems with integrated personal mobile radio module arrays for earth-observation by satellite (**Thales Alenia Space Italia**); aircraft and helicopter navigation and surveillance (**SELEX ES**) and detection of and defence against aircraft from sea and land-based platforms, including those for air traffic control (**SELEX ES**). In the field of on-board radar for airborne platforms (fixed-wing or rotary-wing), activities continued on the transmit-receive module active in X-band, both in terms of production of the standard module and in terms of development of advanced versions for an increased power radiated by the standard module and for the new configurations of the module and of arrays of modules. The transmit-receive module is the fundamental building block for the entire family of active-array avionic radar products of **SELEX ES,** which range from highly-compact PICOSAR surveillance radar, specifically designed for use with UAVs (Unmanned Aerial Vehicles), and advanced SEA SPRAY radars, to a multiple-mode avionic radar called VIXEN-E with active electronic scanning, that will form the future system for combat aircraft, which has already been chosen for the new-generation Swedish Gripen NG aircraft.

  Meanwhile, **SELEX ES** has continued developments to revamp the exciter receiver processor which, using new digital technologies, will improve performance, particularly of very-high resolution image modes (synthetic aperture radar- SAR), with regard to mechanical scanning radars (which have retained a level of market penetration) and to new electronic scanning radars. Particularly important is the completion of the development of the compact digital receiver which, as a result of the cooperation between **SELEX ES** and **Thales Alenia Space,** will represent a key building block common to the different radar systems of the companies involved. The family of C-band and active-array ground and naval radars continued to be developed through the KRONOS family and the innovative MFRA (Multi-Functional Radar Active) system. In the area of passive covert location radars, the transportable demonstrator of the Aulos system allowed the solutions adopted to be validated. Further progress has been made in the field of multi-functional and multi-role radar systems (Multirole Active Electronically Scanned Array-MAESA), designed to satisfy a growing demand for radar solutions integrated into a single antenna system;
- the electronic warfare segment of **defence electronics** continues to be part of **SELEX Galileo**'s core business (now SELEX ES). With its variety of systems for electromagnetic defence against radars and missiles, the Group's product range has expanded, allowing Finmeccanica to complete its integrated on-board defence and surveillance range for all air platforms. **DRS** has achieved important developments in the area of SIGINT (SIG INTelligence), even cooperating with the former **SELEX Elsag** on field and on man-

portable applications, where an integrated COMIT (Communications Intelligence) product and a cutting-edge Direction Finding antenna were developed. In 2012, the Group continued to upgrade its avionics products, expanding its catalogue with new high-performance, more compact solutions, particularly suitable for use on UAVs, and new interesting developments began on land applications. These developments include the continual upgrading and extension of the protection bands of **SELEX ES**'s counter-improvised explosive devices (IED) product;

- in **intelligence, surveillance, and reconnaissance (ISR) systems**, significant progress was made in **SELEX ES** in avionics through the upgrading of products such as the Airborne Tactical Observation and Surveillance System (ATOS) and with the launch of various projects aimed at developing integrated multisensory systems able to significantly improve performance while reducing cost, size and weight, with potential application in manned and unmanned aerial vehicles. Within this context, note the significant progresses made in the development of the SkyISTAR system, i.e. a modular, multi-mission ISR system designed for UAV platforms and developed based on the expertise acquired with the ATOS project;
- in **electro-optics** for battlefield applications and for both land and sea integrated weaponry systems, and fixed-wing and rotary-wing aircraft applications (DRS, **SELEX ES**). **SELEX ES**, in cooperation with a well-known American company is focusing on new laser sources and more compact systems in the development of a new generation of Direct Infrared Counter Measures (DIRCM) for active protection of both military and civil aircraft against man-portable missiles, at the same time as the ancillary developments that, in **DRS** context, are oriented towards a DIRCM system based on elements distributed on the platform.

  Development still continues on the EO Hyperspectral system for avionics applications. Thanks to the analysis of the high-resolution image capture, this system, also designed for space applications, using hundreds of channels in the visible and infrared bands, even permits determination of the type of material of which the object observed is made from a distance (**SELEX ES)**.

  DRS has completed the development of a family of smaller stabilisation platforms capable of holding more electro-optic sensors and several types of lasers. **DRS** successfully completed development of highly-integrated, low-cost, night-vision products based on non-cooling technologies, which are also of high value to the consumer market. Finally, **SELEX ES,** and **DRS** began development on multi-sensory solutions, based on visible and infrared band imaging, for detecting IED threats;
- in **land defence systems** and related components, **Oto Melara** has intensified development efforts geared towards solutions applicable in asymmetric scenarios to provide solutions that

enable operating capacity, starting with those that improve situation awareness while reducing soldiers' exposure to risk. Developments continued for innovative active and passive protection Counter-Rocket, Artillery, and Mortar (CRAM) systems and the wheeled and tracked Unmanned Ground Vehicle (UGV) families (Moving and Land Robotics), which represent cutting-edge technology with significant market potential for that sector. **Oto Melara** has begun work on extending the range of solutions in the field of guided munitions;

- in **missiles systems**, with special reference to advanced seeker missiles, both infrared (IR) (**SELEX ES**) and radar, and to active proximity fuses and related command and control systems (**MBDA**), development continued on the application of new digital receivers to improve existing seekers (Aster Meteor) and the use of passive PA antennas for missile-based applications (**MBDA**);
- the area of architectures for major systems for land, naval and air traffic management **command and control systems** (**SELEX ES**), and that of specialized avionics systems based on advanced processing, presentation and control devices for fixed-wing and rotary-wing aircraft (**AgustaWestland**, **Alenia Aermacchi**, and **SELEX ES**). In this segment, the simulation aspect is taking on a great deal of importance, particularly with the activities of **AgustaWestland** and **SELEX ES**. The latter continued in defining a new generation of flight simulators.

  Also as to naval systems, there have been benefits from the development presently under way on network-centric architectures with an impact on Combat Management Systems (CMS) using modular solutions for the new generation command and control systems market (**SELEX ES)**.

  Following the completion of the detailed architectural design for the Forza NEC (Network Enabling Capability) project conducted by the Integrated Project Office consisting of representatives of the Ministry of Defence and of the industrial companies (**AgustaWestland**, **Alenia Aermacchi, MBDA, Oto Melara** and **SELEX ES**) the implementation phase began. Forza NEC is a project launched by the Italian Army to make its components network-centric in order to provide an effective response to the commitment needs of the Italian Army in the face of a continuing increase in missions outside of Italy and to the demand for interoperability with other Coalition Forces operating internationally;
- in **security** (homeland security), where there continues to be a strong commitment to the development of technologies and solutions for major systems for territorial control systems, maritime traffic control systems, maritime and land border control systems, civil protection and crisis management systems, as well as port and critical infrastructures security systems. **SELEX ES** has been given the mission of coordinating the Group companies in developing

joint, integrated solutions. Among **SELEX ES's** achievements, those that deserve particular mention are the studies, feasibility analyses and testing conducted in the following areas, building upon what was done the previous year:

- Testing of the first LYRA 10 prototype installed on the Lince multirole light tactical vehicle;
- Integrating LYRA Ka-band sensors into the system for monitoring traffic in the Venice Lagoon, which is part of the MOSE (*MOdulo Sperimentale Elettromeccanico*) project;
- Researching the integration of a monitoring system based on a network of unattended sensors capable of interfacing with other types of monitoring and surveillance systems;
- Developing passive electro-optical surveillance systems with automatic target tracking;
- Developing architectural solutions that are inherently resistant to cyber-attacks on command and control systems and critical infrastructures;
- Research in the field of secure quantum cryptographic protocols for encrypting information; specifically, studying the design of the Quantum Key Distribution Network for metropolitan area applications;
- Developing modelling and simulation tools and systems in order to consolidate and extend the ability to evaluate the performance of integrated systems in scenarios involving multiple heterogeneous interrelated entities (sensors, surveillance centres, command and control sensors, land- and sea-based actuators).

Also in the area of homeland security, **DRS** is continuing to develop command and control and situational awareness systems for the protection of borders, forces and critical infrastructures. These systems use a wide variety of data from surveillance systems consisting of distributed radar, electro-optical sensors, sonar and unguarded ground sensors, blended into a single operating vision using a service-based distributed architecture.

SELEX ES continued R&D activities as previously planned within the Law Enforcement system as a structured support for investigative activities (identifying vehicles using the Automatic Number Plate Reader - ANPR, Make and Model Recognition - MMR) and Physical Security systems (intrusion detection systems, video-surveillance and monitoring of urban areas, critical infrastructures and events) integrating video-analysis algorithms and benchmarking performance with off-the-shelf products.

Within the context of Integrated Security (physical security and logical security) some synergistic solutions that might provide an adequate offering of SCADA systems in conjunction with Cyber Security systems are at an advanced stage of research and implementation as are the algorithms and models of Cyber Intelligence in support of the security of critical Infrastructures and Sites and of large archives and systems for the processing, presentation and transmission of information.

Together with the developments of the Perseus-CSP (Communication Service Platform) platform, interoperability of heterogeneous communication systems was further implemented that allow different organisations to communicate and interoperate if necessary, extending it to broadband (WiFi, 3G, 4G) communications and services according to new operational requirements in professional and military arenas. In this area, special consideration was given to information security, for which development of IP (Internet Protocol) ciphers, multilevel security solutions, key and access management systems have continued, with increased focus on secure receivers under Galileo PRS.

Again as regards security, **SELEX ES** continued to develop products and solutions for the identification and protection of networks from cyber-attacks (Cyber Security), particularly as regards the most serious ones of an ATP (Advanced Persistent Threat) type. Specifically, some very important contracts were won (such as the NCIRC (NATO Computer Incident Response Capability) for the protection of the NATO sites) and a Supercomputer was activated that makes it possible to work also in terms of prevention of attacks through a correlation of events on the web.

- The **smart solutions**, in which following the audit activities known as Green Technology Audit completed in 2011 by the Parent, with the support of the Chief Technology Board of the Group, which made it possible to assess the applicability of technologies, products and solutions of the Group companies to sectors "adjacent" to the core business, particularly with reference to green/clean technologies. In 2012 the decision was taken to register the trademark "Planet Inspired" as a play-off characterising the technological output of the Group. This decision is associated to specific classes of products related to the sustainable innovation, and is being increasingly used by Finmeccanica.

  Adopted since the beginning of 2012 to promote and enhance the positioning of the Group on specific markets with significant growth, the Planet Inspired Solutions offer addresses the following specific market sectors: Earth monitoring (Climate Change), Natural Resources management, Energy Management, Sustainable Mobility, Healthcare & Education and Environmental Security & Response and, more in general, the Smart Cities & Communities.

Thanks to the development activities carried out by joint working groups between the Parent and the Operating Companies (**SELEX ES**), it is now possible to note two first successes achieved with the newly-implemented integrated technology offer "Planet Inspired Solutions":

- in October 2012, **Finmeccanica** was selected as strategic partner of a Real Estate company, Rudin Management in New York, for the development and installation, in the next two years, of a software solution for energy optimisation and security aimed at managing information and energy flows in 16 skyscrapers located in Manhattan;
- EXPO 2015: the **Finmeccanica** Group will be the technological partner of Expo 2015, the Universal Exposition which will be held in Milan from 1 May to 31 October 2015, for the Safe City & Main Operation Center platform.

Work continued on the development and functional consolidation of integrated intelligent transportation systems, particularly as they relate to security and safety, for the transport of goods and people and for new needs required for smart cities. **SELEX ES, Ansaldo Energia** and **Ansaldo STS** have begun collaborating on researching and developing integrated solutions for the management and security of industrial plants, oil and gas pipelines, power plants and grids and transportation systems, using **SELEX ES** base products such as HMI-GRS SCADA (for transport supervision and control) and S3I (for video-surveillance), and **Ansaldo STS**'s SMS product, particularly tailored to metro and railway applications. With regard to supervisory control and data acquisition (SCADA), efforts are being made to obtain SIL2 certification.

- In naval, land, aeronautics and satellite **communications**, especially secure tactical and strategic communications networks, work continued in the field of architectures for future communications networks and network-centric services and in the development of a family of solutions based on the software defined radio (SDR) paradigm, an essential aspect of the emerging, irresistible need for integrated global communications (**SELEXES).** In 2012, tests were carried out on hand-held and single-channel vehicular terminals, while development activities continued on a four-channel vehicular terminal and on the Man-Pack. The R&D activities are increasingly focusing on the development of the SW Waveforms, in order to expand the usability of the radios to the different operating missions and to ensure the interoperability thereof with traditional radios.

  With regard to the SDR Avionics, analyses were carried out in order to define the best configuration which could be proposed on the basis of operational requirements. Furthermore, activities continued within the Wideband Data Link satellite communications segment, based on SDR platform, in order to increase the data rate of the Line of Sight version. The development of IFF (Identification of Friend or Foe) and ADS-B (Automatic Dependent Surveillance - Broadcast) solutions for use in UAV and military aircrafts travelling in civilian corridors and civil aircraft led to the achievement of an important contract with Honeywell for civil application. **DRS** is also working on integrating high-performance computers, on networking and on signal processing capacity within an intelligence communications sub-system capable of, among other things, performing functions such as locating the source of the signal and its processing, for air and land applications and for troops.

In the area of *military and space (ground terminals) communications*, efforts continue to strengthen the Group companies' role as a telecommunication system provider by fully introducing IP-based convergence platforms. In this segment, **SELEX ES** is continuing to develop network-centric solutions for Forza NEC forces, for the range of All-IP products, for IP encryption and related key management systems, for satellite communications (mesh ground terminal) where the development of SOTM (satcom-on-the-move) terminals with Xand Ka-band phased-array electronic scanning antennas is being completed.

In *professional secured communications*, work continued, as part of the TETRA (TErrestrial Trunked RAdio) project and the digital mobile radio (DMR) standard, on building communications networks in Italy and abroad, in sectors ranging from public safety and security to oil and gas, to transportation, in addition to numerous applications for local agencies. Besides the completion of the TETRA catalogue and the setup of complex network solutions for the DMR, the Core Network solutions for heterogeneous networks were further developed, implementing a Core (CSP-Perseus) solution based on IP and SIP, capable of supporting several radio access technologies. These also include, in addition to the traditional technologies such as TETRA and DMR, broadband technologies such as WiFi and LTE (Long Term Evolution), as well as extensions to military communications. In particular, some experiments were carried out abroad as regards LTE communications in Homeland Security context, which proved that today ours is a cutting edge solution.

In the area of *professional communications for transportation*, the Group continued the development of the equipment for on-board applications, as well as the analysis of changes related to IP signalling and movement towards broadband (LTE) began, with a strong commitment within the standardisation bodies and in close collaboration with **Ansaldo STS**. On-board systems for high-speed trains and metro systems were also successfully developed and offered. Furthermore, development activities continued for Air Traffic Control communications, with the programs related to the VoIP (voice over IP) use in the land networks and to the future development connected to the European SESAR (Single European Sky ATM Research) programme.

In the area of satellite telecommunications, the research activities were focused on the study of advanced solutions for new-generation broadband and military payloads, post Sicral 2, and flexible payloads for dual applications with dedicated developments on agile frequency converters. Self-financed activities continued for the study of new-generation UHF-band systems and telemetry and secure command systems based on numeric architectures. The development of payload technologies and components, such as low-noise amplifiers and telemetry transmitters in the different bands available also continued.

In the area of *satellite navigation and infomobility*, studies continued for the SESAR program for the purpose of providing technological solutions in the area of safety of life satellite communication for new-generation ATM (Air Traffic Management) or of NavCom platform for Aviation use. Activities continued in support of railway transportation with the GRAIL -2 project, aimed at enhancing the autonomy capacity of a train in defining its position, without the support of the automatic train control system (ATC).

In line with its goal of acquiring its own satellite capacity**, Telespazio** continued activities, which started in 2011, for developing a satellite system capable of providing communications services and broadband Internet access for residential customers and small businesses in Latin America. It also continued to analyse the requirements for the development of a product capable of offering a higher level of security of the transmitted data, thanks to an innovative system for the local management and regeneration of encryption keys that permits the regeneration of keys in a short time, thus allowing the optimisation of the band. A patent application has been filed for this innovative system.

- In the area of **space**, **Thales Alenia Space Italia** related to radar technology were focused on the critical developments of enabling technologies such as new-generation transmit-receive modules based on Gallium Nitride components, calculation platforms with very high computational capacity and deployable antennas for compact synthetic aperture radars. Furthermore, activities were completed for the development of critical elements regarding payloads and platform with funds of customer-funded R&D for the 2nd generation COSMO-Skymed system.

  In *orbital infrastructures and transport systems*, **Thales Alenia Space Italia** continued to develop enabling technologies for the space exploration within the specific programme of the Piedmont Aerospace District and of calls for the seventh framework programme of the European Commission. Specifically, studies related to environmental control and life support (ECLS) systems and energy generation systems (regenerative fuel cells). Furthermore, studies continued on the re-entry and exploration vehicles technologies, the integrated analysis of multi-physical phenomena and the resulting aero- thermo-dynamic design optimisation. Within the demonstration for pressurized and landing modules, innovative mechanisms were tested for rendezvous and docking, locomotion (i.e. hub motor) and landing (shock absorber per landing legs), while research is being conducted into interfaces and algorithms for collaboration between the crew and robotic systems.

In the area of GNSS (Global Navigation Satellite System) services and infrastructures, **Telespazio** completed activities for the SCUTUM (SeCUring the EU GNSS adopTion in the dangeroUs Material transport) programme, whereas activities continued for SIRÂJ - “SBAS Implementation in the Regions ACAC and ASECNA” programme and started activities for MEDUSA (MEDiterranean follow Up for EGNOS Adoption) programme. All the programmes were financed by GSA (European GNSS Supervisory Authority). MEDUSA aims at implementing actions capable of bringing the Euromed (Euro Mediterranean) countries towards the adoption of EGNOS (European Geostationary Navigation Overlay Service) services.

As regards "Scientific Systems and Applications", **Telespazio** started activities related to the CIRCE (Cooperative International Space Station Research data Conservation and Exploitation) project, within the FP7-INFRASTRUCTURE context, which is aimed at developing an international infrastructure capable of effectively supporting the exploitation of the scientific data generated by the International Space Station and by other important space missions. This project is the continuation of the previous program ULISSE (USOCs knowLedge Integration and dissemination for Space Station Experimentation) funded by the European Commission and designed on a network of operating centres for space research and experimentation.

In 2012 **Telespazio** continued its research into GAL PRS (Galileo Public Regulated Service), while carrying out troubleshooting and the development of solutions for operation automation and planning, system certification, simulation of satellite service scenarios and developing user applications.

As regards the issues of scientific and planet exploration, **Thales Alenia Space Italia** continued research into automation technology for entry descent and landing aimed at studying stages of descent and precise landing on planets using algorithms and guidance navigation and control (GNC). An entry, descent and landing facility was completed and tested, which was developed as part of the project based on a diorama representing the Martian terrain and a “drone” that simulates the descent module.

Telespazio actively participated both in the studies of missions for the direct exploration of NEOs (Near Earth Objects), the small celestial bodies that risk to collide with our planet, and in the Space Situational Awareness program of the ESA. Within this context, it was granted a loan from the European Commission (CIPS Program - Critical Infrastructure Protection) for the implementation of the "SPARC" (Space Awareness for Critical Infrastructures) project, within the European Union Programmes for the prevention and management of risks for the safety and protection of European Critical Infrastructures. The objective of the SPARC project is to analyse any risks that might be caused by certain space phenomena and objects (space debris, solar activity, Near Earth Objects) and that might represent a threat for critical space infrastructures and for critical earth infrastructures (e.g. systems for energy production and distribution, transport infrastructure, telecommunications networks). After the risk analysis, the project will identify any possible (technology and operating) countermeasures and will define strategies for the mitigation of risks and of any possible consequences. The SPARC project continues and extends the activities developed by Telespazio in two previous projects (“SecureSpace” and “2SI”) funded within the scope of the European Programs for the Protection of Critical Infrastructures, thus allowing the strengthening and consolidation of corporate experiences and expertise in this important field.

Another project of **Telespazio** which was launched in 2012 was "VIRGILIUS" - Guide to Elders' Well Being" presented within the context of the Call for proposal AAL-2011-4 for Ambient Assisted Living funded by the MIUR. The objective of this project is to provide a transnational, indoor and outdoor localisation service to elderly people by using a specific terminal, integrated into a group of value-added services depending on the local context.

As regards the "User services & Applications" products, **Telespazio,** together with other **Finmeccanica Group** Companies**,** started activities related to the Corporate Project FASST (Finmeccanica Application Simulation STore and collaboration environment), which intends to create a distributed on-line simulation environment on the model of the "App Store", in order to allow the Finmeccanica companies to share Know How, simulators, models and sample codes so as to extend the offering of simulations and training of the Finmeccanica group.

In 2012, the proposal for the implementation of an Aerospace District (financed by the MIUR) in the Campania region successfully passed the assessment phase and **Telespazio** (the lead manager of one of the four projects, “Mistral - MIcro SaTelliti con capacità di Rientro AvioLanciati (Air-Launched Micro-satellites with re-entry capacity)” launched the detailed preparation of the project, the objective of which is the Development of an Air-launchable Space Micro-platform.

Finally, in the field of *robotics,* activities continued for the development of a test bench for the purpose of studying and validating technologies, architectures, GNC algorithms and Rover autonomous cooperation, robots and rendezvous and docking systems.

As to the *geo-information* line, e-GEOS (80% **Telespazio** and 20% Italian Space Agency) has continued to develop innovative architectural solutions aimed at containing production costs and improving the performance of terminals for commercial users when it comes to COSMO-SkyMed data and products. The analysis and study related to the application of the GNSS Radio Occultation (RO) technique were also started, which is an innovative method to observe the atmosphere from the space, making it possible to obtain high-resolution and accuracy data of extended coverage.

Furthermore, **E-Geos** continued activities aimed at consolidating pre-operational services on key GMES (Global Monitoring for Environment and Security) Emergency products, at developing web solutions for the management and distribution of geospatial products, as well as studies on the GMES security governance and for enlarging the R&D portfolio for the development of *GMES security* products in support of the European External Action Service (Thematic Mapping, Monitoring Services, Near Real Time Services). Finally, activities continued for the development of image processing and data fusion solutions for products within the context of maritime surveillance and for the study and development of products on interferometry processing from SAR and processing/data fusion for ground deformation analysis.

- With respect to **aeronautical platforms**, in the helicopters division **AgustaWestland** continued its strategy of investing in technology along three main areas: technologies that enable the use of the platform “every time” with even better performance in terms of comfort and of being eco-friendly, that of the unmanned technologies, particularly for solutions in support of naval operations; and that of technologies related to tilt-rotor aircrafts. Among the major technological development activities involving materials are those related to the use of thermoplastic materials: as to their structural use, there are those related to the drop testing of new flight control models rather than fly-by-wire controls, which can also be used to support European initiatives (Clean Sky); as to the eco-friendly technologies mentioned above, there are those related to actively reducing vibrations and noises, as well as research into propulsion solutions and improvements to achieve greater efficiency and lower fuel consumption. Work continued on research into technologies for “all-weather” helicopters, including experiments with the Enhanced Vision System (EVS) and avionics upgrades for fly-by-wire flight controls and for prognostic components (Health & Usage Monitoring System - HUMS).

- In terms of products, **AgustaWestland** continued the development of the AW169, which was unveiled during the Farnborough International Airshow in 2010 and which completed its first flight in May 2012. The AW169 is a new-generation, twin-engine helicopter designed to satisfy the growing market demand for 4.5 tonne class helicopters. At the 2011 Paris Air Show, **AgustaWestland** presented the AW189, twin-engine multipurpose helicopter (8 ton), available in configurations from 12 to 16 passengers (excluding crew), which made the first flight at the end of the same year, an ideal product for long-range operations for the oil and gas market. As to new products, the main technological developments pertain to new active rotors, which replace traditional systems with electrical-controlled elastomer actuators along with variable rotors to optimise performance. In-flight testing continues, also for certification purposes, of the prototype of the AW609, the first tilt-rotor aircraft employing cutting-edge systems and technologies with regard to flight, propulsion and transmission controls integrated into highly-reliable nacelles. Against this background, **AgustaWestland** has begun technological research into the next generation of tilt-rotor aircraft (Erica) that can operate independently as both a fixed-wing and rotary-wind platform. Finally, development has continued on the AW149 medium-class (8.5 tonne class) multi-purpose vehicle, equipped with an advanced integrated mission system, capable of responding to the most modern operational demands.

  Alenia Aermacchi continued to make developments regarding training aircraft, especially relating to the ultra-modern M346-Master military trainer, for which various orders have already been received.

  Activities continued for the development of M346 Light Combat (Affordable Advanced Defence Aircraft - AADA) which is suitable for specific homeland protection missions and out-of-area operations, based on the integration of new sensors (radar, Electronics Surveillance Measurement - ESM, targeting pod) and weaponry. The company is also developing integrated training systems (ITS) based on an advanced training philosophy that incorporates a Ground Based Training System (GBTS), Mission Support System, Training Management Information System and logistics support. **Alenia Aermacchi** is continuing to develop aerostructure technologies that are contributing greatly to the full production of the main components (fuselage) of Boeing's B787 aircraft (the Dreamliner).

With regard to technologies, specifically those within the National Military Research Plan, work continued on the "Future Technology for Aerial Refueling" (FTAR) and "Damage Management of Aircraft Composite Structures Monitored by Embedded Sensor" (MACMES) projects. The company is also involved in the "Guided Bomb IMU/GPS" project (led by **Oto Melara**) with regard to the preliminary studies on the integration and aerodynamic configuration of an unmanned aircraft.

In Europe, work is continuing on the MIDCAS (MIDair Collision Avoidance System) project, aimed at developing and testing advanced technologies and solutions to protect against airborne collisions, in which the company is partnering with other major European groups.

As part of domestic initiatives, **Alenia Aermacchi** is participating in the SMAT (advanced land observation system) project sponsored by the Region of Piedmont. Based on the positive results achieved by the investments made in PHASE 1, the Piedmont Region recently refinanced the project (PHASE 2) for 2012-2013, in which **Alenia Aermacchi** still participates. On the contrary, the company, under the initiatives by the Region of Puglia, is taking part in the development of two research projects: I-Design Foundation and AEROCOMP. As for the remaining domestic programmes, the company is moving forward with the Plan for Development and Innovation in Aerostructures Integration Technologies (TIAS) which aims to develop, design, optimise and build innovative structures for commercial aircraft and UAVs in order to consolidate its role as independent prime contractor.

Finally, activities continued to design the Neuron prototype (technologies for the Unmanned Combat Air Vehicle - UCAV, which carried out its first flight in December 2012.

The Falco Medium Altitude Endurance (MAE) UAV system (**SELEX Galileo**) for surveillance and tactical observation (Maximum Take-Off Weight <500 kg class) is fully operational. Activities continued to develop an advanced version (Falco EVO) with a significant increase in payload through some changes to the Falco, including an increased wingspan, which carried out its first flight in July 2012.

Transportation and Energy

Companies that operate only in the civil sector also continue to carry out significant R&D activities, in part in collaboration with companies operating in the Defence and Security sector. Specifically, important activities are being carried out in the following areas:

- in **Transportation,** development activities primarily regarded tracked transportation systems and vehicles for city, suburban and heavy railway vehicles, as well as related signalling and traffic controls systems (**Ansaldo STS**) and security systems. The main areas were:
  - the European PROTECTRAIL (for which **Ansaldo STS** coordinates 29 European partners) and Secur ED projects in the security area*;*
  - the European ALARP project, for the research, design and construction of a more efficient Automatic Track Warning System (ATWS) for train yard worker safety;
  - the research and development of integrated solutions, targeted at reducing electricity consumption and minimising environmental impact, particularly within a regional urban context. In Naples **Ansaldo STS** conducted extensive testing of the TRAMWAVE catenary-free pick-up system (magnetic ground power supply system) developed by the two companies for trams, within the Sitram project (2015 industry).
  - Activities continued for the implementation of techniques of controlling the converters and the permanent magnet motors. In the testing phase, the permanent radial flow magnet motor created for urban rail was bonded with new class-220 C resin of engines. The continuation of the development of axial-flow permanent magnet motor for "electric wheel" tram applications (**AnsaldoBreda**) is being assessed;
  - the SICURFER project, within which **Ansaldo STS** coordinates a group of scientific and industrial entities**,** including **AnsaldoBreda**, which aims at developing and experimenting technologies for monitoring railway infrastructures in order to enhance their safety and security levels and to increase efficiency of the maintenance activities;
  - developments in the field of signalling (train distancing platform) have focused on creating new generations of wayside and on-board European Rail Traffic Management Systems (ERTMS) for high-speed lines and Communications Based Train Control (CBTC) for metros. In the field of ERTMS, functional adaptations to the new European UNISIG standard (S.R.S. 2.3.0.d) are being made for both wayside and on-

board platforms; in addition, the new signal encoder and the smaller transponders (*balise*) have application not just for railways, but also for CBTCs. Moreover, progress is being made, with regard to CBTCs, on ground/train integration in configuring the system that envisages the "driver" on board trains, while the task of defining the functional requirements for driverless operation have been completed. Also with regard to ERTMS (on-board equipment side), the designing of a new, cutting-edge BTM (Balise Transmission Module) and a new odometry management system are at an advanced stage;

- following the growing demand from the railway market, in the second half of 2012 Ansaldo STS launched activities related to satellite localisation and to the ERTMS satellite system; specifically:
    - the type of the satellite receiver to be used in the component dedicated to the localisation function, defined as LDS (Localisation Device System) was defined.
    - The specification of the functional requirements of the satellite localisation system, with the "virtual boa" principle, is currently being consolidated, in order to support the first Australian contract of Roy Hill. This work will also represent a reference for the European standardisation activities related to the new ERTMS satellite system, of which Ansaldo is the leader within the Unisig context.
    - The 3INSAT project was launched, funded by the European Space Agency (ESA), in which Ansaldo STS is the lead manager of an industrial consortium. The study and experimentation in Sardinia of the application to railway signalling of the communication networks alternative to the GSMR, such as public GSM and TETRA, are planned; these experimental activities will support the developments focused on the RioTinto AutoHaul contract, recently acquired;
- developments in the field of entirely automated (i.e. driverless) subway systems have confirmed their effectiveness (**AnsaldoBreda** and **Ansaldo STS**). Innovative manufacturing technologies have been developed by riveting the chassis of the trains for the Taipei metro. The new integrated power pack that combines the traction converter, auxiliary converters, battery charger and redundant control logic into a single integrated module has been completed;
- Development of new component and system solutions (wayside platform) for the progression of interlockings towards the Wayside Standard Platform (WSP). The new

interlocking WSP platform has been completed and work has begun on customising it to extend its use to RBC/PTC (Radio Block Centre/Positive Train Control) using GSM-R, GPRS and other radio networks. Also in the wayside field, the designing of a new track circuit with an audio frequency capable of transmitting, in the FSK mode, the conditions for the free/busy management of the track circuit, and in ASK mode, the information for the train of safe speeds;

- cross-over technologies regarding which **AnsaldoBreda** has activities involving predictive diagnostics for carriages, basic architectures for traction converters equipment standardisation projects, polymers/thermoplastics and structural adhesives (a bumper has been designed for pedestrian impact for trams and bonded junctions for metro lines), high-performance electric motors, manufacturing processes and software engineering;
- the technologies related to the energy efficiency of the electrified transportation systems are currently being developed; **AnsaldoBreda** coordinates the SFERE project (*Sistemi Ferroviari: Ecosostenibilità e Risparmio Energetico*, Railway Systems: Environmental Sustainability and Energy Saving), funded by the Ministry for the Research (PON 2007-2013), which sees the participation of **Ansaldo STS**, the target of which is to study the employment of supercapacitors on board and on land for the recovery of brake energy;
- again within the PON 2007-2013 projects, Digital Patterns relate to the development of the design IT aids, which sees the involvement of both **AnsaldoBreda** and **Ansaldo STS**.

- **Energy**

In 2012, activities of Innovation and Development of Products of **Ansaldo Energia** mainly focused on developing innovative solutions for plants that generate electricity from fossil fuels and on related services. It also maintained a significant commitment in the nuclear sector and to the diversification of renewable resources. Specifically, work continued with regard to the development of gas turbines featuring **Ansaldo Energia** technology, the programme to further develop the AE94.3A, an F class turbine, in order to optimise it and improve its performance in terms of power and efficiency (through the redesign of the first phases of the compressor, the optimisation of the use of cooling air and the redesign of the profiles of the turbine phases), and expanding its operational flexibility and the range of fuels that can be used.

Also as regards the Class-E machine, the design phases related to the improvement of the performance were completed, with reference both to the compressor, by increasing its evolving capacity, and to the turbine part, by changing the optimisation development of the cooling air realised in Class F and generating new profiles of rotor and stator blades in order to construct new blades suitable for the new operating point defined by the new compressor; therefore, activities continued for the qualification of the micro-cast products for the turbine hot blades and the production of the modified cool blades of the compressor.

A significant development effort was also dedicated to the service programs, designed to satisfy the requests for greater flexibility of the combined-cycle plants and for the operational optimisation of gas turbines. A line of business has been dedicated to the assessment of the deterioration of the critical parts of the units subject to frequent on/off cycles, fast load variations and prolonged hold times at minimum running power, for the purpose of offering maintenance plans dedicated and optimised for this type of functioning. Furthermore, programs continued for the creation of advanced tools for assessing the "residual life" of the forged parts of the rotor for gas turbines (based on appropriate non-destructive investigation techniques and on databases of characterisation of materials), which will be able to enhance the offer of Ansaldo Energia for those plants for which an extension of the operating life compared with the normal expected life, is required.

As regards steam turbines, the development programs are aimed at implementing the catalogue of new products to be used on machines both in conventional cycles and in combined cycles. Specifically, the attention was focused on the construction of a new 41” discharge vane for those machines that work with high pressures on the condenser.

In 2012 activities also continued for the development of the product generator, with the completion, in particular, of design activities, with the support of the most powerful instruments for the electromagnetic thermal three-dimensional calculation, of the hydrogen and stator water-cooled turbo-generator (1000 MVA) suitable for the coupling with the ultra-supercritical turbine (USC) of 850 MW.

The basic project was developed for a new and more performing model of air turbo-generator of 220 MVA suitable for the coupling with a gas turbine AE94.2 Evo of 180 MW.

At the same time as the developments carried out with the machines, the Group also focused on the machinery and plant automation, set up the development of the new control and protection systems for gas and steam turbines (under the **Ansaldo Energia**

brand), based on Symphony Plus (ABB - co-development agreement) platform, including the SIL3 protection system.
The activities related to the "augmented reality" were implemented with the field test of the "Smart Powerful Eye" (S. Anna High School of Pisa) multimedia helmet provided with a bidirectional audio and video support (monocular video cameras and monitors) that allows the connection and interaction between the operator on the field (e.g. inside the combustion chamber) with other engineers within the company.
With regard to the development of renewable energies, a Cooperation Agreement was signed with the German company Bekon Holding AG, which holds an innovative technology for dry anaerobic digestion. The Agreement provides, *inter alia*, for **Ansaldo Energia** to contribute to the development of the technology, and for this reason some studies were started to assess the feasibility of the replacement of the composting section (which generates a product of limited commercial value) with a thermal treatment that would allow significant increases in the overall production of energy per unit of product treated and to achieve savings in the disposal of by-products at the landfill, with the aim of acquiring a considerable competitive advantage over the competitors (these activities were supported by the expertise developed on pyrogasification systems). The acquisition of the Turbec and Turboenergy business unit at the end of 2012 led to the launch of research and development activities related to the mini-turbines, focused mainly on cogeneration deployment, on the development of machine diagnostics and on the review of maintenance plans and programs.
As to the nuclear segment, the subsidiary **Ansaldo Nucleare** continues the studies and the developments into Generation IV nuclear reactors, specifically in the development of the lead-cooled fast reactor through the EU-FP7 LEADER contract, of which it is the coordinator.
An Italian coordination board was established regarding to this technology, which includes further interested industries, research centres and Universities. **Ansaldo Nucleare** also participates in other European projects and specifically in the CDT project for the design of the European irradiation facility Myrra, located at the site of the Belgian nuclear research centre (SCK-CEN) in Mol.
All activities relating to Generation IV nuclear reactors fall within the development framework established by the Sustainable Nuclear Energy - Technology Platform (SNE-TP), specifically, the European Sustainable Nuclear Industrial Initiative (ESNII), in which the leading European stakeholders are taking part.

Group Governance of Technologies and Products

To further strengthen Group Technology Governance, improve the interoperability of the companies and find technological synergies, **Finmeccanica** continued with the CTO (Chief Technology Officer) Board, which was introduced in 2011.

This Board was comprised of all the CTOs and heads of R&D for the Group companies. Its primary responsibilities are: managing the companies' innovative strategies at the Group level by coordinating the Innovation and R&D Strategy Plans, scouting out future BVR (Beyond Visual Range) technologies, coordinating and handling relations with universities and research centres, identifying and managing collaborative projects on common technological platforms, involving a greater number of companies of various sectors, the governance of MindSh@re®[2] and Group intellectual property.

The Technological Communities within the MindSh@re® platform remain active. Given its intercompany configuration, they represent an important tool for sharing information and steering development, research and integration activities and implement in operating terms those cross-sector projects necessary to the growth of the Group that would increase its heterogeneity.

To date, the seven Mindsh@re communities include around 350 technicians, researchers and engineers from all the Group companies:

- **Radar Community:** advanced radar system technologies;
- **Software Community*:*** technologies, systems and methods for avionics, naval and land-based software as well as military, civil and security software;
- **Advanced Materials and Enabling Technologies Community**: basic emerging technologies, including innovative materials, metamaterials, MEMS, photonics, robotics, nanotechnologies, and the design and management of eco-compatible products;
- **Integrated Environments for Design and Development Community**: analysis and rationalisation of processes, methods and tools along the entire product development cycle, system engineering, and all stages of mechanical and electrical design;
- **Simulation Technologies Community**: local and distributed simulation technologies and systems and advanced training of operational personnel;
- **Intellectual Property Community**: dissemination, rationalisation, management and enhancement of intellectual capital and technologies (patents, trademarks, know-how, trade secrets);

Autonomous System Community: for promoting internally the strategy for the enhancement of autonomous systems and ensuring the success of the Finmeccanica products. This community was

[2] MindSh@re® is a registered trademark of Finmeccanica Spa

created in 2012 following the initiative of the CTO, who deemed this issue worthy of being appreciated at a Group level. In 2012, initiatives originating within the communities of the MindSh@re® project continued through numerous workshops and the re-financing of the projects started in 2011 and with a new Corporate R&D project (partially financed by the Group Parent), with the goal of promoting collaboration between the various Group companies and universities, research centres and end users. The re-financed projects are on the following issues:

- MITRA (Microwave Integrated Tile for Radar Application). Development of a demonstrator of a highly-repetitive subset for an active array electronic scanner (microwave tile), to reduce its cost and make it easier to manufacture the antenna.
- FASST (Finmeccanica Application Simulation STore and collaboration environment**)**. Collaborative online environment using the App Store concept to allow companies to share their internal know-how, experience, tools and simulation modules.
- IPL@ab. A central Group service to aid in rationalising and exploiting the patents, trademarks and technologies held by the Finmeccanica companies.

The new project submitted and funded in 2012 is MULTIPRO, related to the development of a software environment with a multi-scale approach for the analysis of the behaviour of structures made in composite materials and in metallic materials, and devices for electronics, in applications in the sector of the plants for energy production, air transportation, space and defence electronics.

Other Research and Development activities

Domestic Platforms

Domestically, Finmeccanica promoted the SEcurity Research in ITaly (SERIT) technological platform, along with the National Research Council (CNR), for the development of a technological roadmap in the area of security.

Another domestic platform in which Finmeccanica participates through its companies, including **Telespazio**, is SPIN-IT (Space Innovation in Italy), created to promote innovation and strengthen Italy’s presence in European and international research programmes in the space field.

Many Group companies continue to take a significant direct part in the ACARE Italia platform for guiding R&D in the aeronautics field by coordinating the action of all the Italian players in the sector.

Finmeccanica also participates in numerous Italian Technology Alliances (ATI) promoted by the directorate-general of the Ministry for Education, University and Research (MIUR) for the internationalisation of research in order to meet the targets and challenges of the Europe 2020 Strategy.

Today ATI represents the synthesis and the convergence on targets deemed of priority for growth, such as nanotechnologies, electric mobility, product innovation, biometric technologies, the future of the Internet, photonic sensors and sources, and space.

Aerospace Technological Cluster

On 30 May 2012 the MIUR launched a Call for Tenders known as "Notice for the development and enhancing of National Technological Clusters", which saw the participation of the association named "Cluster Tecnologico Nazionale Aerospazio" (CTNA) as a result of the initiative of the Founder Members, among which **Finmeccanica**.

The Strategic Plan of the CTNA has been developed by a team of highly qualified industrial and R&D experts, both in the aerospace and space fields, belonging to major groups, universities, research centres and innovative services, in collaboration with **Agusta Westland, Alenia Aermacchi, MBDA, SELEX ES, Telespazio, Thales Alenia Space.**

The plan outlines the initial selection of four Projects for the participation in the call for tenders, which was carried out in a structured manner so as to ensure compliance with the national and European innovation policies, with the technological needs of the companies and the scientific and technological relevance of the contents of such projects for the growth and competitiveness of the Italian industry. Of the four projects selected, three come under the leadership of **Finmeccanica** companies, namely: as regards the rotary wing TiltrotorFX (Enhancement of the Control System of Tilt-rotor aircraft for the Reduction of the Work and Pilot Load and the Protection of the flight envelope) with the leadership of **Agusta Westland** and with the participation of **SELEX ES**; TIVANO (Innovative Technologies of New-Generation General Aviation Aircraft), for the fixed wing control, under the leadership of **Alenia Aermacchi** and SAPERE (Space Advanced Project Excellence in Research and Enterprise) in the space sector under the leadership of **Thales Alenia Space.**

European and NATO Programmes

This section outlines new R&D projects and international programmes in which the Group companies or the Parent Company itself were involved in 2012.

- as regards **the EDA** (European Defence Agency), below are reported the projects/activities that are expected to start in 2013 and 2014, as well as an update on the activities described in the previous Reports, respectively for:
  - **SELEX ES** (activity on the part of the former SELEX Elsag)**,**
    - the ESSOR programme. The strategic objective of the ESSOR programme is to provide the basis for the development and production of Software Defined Radio (SDR) in Europe with the goal of having equipment operating in Europe through 2015.

- CORASMA (COgnitive RAdio for dynamic Spectrum MAnagement) -Cat. B, Status: in progress, where **SELEX Elsag** is the Leader of the System Architecture;
- TACTICS (TACTICal Service oriented architecture), Cat. B., Status: negotiations under way; **SELEX Elsag** is in charge of the Tactical Service Infrastructure, Technology Studies on SOA Stack & Services.

Please note the completion of the projects:

- ETARE (Enabling Technology for Advanced Radio in Europe) – Cat. B., **SELEX Elsag** was the Leader regarding the Security aspects
- WOLF (Wireless rObust Link for urban Force operations); Cat. A., Status: completed; **SELEX Elsag** was in charge of the Interoperability requirement, System Architecture Modulation and Access scheme;

- **SELEX ES** (activity on the part of the former SELEX Galileo)**:**
  - the System-on-Chip (SoC) programme. The System-on-Chip (development of a family of System on Chip & Digital Processing platforms for Defence and Space applications) is still in progress (Role: Computing and Architecture Requirements);
  - DUCAS - Detection in Urban scenario with Combined Airborne Sensors, leaded by SELEX Galileo (Role: Database acquisition with hyperspectral sensor), is currently in progress, although the activities to be carried out by the subsidiary have already been completed;
  - ECOMOS - European Computer Model for Optronic Systems Performance Prediction, the Project Arrangement of which has already been signed by Italy and is currently waiting for the signature of the other Countries (Role: Validation of the model on SelexGalileo products - Thermal Chambers- and preparation of the user's manual);
  - Long Range IR System - study of (SW and HW) technologies and techniques for an infra-red vision that would allow better detection and recognition distances than those currently available (status: phase no. 1 completed in May 2012. Awaiting for the authorization of the phase no. 2 that was expected to start in Sep./Oct. 2012 - Value: 1,749 k€);
  - SIT-GA - Hyperspectral System operating based on infra-red systems (status: phase 1 completed in December 2012. Awaiting information on the allocation of funds for phase no. 2 - Value: 1,509 k€);
  - SS- IRST Static Starting InfraRed Search and Track (for Naval Applications) (status: phase no. 1 completed in November 2012. Awaiting for information on the allocation of funds for phase no. 2);

  - IED Standoff detection through Modulated Electromagnetic Emissions; (Status: Project in progress);
  - TIME CRITICAL TARGETING in an URBAN ENVIRONMENT utilizing Assisted Target Recognition (ATR) and Automatic Data Prioritization (ADP) Short Title: TCTUE - Study of operational concepts, Study and development of algorithms and models, (Validation through simulations); (Status: project in progress);
  - WIRELESS Communication Systems between Systems and Sub-systems of Naval, Land and Avionic Platforms (Status: project in progress);
  - Smart Dust Sensing (SDS) for the Stand-Off Detection of traces of explosives and chemical agents; (status: phase no. 1 signed on 28.12.2012)
  - It should be noted that 2012 saw the completion of the EOMAP (European Optical Roadmap) project (Role: Technologies Definition and Roadmap of Electro-Optical Systems).
- **SELEX ES** (activity on the part of the former SELEX Sistemi Integrati)**:**
  - TELLUS Follow-on - Technology Enablers for Low Power and Low Cost Urban RF Systems (start of operations: 2013);
  - TACTICS - Tactical Service Oriented Architecture (start of operations: 2013);
  - ANEVA - Automatic Network Explorer and Vulnerability Assessment frame work (start of operations: 2013);
  - ESPERANCE - FARADAYS Implementation (start of operations: 2014);
  - Feasibility Studies, starting in 2013, involving the Radar Implementation of Compressive Sensing, JIP CBRN (RAMBO and BIOTYPE);
- **WASS,** for the Underwater Maritime System (UMS) programme.

- **Seventh Framework Programme - Security (2007-2013):** in 2012, the results of the fifth call for the "Security" area were announced and Finmeccanica was given significant portions of the following projects:
  - ISITeP (Inter System Interoperability for Tetra-TetraPol Networks)**,** coordinated by **SELEX ES,** the purpose of which is to realise a legal and operational framework for the connection of networks, based on TETRA and Tetrapol technology, that would allow the interoperability of the European first intervention teams (police, health care, ...).
  - GAMMA (Global AtM security Management), coordinated by **ES**. The objective of the project is to implement a Security Management framework within an ATM context that would take into account all aspects related to regulations, operating procedures and

technologies with an holistic approach (System of Systems) starting from the Threat Assessment analysed in SESAR.

- SAWSOC (Situation AWare Security Operations Center) coordinated by **SELEX ES**, the purpose of which is to develop techniques for the correlation of physical and logical security services in order to reach a consistent vision of the situation in an integrated platform that offers sophisticated security services by combining, in a modular manner, into a Security Operation Centre (SOC) different information from different sources.
- HARMONIZE (A Holistic Approach to Resilience and Systematic Actions to Make Large Scale Urban Built Infrastructure Secure), in which **SELEX ES** is participating and the objective is to develop a comprehensive, systematic, multifaceted and coordinated concept to increase security, resilience and sustainability of major urban infrastructures (buildings) enhancing the designing thereof.
- **Telespazio** and **e-GEOS** submitted a set of proposals, one of which is coordinated by Astrium whereas Telespazio acts as co-coordinator. The objective of this proposal is to analyse the requirements for the development of new tools capable of increasing the security of the ground infrastructures of space systems.
- The Group was awarded the DESTRIERO proposal (A DEcision Support Tool for Reconstruction and recovery and for the IntEroperability of international Relief units in case Of complex crises situations, including CBRN contamination risks), which was submitted in 2011 and involving **SELEX ES** as coordinator and **e-Geos** in the partnership.

- **Seventh Framework Programme - ICT (2007-2013)**:

  SELEX ES, as "Coordinator"**,** in the Call FP7-SEC-2013-1, submitted the METPOLIS (MEdia neTworks for Preventing and alarming Over LIfe and environment Security) project, related to the development of a "cloud-based" platform to support the decision making process in critical situations and emergencies, through the extraction and analysis of the information from the Social Media.

  Finmeccanica successfully joined the CRISTAL proposal, through **Alenia Aermacchi, Ansaldo STS** and **SELEX ES**, in the fifth call of JTI Artemis. Purpose of the CRISTAL project is to strengthen the competences of the European industry in designing high quality and low costs electronic systems to be employed in applications intended for the transportation industry (air and railway transportation, in this case) with particularly high levels of reliability (safety critical). CRISTAL is based on the results achieved in the previous Artemis CESAR and MBAT projects.

- **Seventh Framework Programme – Space (2007-2013):** in 2012, **Telespazio** and **eGEOS** achieved significant participations in the following projects:
  - G-NEXT (GMES pre-operational security services for supporting external actions)**,** coordinated by **eGEOS,** aiming at defining a series of innovative services for the Crisis Management Response, in line with the needs of the European and International Institutions. The projects develops the activities already started in the previous European Projects coordinated by **Telespazio** and **eGEOS**.
  - G-SEXTANT (Service provision of geo-spatial intelligence in EU External Actions Support), with the participation of **e-GEOS**, aiming at developing a portfolio of new products and services for Earth Observation, within the activities related to the European GMES/Copernicus programme.
  - CIRCE (Cooperative International Space Station research data conservation and exploitation), coordinated by **Telespazio**, aiming at supporting the development of an e-infrastructure that is able to promote the exploitation of scientific data produced by the International Space Station and other Space Missions.

- **Seventh Framework Programme - Infrastructures (2007-2013):**

  In the FP7-Infrastructures segment, as mentioned above, the Group was awarded the CIRCE project, which was presented in 2011 by **Telespazio** that started related activities in 2012.

- **Seventh Framework Programme - Transportation, including Aeronautics (2007-2013).**
  In relation to the fifth call for the Seventh Framework Programme (Aeronautics and Air Transportation) opened. **Alenia Aermacchi** is participating in a large-scale proposal for reducing the costs of producing composites (LOCOMACHS). The company is also taking part in several of the L1 projects focusing on manufacturing and integration technologies.
  SELEX ES presented a proposal within the "Integrated environment for optimized airline maintenance and operations" sector. The purpose of the proposal is to reduce maintenance costs within the civil aviation sector, keeping an appropriate level of safety and timeliness of the flights.
  In 2012, the sixth Call opened with the participation of the **SELEX ES** in the ASHLEY project on modular avionics and the participation of **Alenia Aermacchi** in AFLoNext, on active wing, in ATOME, on advanced maintenance technologies and in TOICA, for an integrated thermal analysis project of a commercial vehicle.

Group companies are continuing to provide committed, experienced participation in research in the aeronautics field, for which European funding has been allocated, particularly to the Clean Sky and SESAR Joint Technology Initiatives:

- the Clean Sky Joint Technology Initiative seeks to develop the most suitable technologies for drastically reducing the environmental impact of aircraft. Finmeccanica is co-leader of two of the six ITD (integrated technology demonstrators): the Green Regional Aircraft (**Alenia Aermacchi**) and the Green Rotorcraft (**AgustaWestland** in cooperation with Eurocopter). Avio and **SELEX ES** are also involved;
- the **SESAR** Programme, instead, seeks to develop the new European ATM system through 2020 with the active involvement of **SELEX ES** and **Alenia Aermacchi** (top-level leaders), and **Telespazio**.

Finally, partnerships continued with leading Italian universities (**Genoa**, **Federico II of Naples**, **Sant'Anna of Pisa**, **La Sapienza** and **Tor Vergata of Rome**, **Politecnico of Turin**, **Politecnico of Milan**, **IUSS of Padua** and **others**) in the fields of aeronautics, radar, security, transportation and communications. A framework agreement was also signed with the **University of Trento** for research into electromagnetism.

Patents

In 2012, the patent portfolio was managed in the ordinary course of business, which involves monitoring registration procedures and performing all activities required to maintain and renew domestic and foreign patents, as well as to protect patents, especially strategic ones, in order to ensure that the Group's know-how is safeguarded throughout the world. During the year, the Group also began promoting, exploiting and developing its patented know-how amongst the Group companies.

The patent portfolio covers the divisions as follows:

- Defence and Security Electronics: 43%
- Energy: 14%
- Helicopters: 11%
- Aeronautics: 9%
- Transportation: 9%
- Defence Systems: 8%
- Space: 3%
- Other: 3%

FINMECCANICA: HUMAN RESOURCES

Organisation

As regards the organisational development, 2012 saw a significant and delicate transition for the Finmeccanica Group. Some of the most important processes/interventions of macro-organisational redesign or review are reported below, which were implemented during the year.

In January, at **Alenia Aermacchi**, following the merger by incorporation between Alenia Aeronautica, Aermacchi and SIA, the new corporate organisational structure was launched, with 2 Directorates General (“Operations” and “Business”), and 2 new units, which directly report to the CEO, for the coordination of the civil (with operational headquarters in Pomigliano d’Arco, Naples) and military (with operational headquarters in Caselle, Turin) segments of the Group’s aeronautics sector. Specifically, within the Production area (Operations Directorate General), "Integrated Centres" (plants) have been created, specialised in different technologies/products. In July, the Directorate General for the Boeing Programs was established, in the framework of the partnership agreements that have been entered into. The month of September saw the launch of the new organisational structure of the Business Directorate General (which includes the different structures of the business area, international sales, business development and customer service units), whilst the mission and structure of the Security Officer and the new structure of the External Relations unit were redefined. In November, the industrial model and the corporate production processes ("central role of the factory" and enhancement of the skills and expertise of the people who work at the workshop) were reviewed with a view to improving efficiency of the plants and the competitiveness of the company, with the introduction of a new organisational model for the factory. December saw the definition of the streamlining of the structure of the Operations Directorate General.

The first half of the year saw the establishment of the new Geographic Unit AW Philadelphia and of the new Industrial Presences unit of **Agusta Westland**, which directly report to the COO, and the establishment of the new Financed Government Programs unit, which reports directly to the CEO. Additionally, several turnovers took place in some important first-level positions (Business Development, External Relations & Communication, Manufacturing Planning & Control, etc.). In September some significant organisational and responsibility changes were defined within the Human Resources unit.

July 2012 saw the establishment of the Security Officer unit of **AnsaldoBreda**, which directly reports to the CEO. Furthermore, the organisational structure of the CFO, of the Service BU and of the HR unit, Change Management & EOS Project Implementation, was redefined.

October saw the completion of the reorganisation and streamlining of the Standard Platforms & Products (SPP) unit, with the merger of all manufacturing activities, both internal and external, under a single organisational profile (Manufacturing) in order to enhance the central role of plant management.

In October 2012, the first-level unit Company Secretary & General Counsel of **Ansaldo STS** was superseded: accordingly, the units External Communication, Legal Business Affairs & Litigation and Corporate Affairs & Group Insurances now directly report to the CEO.

Works were carried out in January for the maintenance and organisational streamlining of **Telespazio**, with the merger of the CTO with the Subsidised Research and Patents unit under the COO. Significant turnovers took place in some first-level positions (Gokturk Programme, Internal Audit, etc.), with the enhancement of some internal resources.

In May, following the changes in the Top Management of **DRS Technologies** at the beginning of the year, the organisational structure was streamlined through the integration and merger of the business activities, including the Defence Solutions sector (the area subject to the so-called "Proxy Agreement" with the DoD of the United States), into 3 new groups against the previous 5 Business Groups (Network and Imaging Systems - NIS; Power, Environmental and Sustainment Systems - PESS; Integrated Defence Systems and Services - IDSS).

In November, following the completion of a complex process of organisational analysis and planning, the new structure of **SELEX ES** was formalized into a single transnational management structure, for the new European division of the Group within the Defence and Security Electronics sector, into which SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati have been integrated. The new model has been built on the basis of the following organisational elements and criteria:

- 3 Divisions structured by markets/clients, divided into Lines of Business (LoBs) and provided with their own sales forces and dedicated program execution/delivery structures;
- Design and generally-centralised Operations (COO);
- centralisation of cross-sector "basic technology" (CTO) to ensure their "reusability";
- staff areas divided between Chairman and CEO;
- functions in support of the business shared between CEO and COO;
- strong coordination between marketing and central business development and departmental sales structures;

- "non-domestic" foreign markets/countries (Overseas Subsidiaries) covered through the coordination of a dedicated unit, which reports to the CEO.

At the end of December, the second-level organisational structures were also launched.

As regards the **organisational structure of the Parent Company**, following the resolutions passed by the Board of Directors of Finmeccanica Spa on 16 May 2012, the following first-level changes were defined:

- the General Manager, who is confirmed as a member of the Board of Directors of the Holding company, has been vested with the responsibility for the control over Operating Companies (both subsidiaries and direct investee companies), it being understood that the Chairman and Chief Executive Officer retain responsibility to ensure the unitary management of the Group;
- the head of the Administration, Finance and Control unit has been designated as Chief Financial Officer (CFO) of the company, as well as " Officer in charge of preparing the Company's accounting documents", and reports directly to the General Manager;
- the Legal and Corporate Affairs unit now directly reports to the Chairman and Chief Executive Officer;
- the Mergers and Acquisitions unit has been merged into the Operations unit, under the responsibility of the General Manager.

In addition, in 2012 the following organisational changes were defined:

- the unit in charge of governing and coordinating the Security of the Group has been reorganised and structured, which now reports directly to the Chairman and Chief Executive Officer;
- the unit dedicated to the Business Coordination and Business Development, named Market and Business Development, has been integrated into one single structure and reorganised, in order to redesign and optimize the business network of the Group worldwide;
- in the External Relations and Communications area, which reports directly to the Chairman and Chief Executive Officer, the activity/responsibility areas have been reorganised within the organisational units Communications and Image, Relations with the Media and External Relations;
- the new organisational structure of the Legal and Corporate Affairs unit and some significant changes in the organisation and responsibilities of the Human Resources unit have been defined, in addition to the new structure of the Strategies unit;
- finally, the organisational unit Directives and Procedures has been established within the Organisational Development, Staff Planning and Labour Cost unit (Human Resources), which

will be responsible for coordinating the process for the preparation, approval and release of the Group Directives, of the corporate Procedures and of the Policies/Guidelines (either at Group or corporate level).

At the end of 2012, the Group operated through a world-wide local structure including 406 offices/sites, 271 of which are located in foreign countries (67% of the total) and 135 in Italy. Of the sites located in foreign countries, 85 sites are located in the United States, 38 in the United Kingdom, 16 in France, 14 in Germany, 9 in Australia and 8 in India. The “operational” offices (plants and other sites that are considered to be mainly production sites) are 172 (61 of which are located in Italy), equal to 35% of the total.

Management Review, Succession Plans, Compensation and Incentive Systems

In the 2012 financial year, the Finmeccanica Group continued its activities for the shift in perspective and an evolution in strategy that since 2011 has led to a review of certain of the basic processes of the System for Managing and Enhancing Human Resources.
This review also touched the well-established **Management Review** process, which, since 2002, has been the primary forum for analysing, sharing and verifying human resources policies and programmes, as well as an opportunity for Finmeccanica to gather all the information and assessments needed to introduce sustainable, merit-based processes for managing the Groups' Human Capital, particularly management personnel.
Finmeccanica confirmed that the Management Review process is crucial to the development of an added-value partnership between the Parent Company and the Operating companies, making it possible to optimise resource management and development processes, also through increased actions of job rotation and redundancy of managers. At the same time, new operating procedures were defined for 2012, which were implemented during the "one-to-one" meetings with the Group Companies. Such innovations strengthened the relevance, in management terms, of the Management Review process, through the shared definition of a more structured approach to the planning and implementation of the career paths, thus neutralising the logic of the very short term "emergencies" in the management of redundancy processes.

Analysis and discussion of the **Succession Plans** for all the top management positions and the top organisational level of the main Group Companies held a central place in the agendas for the Management Review meetings. With this in mind, in 2012 work completed on defining and implementing the so-called **Finmeccanica Elite Management System**: the design of the architecture for an integrated management and improvement of the talent pool, which was started in 2010, is aimed at creating and enhancing an international managerial class that will make it possible for the Group to successfully face upcoming challenges in international markets.

The targeted pool of employees, called the **Group Elite**, consists of about 600 managers divided into three categories based on the organisational importance of the positions held and on personal characteristics, such as the "Development Potential" and the characterizing features of "Talented Persons" with a view to a long-term investment on the part of the Company: at the top of the new pyramid are the "Top 100", i.e. those who hold top positions in Finmeccanica and the Group Companies; the intermediate level holds the "200 Successors", i.e. those who are set to succeed the Top 100 in the short term; at the bottom of the pyramid are the "300 Top Talents", i.e. those with great medium/long-term development potential, with international standing and highly motivated, identified from among Group Companies' executives and middle managers.

Identifying the profiles that fill the three Group Elite levels was a priority for 2012, conducted in cooperation with the Companies, ensuring system consistency through centralisation. Alongside this a system of managerial positions was defined, grouped based on organisational complexity and the related professional content. This makes it possible to govern, using a common, structured approach, the management of career development paths.

Within this framework, management of more valuable management personnel translated into establishing individual **Career Plans** for Group employees deemed strategic and for a portion of those individuals, chosen from among the highest-potential managers. The individual career plans designed around organisational, professional and managerial rules and criteria will be completed for all Group Elite employees in 2013 in light of corporate organisational requirements and the motivations and aptitudes of each employee.

With regard to **Compensation Systems,** 2012 saw the confirmation of the scope of the beneficiaries of the **MBO System** (covering almost 100% of Group Senior Managers and Executives): as regards its underlying rationales, this system is based on the general structure and operational mechanisms, which were already present in 2011, aimed at ensuring a strict correlation between the incentives and the "excellence" in operating performance.

Furthermore, due to the fact that no medium/long-term incentive plans were allocated in 2011, during the financial year the Remuneration Committee and the Board of Directors prepared and approved a structured Remuneration Policy, under which two medium/long-term incentive schemes were launched for the Group management, so as to allow for the definition and optimisation of said plans in the light of the changed market situation and of the Group's strategic directions. The first of these instruments, named **Performance Cash Plan** 2012-2014, is reserved for those belonging to the workforce defined as "Group Elite", comprised of approximately 600 managers divided into the three categories outlined above. This plan provides for incentives granted in cash, payable against the achievement of certain management-economic results of the Group and of the Operating Companies, in line with business strategies and objectives.

2012 also saw the launch of the 2012-2014 cycle of a Plan that provides, for the Top Management of Finmeccanica S.p.a. and of the main Group Subsidiaries, for the payment of **cash incentives** upon achieving certain ambitious targets of the Group, on a full self-financing basis.

According to the traditional approach of "rolling" schemes, this Plan is additional to the three-year cycles launched from time to time in each financial year, with the purpose of maintaining a high level of attention and motivation towards the joint attainment of a medium/long-term performance that is considerably higher than the budget targets - based on the economic-management indicators of the Finmeccanica Group.

The Remuneration Committee, after the expiry of each one of the relevant financial years of the Plans, and following the approval of the related draft separate and consolidated financial statements by the Board of Directors of Finmeccanica S.p.A., shall assess - based upon the representations and the data provided by the Company's departments that are duly certified according to the Group procedures - the degree to which the assigned performance objectives have been reached and shall determine, for each one of the beneficiaries, the amount to be paid in compliance with the provisions of the Regulations of such Plans.

For more details relating to the remuneration of the Management, reference is made to the Remuneration Report of the Company.

Industrial Relations and Social Affairs

In 2012, Finmeccanica was also able to uphold its tradition of unified Industrial Relations, a hallmark of collaborating to find solutions to problems, with good results, despite the drawn-out, difficult organised labour situation, which was determined both by internal factors (the need to accelerate the restructuring and reorganisation of many Group companies and the decision to dispose of non-strategic businesses), and by external factors (conflicts between FIOM on the one part and FIM- UILM on the other part, which has led to the separate signature of the new national collective bargaining agreement).

In 2012 there was an increased commitment of Finmeccanica in Confindustria, aimed at bringing the Association closer to the Enterprises and making it more adequate to satisfy the needs of such Enterprises in the current negative economic situation.
Finmeccanica actively participated in all the stages of the negotiations that led to the renewal of the national collective bargaining agreement on 5 December 2012 with FIM and UILM, which represents a turning point in the Labour Relations at a national level. The qualifying aspects of the Agreement may be summarised as follows:

- the acknowledgement of the need to increase productivity by expanding the range of flexibility instruments in managing working hours and by immediately applying at a corporate level the provisions agreed upon at a national level;
- leaving behind the complex and cumbersome regulations on the treatment of sickness leave, thus ensuring a greater cover to serious illness and introducing concrete actions to fight absenteeism;
- the payment of salary increases that, despite the difficult situation, represent a sign of confidence and responsibility towards the over one million workers in the sector.

Furthermore, as regards the general scenario, it should be noted that the initiative of the Parliament and of the Government made it possible to positively settle the issue of the protection of the redundancy agreements signed prior to the entry into force of the Fornero Reform, with very positive effects for the Group, as detailed below. Specifically, a description is provided, at the Sector level, for the main actions taken by the Group Companies in relation to the **restructuring, reorganisation and revitalisation plan**.

In the implementation of the Revitalisation, Restructuring and Reorganisation Plan (in force for years 2012-2014), which was signed with the Trade Unions on 8 November 2011, the following measures were adopted at **Alenia Aermacchi**:

- as at 31 December 2012, 1,560 workers left work through recourse to the voluntary redundancy with pension contributions. Furthermore, further 515 resources left the operating staff in order to be subject to the Extraordinary Wages Guarantee Fund (CIGS, *Cassa Integrazione Guadagni Straordinaria*), who, within the term of the Plan (by 31 December 2014), will have access to the voluntary redundancy with pension contributions. The foregoing is in line with expectations and, in fact, it is likely that - by 2014 - a more effective implementation of the staff reductions envisaged in the Agreements signed in 2010 and 2011 will take place;
- on 20 December 2012, the CIGS Agreement was signed at the offices of the Ministry of Labour and Social Policies for the Rome office, as a result of the corporate crisis caused by its winding up. The CIGS programme will remain in force for a period of 12 months as from 1 January 2013

and will affect 40 resources. The closure of the Rome office involved an aggregate of no. 140 resources, for whom the following operational actions were also implemented:

- transfers to the plants of Caselle (Turin) and Pomigliano d'Arco (Naples);
- transfers to other Group companies;
- early retirement incentives;

- in view of the closure of the plant in Casoria, the process was started for transferring the activities of the site to the plant of Nola, with the simultaneous reallocation of the personnel involved. In view of the closure of the plant in Venice, the process was started for the reallocation of the personnel to AgustaWestland and SuperJet International;
- in 2012, 160 people were hired, who will be dedicated to direct production activities at the plants/sites of Cameri (Novara), Foggia and Grottaglie-Monteiasi (Taranto);
- furthermore, the process for the outsourcing of the "Sales and Purchasing Cycle" activities of the Accounting Function was completed, with the reallocation and requalification to a production environment of the employees dedicated to such activities and of the surveillance service for the sites of Venegono Superiore (Varese), Turin, Caselle, Venice, Capodichino (Naples), Foggia and Grottaglie-Monteiasi, whereas the gradual outsourcing of the activities related to the plant logistics was also started, initially involving the plants of Foggia and Grottaglie-Monteiasi.

Within the **Defence and Security Electronics** sector, the most relevant commitments in 2012 were linked to the restructuring, reorganisation and realignment of the companies SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati, aimed at the integration into one single company SELEX ES. For this purpose, in 2012, all the procedures envisaged in article 47 of Law 428/1990, as amended and supplemented, were completed. Specifically:

- with reference to **SELEX Elsag**, the implementation of the efficiency-improvement plan, launched in 2011, was continued, the most significant 2012 events of which are summarised below:
  - in April, a memorandum of agreement was signed with the national and local Trade Unions and with the RSU (*Rappresentanze Sindacali Unitarie*, Single Bargaining Units) for the continuation of the CIGS program for corporate reorganisation, which involved an average number of 415 units on an annual basis;
  - in December a memorandum of agreement was signed with the national and local Trade Unions and with the RSU for the continuation of the corporate reorganisation process through the use of the CIGS program, for an average number of 415 units up to 3 July 2013 and through the continuation of the ordinary redundancy program for a maximum number of up to 230 units until 31 December 2013;

- again in December, a memorandum of agreement was signed at the Ministry of Labour with the national and local Trade Unions and with the RSU, in which it was agreed that the corporate reorganisation program was to continue in 2013 with the use of CIGS and ordinary redundancy procedures, to the extent set forth in the preceding subparagraph, within the context of SELEX ES, until their natural expiry;
- in February the minutes of meeting (pursuant to article 47 of Law 428/1990) were signed with the national and local Trade Unions and with the RSU of the companies SELEX Elsag and AMTEC for the completed procedure related to the merger of the latter by incorporation into the former, as from 1 March 2012;
- in July, an agreement was signed by SELEX Service Management for the application of the Ordinary Wages Guarantee Fund (CIGO, *Cassa Integrazione Guadagni Ordinaria*) for a period of 13 weeks starting from 6 August 2012, which affected, to different extents, the entire workforce (121 units) with zero-hour CIGO for the staff personnel. This measure was the consequence of the suspension, pursuant to Decree Law no. 83 of 22 June 2012 bearing "Urgent measures for the country's growth", of the contract related to the control system for waste tracking (SISTRI).

In 2012, together with the application of the CIGS, the process for ordinary redundancy and incentives to resign continued, with the termination of the employment relationship with 140 units, of which 41 under the redundancy program, 51 for incentives to resign (of which 21 senior managers), and 48 due to other causes. The overall CIGS hours at SELEX Elsag amount to 618,530, whereas the CIGO hours at SELEX Service Management were approximately 51,338.

- With reference to **SELEX Sistemi Integrati** a corporate reorganisation process was started in 2012, which was aimed at boosting the Company's competitiveness and achieving adequate levels of efficiency to face the challenges posed by the relevant market, through an efficiency-improvement plan with the purpose of affecting the structure of the main corporate processes, the operating flows and the related functioning procedures of the organisational structure, and through a rebalancing of the workforce as regards the ratio of general to specialized employees. Based on these requirements:
  - in October, a memorandum of agreement was signed with the national and local Trade Unions and with the RSU, which provided for the application of ordinary redundancy to 350 units starting from 1 November 2012 and until 31 October 2014, allocated to all corporate offices, and for the continuation of the process of incentives to resign;

- in December 2012, a memorandum of agreement was signed with the national Trade Unions, which provided for the continuation of the reorganisation program for SELEX ES until its expected natural expiry on 31 October 2014.

  Leaves under the redundancy program led to the termination of the employment relationship with 5 units, whereas the process of incentives to resign led to the termination of the employment relationship with 263 units, including 14 senior managers.

- With reference to ***SELEX Galileo***, the implementation of the reorganisation plan started in 2011 in the United Kingdom to face difficulties arising from the situation in the relevant market, continued; this process led to the termination of the employment relationship with 126 units. A plan of incentives to resign was implemented also in Italy and determined the termination of the employment relationship with 91 units, including 3 senior managers.

In 2012, a restructuring and reorganisation plan was launched in the **DRS Group**, which led to the closure of the offices in Parsippany, New Jersey, with the transfer of the corporate functions to Virginia on the one hand, and, on the other, to the reorganisation of the business units and the transfer of some production departments. The aforementioned plan involved 1,386 employees, whose employment relationships were terminated according to the same criteria as those already used in the past, laid out in union agreements (applicable to registered union members) or based on standard policies followed in the United States (applicable to non-union members).
The incentive policy provides for offering one week's pay for each year of service and the recognition of certain benefits, such as health insurance coverage for one or two months, outplacement services, and so forth.

At **AgustaWestland**, the efficiency-improvement process already initiated continued in 2012, particularly through the increase in the flexibility of shifts in Anagni and Frosinone and through the outsourcing of non-core activities.

At **Ansaldo Energia**, the redundancy procedure started in 2011, together with a careful policy of early retirement incentives, made it possible to achieve predetermined objectives of a change in the professional mix. For the same reasons, however, the possibility of activating a new "voluntary" redundancy procedure in early 2013 is currently under consideration.

At **MBDA Italia**, following some significant industrialisation processes that led to the introduction of new technologies, the need emerged for both an updating of the skills available at the company and a change in the professional mix. For this purpose, on 30 October 2012 a voluntary redundancy agreement was signed for 51 units of the Fusaro site (Naples).

At **Oto Melara**, 2012 saw the completion of the reorganisation of the Brescia site, with the closure of the mechanical processing department and the outsourcing of logistics activities. At the same site, 2012 saw the application of a redundancy scheme for 28 employees, whereas the same scheme will be applied for further 12 employees by May 2013.

At **WASS**, the closure of the Genoa offices was completed, with the reallocation of the resources to the other Group Companies.

At **Telespazio,** in January 2012 the trade union procedure was carried out, on the basis of an agreement and in compliance with article 47 of Law 428/1990, which was aimed at the merger by incorporation of Telespazio Holding Srl.
In December 2012, the officers of the Ministry of Labour went on with their inspections, which were aimed at assessing the performance of the CIGS program in its second year (trade union agreement signed in July 2011 at the offices of the Ministry). The third quarter of 2012 was characterised by a trade union agreement for a CIGS program of 13 weeks, to be applied to 19 people by rotation, for the Space Centre of Scanzano (Palermo) due to a temporary downturn in business.

At **Thales Alenia Space Italia**, 2012 started with the conclusion of the negotiations with the trade unions on the Industrial Restructuring Plan (by an agreement signed on 19 January). Therefore, 2012 was dedicated to the implementation of the measures agreed with the trade unions, including:

- the closure of the offices in Vimodrone (Milan) and Florence (with a staff of about 300 units) and the reallocation of 200 resources to the staff (effective from January 2013) of the Thales Italia plant in Gorgonzola (Milan);
- the transfer of the electronics production activities to the new location in L'Aquila (which is under reconstruction after the earthquake in 2009);
- the management, during the year, of the remaining resources (about 100 units) with the transfer to other TAS Italia offices (Turin, Rome and L’Aquila), with the application of the Redundancy program pursuant to Law no. 223/1991, with the partial and mutual assistance of the Companies of the Finmeccanica Group and of Thales Italia (implementation of the so-called "Crisis Areas") and with other management tools provided for in the Agreement with the trade unions.

For the purpose of facilitating this significant change in the industrial structure of TAS Italia, on 22 December 2011 the Company signed an Agreement with the trade unions at a national level, which provided for the application of the Redundancy program (aimed at the retirement of the resources), for an overall number of 90 units, whose employment relationships could have been terminated by 31 December 2012. This further element, in fact, led to the termination of 51 employment relationships during the year, which facilitated the virtuous turnover of those TAS Italia employees in Vimodrone who were not destined to the new offices in Gorgonzola. These interconnected actions allowed the change of mix necessary to support the industrial policy of the Company.

At **AnsaldoBreda,** in 2012, the Company started, in conjunction with the Trade Unions and in compliance with the trade union agreement of March 2010, the implementation of the EOS Plan for the restructuring and revitalisation of the Company, aimed at:

- the overall improvement of the corporate performance, so as to realign it with market standards;
- achieving the competitiveness necessary to win new orders;
- creating the condition for a possible growth of the Company.

Furthermore, 2012 saw the completion of the ordinary redundancy and early retirement incentives process started with the trade union agreement of 4 March 2010.

At **Ansaldo STS** March 2012 saw the completion of the redundancy procedure, which was started in March 2010. The objective of this procedure, which was shared with the Trade Unions, was to implement a significant change in the mix of expertise/professionalism aimed at an increased competitiveness. In 2012 there were 55 terminations of employment relationships (43 of which under the redundancy scheme and 12 under the scheme of incentives to resign).

BredaMenarinibus, the relevant market of which was characterised by a particularly negative performance in recording the "all time low" of the last twenty years as regards calls for tenders, made recourse to the CIGO scheme for an aggregate of 46 weeks, again in coordination with the Trade Unions and involving, by rotation, the entire workforce of the company, particularly with regard to production activities, thus recording an average of 116 employees on the CIGO scheme per week. The on-going negative economic situation imposed the activation of a CIGS procedure for the year 2013, due to the Company’s crisis, which will involve no more than 200 employees and is currently being negotiated with the Trade Unions.

Finmeccanica also continued to selectively control hiring, a process begun in 2009. It did this by monitoring hiring practices in order to maximise intragroup mobility and to more closely focus on hiring from outside the Group, verifying that the proper types of contracts are used in bringing employees into the Group companies.

On a regulatory level, the working group formed in 2009, consisting of the Regulatory affairs officers of some Companies, continued to monitor regulatory changes and to apply the common guidelines necessary for ensuring that there is a steady flow of information and that new rules are properly applied.

It focused in particular on the impacts of the new pension regulations which were issued in 2011 and which entered into force on 1 January 2012, as well as on the Reforms of the Labour Market and of social shock absorbers, which had been the subject of multiple legislative amendments over the year, particularly in July, August and December 2012.

Work begun in past years on promoting and implementing social services continued. Finmeccanica employee healthcare services were also strengthened and coordinated by uniting the traditional healthcare activities (ambulatory physician and check-ups) with a series of preventive medicine and staying healthy initiatives. Within this context, three screenings were carried out in 2012, in relation to:

- the prevention of cardiovascular damage, through the identification of risk factors, medical and instrumental examinations;
- the prevention of any damage caused by ageing and photoageing, and prevention of cancerous skin lesions through dermoscopy and dermatological examinations;
- the assessment of intestinal dysbiosis through laboratory tests and infectious and gastroenterological disease examinations.

Again in 2012, a physiotherapist held a series of semi-individual sessions of postural training. These initiatives were combined with monitoring activities, which required a medical consulting room open daily and the execution of individual check-ups through pre-screening.

Training and Development of Human Resources and Knowledge Management Systems

Consistent with the objectives set out in the Human Resources Operating Plan, in 2012 Finmeccanica continued to implement its Integrated Development and Training System in order:

- to identify the most Talented Group employees, for the purpose of facilitating the recognition of their worth using a system for measuring individual performance at various levels;
- to enhance intellectual capital, promoting the development and transmission of “key” skills by strengthening inter-generational dialogue;
- to provide an international approach and forge a distinctive Finmeccanica identity;
- to strengthen the business partnership between the Human Resources Professional Family and the line by developing core skills;

- to contribute to making processes and tools for measuring results more efficient, also by sharing a common System of Macro-Roles and Competence within the Group Professional System (Finmeccanica CMS - Competence Management System).

In 2012, Finmeccanica obtained, for the fifth consecutive year, the **UNI EN ISO 9001:2008 Quality Certification** with reference to its activities for "Designing, Delivering and Managing Human Resources Training and Development Projects of the Finmeccanica Group". This recognition was awarded by the international body Globe Certification.

In 2012, Finmeccanica was also confirmed as one of the companies of excellence in matters such as human resources training, development and management. In fact, the Group obtained the **"Top Employer" certification** in two countries, Italy and the United Kingdom, thus improving its results achieved in 2011, when the recognition was awarded only with reference to the Italian area. The certification was assigned by the CRF Institute, an international organisation that analyses and recognizes virtuous and deserving companies for their efforts to improve their human capital and their best practices in the HR field.

The main initiatives pursued in 2012 can be categorised as follows:

1. ***Development projects*** aimed at the construction of processes, tools and paths of professional and managerial training within the Group's Talent Management System (TMS), in order to ensure that the criteria are more transparent and that business targets and personal characteristics, aspirations and motivations are consistent, so as to prepare and support the renovation of the management and foster the implementation of adequate succession plans at the different levels of the organisation.
2. ***Dedicated courses for talented employees*** at various organisational levels, from recently hired young persons to Top Management (the Young People Programme and the Executive and Middle Manager Programme).
3. ***Initiatives*** aimed at reinforcing ***Group Culture*** to promote:
   a. the strengthening and development of core competencies, starting from the processes of Program Management and Supply Chain Planning and Execution (**Business Culture & Knowledge Management**);
   b. the identification, thanks to the contribution from inter-company task forces, of possible critical areas, within the corporate processes that characterise the management of orders and the sharing of the related improvement actions;
   c. the strengthening of an integrated and international distinctive identity, which is capable of listening to and involve the "Finmeccanica people" from all over the world, thus increasing their creative potential and engagement, fostering the recognition of the Group as the Employer of Choice (**Group Identity and Employer Branding**);

d. a concrete support to the recovery of the Italian economy and the promotion of youth employment, through projects aimed at **boosting the culture of "know how"**;

4. ***Specialist Training Paths*** intended for the personnel of Finmeccanica Spa.

In details:

1. with reference to **Development Projects**, activities continued for the implementation of the Talent Management System, both at Group level and at Operating Companies level. Specifically:
   - the **Operating Development Manual** was released to the Companies, which contains the description of the processes (guidelines), instruments and methods that comprise the System. This way, each Company was put in the condition to implement it in its own environment, to customise it based on specific needs and to ensure, at the same time, a considerable reduction in development costs, thus satisfying the requests from the Group;
   - the **Call for Talent 2012-2013** process was started; such process, within the broader **Talent Tracking** process, is aimed at searching for and identifying the most appropriate profiles for the **Key Talent and High Potential (Group Talent)** categories, for the purpose of identifying, developing and managing the best Talents globally, so as to ensure continuity in the succession pipeline of the Group Elite, and of defining professional growth paths consistent with individual attitudes, expertise, ambitions and motivations, and in line with the organisational needs;
   - both the **Call for Talent process and the Group Professional System** (Role Matrix) were implemented on the **Group SAP HR**. The **Role Matrix**, in particular, enables the uniform representation, at a Group level, of corporate roles and professions, enhancing the specific professional dimension (Professional Families) and the organisational complexity managed. Thus, it is like the alphabet of a language common to the Human Resources and to the Management of Finmeccanica at an international level;
   - finally, 2012 saw the full use of the **Assessor Academy** by Finmeccanica. The Assessor Academy is comprised of a pool of professionals, from the HR Departments of the different companies of the Group, specialised on the assessment and valuation of potentials, and capable of providing an internal advice on the self-development and growth paths of people. Over 100 assessments were issued in 2012, to ensure the utmost consistency of methods, instruments and processes in the analysis and assessment of the potential of the Group resources.

2. With reference to the **Dedicated courses for talented employees**, these have been structured in two directions:

   a. Early Career Programme**,** which includes:

   - The **FHINK Master** (the Finmeccanica Masters in International Business Engineering), which saw, in 2012, the conclusion of the 6th edition, with the awarding of diplomas to 16 students, with an average age of about 25 years. Currently, 121 Masters programme graduates are working for Group companies.
   - **FLIP**, the Finmeccanica Learning Induction Programme, dedicated to recent graduates newly hired by the various companies. Since 2005, about 1,500 young persons have taken part. Its goal is to guide and familiarise young people with the Group. The 3rd *FLIP Final Conference* was held in July, which is the closing ceremony of a path that involved 170 Finmeccanica young persons from all over the world, who used this event to discuss between themselves and with a panel of Top Managers about the changes that the Group is experiencing. In September 2012, the 4th edition of the FLIP International was launched, which involved 155 persons at an international level and which will be concluded in June 2013.
   - **BEST**, the Master blended in General Management for the Group companies' people who show high potentials, which closed, in 2012, editions no. 33, 34 and 35 and saw the start of its reorganisation, aimed at making it more focused on the development of an international mind-set and leadership expertise.
   - **CHANGE** is a project aimed at leveraging skills and developing the Group's Key Talent segment, i.e. resources of international standing and growth potential, to take on more complex management roles. In 2012, the content of the path that will be provided in 2013 was designed, in line with the timetable and results of the "Call for Talent".
   - To meet the need to share and integrate a Group which is increasingly more internationally oriented as Finmeccanica, 2012 saw the launch of the design of a **web portal** dedicated to the resources who attended a number of induction and training initiatives (e.g. FLIP, BEST, FHINK). Besides being an edge-cutting e-learning platform, it will have the purpose, *inter alia*, of enhancing best practices, spreading the culture and values of the Group, supporting the most junior resources of Finmeccanica in their path of continuous learning and development.

   b. Executive and Middle Manager Programme*,* which includes:

   – The **Competency Lab** is a life-long learning system for developing Finmeccanica leadership skills, aimed at promoting the formation of a distinctive, international management identity. The educational program is structured in 19 courses that meet the need to develop basic managerial competences, through an approach based on experience and the inter-company dimension for exchange, discussion and integration, and offers a set of related services available through the dedicated platform. In 2012, 69 Executives and 381 Middle Managers attended a "pilot" course on the effective communication within the "Skills Laboratory" dedicated to Professionals (36 participants) for a total of 486 resources. With the completion of the 2nd project wave, at the end of 2012 the most appropriate procedures were defined for the "release" of the initiative to the Group Companies and the sharing of the new governance procedures of the project, in force starting from 2013.

- The **From Technology to Values** international seminar is aimed at high-potential managers (the so-called Top Talent) to expand their ability to manage business complexities and to govern processes of change. The 18th edition of the initiative was held in 2012 with 20 managers. The Community now has 327 executive members who are periodically appointed as mentors for young people taking part in the FLIP programme.
- The **Finmeccanica Executive Leadership Programme** (ELP), a higher level of managerial development and training for a select number of executives at an international level (the so called "Successors"), which is aimed at developing a leadership style that boosts the management's entrepreneurship, vision and execution competences required to guide the Group in the future in a global market which is increasingly competitive. In 2012, the 4th edition of the program was provided, with the participation of 26 resources who hold key positions within the companies. The programme was developed in cooperation with the Business Schools of the Imperial College of London and Columbia University in New York, which hosted the activities. Today, the Community is comprised of 112 Executives.

3. With reference to the **Culture of the Group**, the activities followed three main lines:

   a. **Industrial Culture & Knowledge Management.** In this context, 2012 saw the completion of the 1st edition of the ***Supply Chain Programme*** **(SCP)**, the training and development initiative of the Group addressed to colleagues working in Italy and abroad on the Supply Chain Planning and Execution processes. The program, designed in cooperation with over 60 corporate experts on these issues, is aimed at sharing a common point of reference and language (*Finmeccanica Way*) to the different entities of the Group on the processes in question, at strengthening the "key" expertise for the management of the Supply Chain, at creating a *Group Professional Community* and, for a number of selected candidates, at the preparation for the APICS certification.

Based on the phases of modelling of processes, definition of roles and technical-specialist competences that took place in 2011, after the mapping of the workforce operating on these processes, 600 colleagues (490 in Italy, 65 in the United Kingdom and 45 in the United States) were selected to participate in the 1st Edition of the Program, which saw the supply of 15 different training modules for a total of 68 Editions and over 24,000 in-class training hours. The workforce involved was divided with reference to the role and level of professional maturity. Following an individual assessment process of the competences structured in three phases (self-assessment, assessment of the supervisor and counselling interview) supported by the on-line tool implemented by Finmeccanica, all the participants attended the basic modules named "**Supply Chain in Finmeccanica Way**". The training activities carried out in Italy have been funded entirely through the inter-professional fund Fondimpresa. This made it possible to extend, in Italy, the training structure providing for additional technical-specialist modules to carry out in-depth analysis on specific issues (Demand Planning, Supplier Performance Management, Negotiation Techniques, Configuration Data Management). In addition to some important training providers (both academic and international training and consultancy companies), 22 experts accredited at the Finmeccanica Faculty intervened as co-teachers and testimonials.

The 2nd edition of the **Faculty** programme was offered in collaboration with the Business School of INSEAD in Fontainebleau (France), aimed at identifying, selecting, certifying and managing a group of internal Subject Matter Experts (SME) in order to capitalise upon and spread the Group's distinctive knowledge. SMEs have been involved in a training path aimed at enhancing their ability to transfer their know-how and facilitating organisational learning and cooperation.

Based on past experiences made within the PMP and Supply Chain Programme context, the first phase of the **Competence Management System**, the Group's initiative which is aimed at defining frameworks shared by the Companies on macro-processes, roles, technical-specialist expertise in the main professional areas starting from Engineering, Manufacturing and Field Operations, Service Management, Marketing, Business Development and Sales, was completed. For each professional area, inter-company working groups were created, which involved an aggregate of over 50 process owners from all the Group Companies. Thanks to the activities carried out, frameworks are available for the reclassification of the workforce belonging to the Professional Areas studied, into roles that are "common" to all Group Companies, as well as dictionaries of the technical-specialist competences broken down by role / level of professional maturity with the precise indication of the level of proficiency desired for each competence. This will allow the identification of the main gaps existing and the implementation of targeted training and development initiatives.

An inter-company "work site" was launched, named "**Expertise Strengthening and enhancement of the Program Management**”. Starting from the experiences made within the context of the PMP initiative, in which over 2,300 colleagues in Italy and worldwide were involved from 2008 to date, the Project's objective is to contribute in operating terms to the solution of the problems emerged regarding the processes for the Program Management, which are often common to several Companies. Purpose of this "work site" is to identify and qualify in detail any possible improvement proposal, using best practices and corporate experience. Approximately 80 PMs, who stood out in the previous PMP editions, are involved in these activities, coordinated by the SMEs of the Finmeccanica Faculty. 15 areas of intervention were selected which, after having been detailed and adjusted to the context of the individual Company, will allow the implementation of the improvement actions identified.

Finally, in the last quarter of 2012, the training requirements of the Group Companies were gathered in order to assess the feasibility of a 5th Edition of the PMP, to be held in 2013. Based on a partially renovated training structure, over 600 applications to be enrolled in the different modules were filed, based on which the application for the funding of the Project has been filed with the inter-professional fund Fondimpresa.

b. **Group Identity and Employer Branding.** 2012 saw the completion of the improvement actions started in response to the criticalities emerged from the 3rd **Finmeccanica Corporate Climate and Culture Survey**, conducted in 2010, which involved 38,000 persons from 27 countries and revealed two major areas requiring Group action: improving the talent pool and optimising industrial processes. In response, the companies implemented 117 improvement projects, whose results have been monitored and communicated, both at Group level and at the level of each individual company.

   Being aware of the audience, in 2012 Finmeccanica launched **two** additional **Instant Surveys** on specific targets of the Company's workforce: the first survey, preparatory to the design of the contents of the Finmeccanica Day that took place in May, involved 380 managers from the communities *From Technology To Values* and *Executive Leadership Programme*; the second one, preliminary to the FLIP Final Conference of July, involved 650 newly hired young persons of the FLIP.

   In order to stimulate the contribution of everyone to the continuous growth of Finmeccanica, offering visibility and awards to those who propose solutions to improve the corporate performance, the Group has been promoting the **Innovation Award** since 2004, an international award open to all Group employees who present innovative ideas for the various corporate business areas. Over the years, there have been more than 19,000 participants worldwide, for a total of 6,500 innovative projects submitted, many of which have resulted in patent applications. In 2012, the 9th edition was launched, which introduced some new developments, including the enhancement of proposals related to dual-application technologies and the awarding of special rewards for projects focused on social and environmental issues, for original ideas and for proposals submitted by the new generations within the Group.

To strengthen its reputation in the labour market and to present the tools put in place by the Group to facilitate the young people's entry into the same, Finmeccanica also took part in **Job Orienta 2012**, a job fair focusing on career counselling, education, training and employment held in Verona in November. At its stand, it offered to the over 55,000 visitors of the fair, an opportunity not only to learn about the **Finmeccanica ITS - Istituti Tecnici Superior**i project, the special technology schools of the Group, but also to have some orientation interviews about its work opportunities with people from the Human Resources department of the companies that participated in the three days of the event (AgustaWestland, SELEX Galileo and Alenia Aermacchi).

As regards to the **communication of HR initiatives**, besides having ensured the continuous updating of the contents of the internal (Group Portal, Notice Boards, Finmeccanica Magazine) and external (website, Sustainability Report) communication tools, in 2012 the development and training function approved the first **on-line catalogue** aimed at offering to all the employees an overview of the growth opportunities available within the Group, which will be published within the context of a new Finmeccanica Group Portal, highlighting the access criteria and the procedures to apply for the different initiatives.

c. **Enhancement of the "Know How" Culture**. In 2012, Finmeccanica undertook to transfer, at a country level (Italy) some internal best practices of the Group and to capitalize on its technical/technological expertise, also through the consolidation of the network with the Institutions (Ministries, Schools, Regions) and Employers' Associations (Confindustria).

The **Ticket to Work** project, which is aimed at acknowledging and appreciating, during the selection and recruitment process, the value of each work experience as a precious source of personal and professional enhancement, resulted, after an initial phase for the internal application in the recruiting, selection and on-boarding processes of two operating companies (Alenia Aermacchi and AgustaWestland), in an important Memorandum of Understanding with the Ministry of Labour and Social Policies and the Ministry of Education, University and Research.

In fact, being confident that this experience would be useful and applicable also outside the Group, Finmeccanica made available the project to the country, in order to provide a concrete response to issues such as youth employment, and to contribute to the relaunch of the "know how" culture, orienting and moving young people towards the real work opportunities offered by the local areas, confident that every experience generates expertise and that it is necessary to create, at a national level, a mechanism capable of appreciating and enhancing these assets.

In 2012, the **ITS - Istituti Tecnici Superiori for Finmeccanica** were recognised as a "good practice" at a national level: the Minister of Education, University and Research, Mr Francesco Profumo, in fact, defined the initiative as an example of an efficient channel to foster the contact between young people and enterprises. The ITSs are "special technology schools", two-year post-secondary school technical educational paths managed by private Foundations, where the students have the opportunity to learn qualified "professions" in an environment that allows a profitable exchange between school, university, laboratory and enterprises. The ITSs represent a significant opportunity: in fact, they prepare "super engineers" who have not only the expertise defined by the schools, but also the abilities expected by the enterprises, with the major objective to contribute towards the competitive boost of the Italian economy. Below are the figures related to the Finmeccanica ITSs for 2012: 7 Regions (Piedmont, Lombardy, Friuli, Liguria, Tuscany, Campania, Puglia), 211 young persons who studied in the classrooms and laboratories of the 8 operating companies involved (WASS, Oto Melara, Alenia Aermacchi, SuperJet International, AgustaWestland, Ansaldo STS, AnsaldoBreda, Selex ES), approximately 150 people of the Group who helped them over the path as internal teachers and tutors.

4. With reference to **Training by Finmeccanica Spa**, in 2012 training activities continued for the Parent Company. With specific regard to Health and Safety at Work - pursuant to the requirements provided for in Legislative Decree no. 81/2008, as amended, and in the application of the provisions of the State-Regions Agreement of December 2011 - an Integrated Training and Information Plan was developed, which was intended for all the employees of Finmeccanica. Specifically, the following actions were taken:
   - training of First Level senior managers (8 hours). The training was attended by 13 senior managers;
   - training of the remaining senior managers (8 hours). 75 resources were involved in 3 editions, each one of which was structured in two sessions of 4 hours, and 71 Senior Managers completed the training path;

- training of the RLS (32 hours). Mandatory training was supplied, for a total of 32 hours structured on 4 training days, to the 4 Workers' Health and Safety Representatives (*Rappresentanti dei Lavoratori per la Sicurezza* or RLS) of Finmeccanica;
- training of Workers (8 hours). In accordance with State-Regions Agreement, the Training Plan provides for 4 general training hours - supplied in e-learning mode on a dedicated environment accessible via Finmeccanica Intranet - completed by 170 resources, and 4 hours of specific training, to be supplied in class as from March 2013.

In the second half of 2012, the Language Training courses for the Personnel of Finmeccanica, were started again, with a greater focus on "Business English" and on the attainment, by each participant, of an International Certification attesting the level of learning reached (TOEIC - Test of English for International Communication). In 2012, the Project involved 125 people from Finmeccanica in traditional, in-class training paths structured in semi-individual courses (for 100 middle managers and office workers), and individual, on-demand training paths (for 25 senior managers).

INCENTIVE PLANS

As reported in detail in the previous report on operations as at 31 December 2011, following the end - on 31 December 2011 - of the exercise period related to the stock options assigned under the Stock Option Plan 2002-2004, as well as the delivery - that was completed on 1 December 2011 - of the shares awarded for 2010 in relation to the Performance Share Plan 2008-2010, the period for the implementation of such plans was finally concluded.

The Company did not take any steps to create new incentive plans based on financial instruments, privileging the adoption of medium/long-term incentive plans that are cash-based, as widely described in the Report on Remuneration prepared pursuant to Article 123-*ter* of Legislative Decree no. 58/1998, to which reference should be made.

COMPANY'S OFFICES

Situation at 31 December 2012:

Rome	Piazza Monte Grappa, 4	Registered office
Genoa	Corso Perrone, 118	Secondary offices

FINMECCANICA AND THE FINANCIAL MARKETS

Finmeccanica ordinary shares are traded on the Italian Electronic Stock Exchange (MTA) organised and managed by Borsa Italiana SpA and are identifiable by these codes:

- *ISIN Code: IT0003856405*
- *Reuters: SIFI.MI*
- *Bloomberg: FNC IM*

Relations with the financial market

Finmeccanica boasts an on-going dialogue with the national and international financial community – financial analysts and institutional investors - through continuous communication by the Investor Relations Unit with both the stock and the bond markets.

The Investor Relations provide qualitative and quantitative information on the Group's expected financial and commercial performance, helping the financial market develop a perception of the Group and attribute a value to Finmeccanica stock that reflects the Group's intrinsic value.

The methods used by the Investor Relations Unit are described in the paragraph "Shareholders' Relations" of the Corporate Governance Report and Shareholder Structure section.

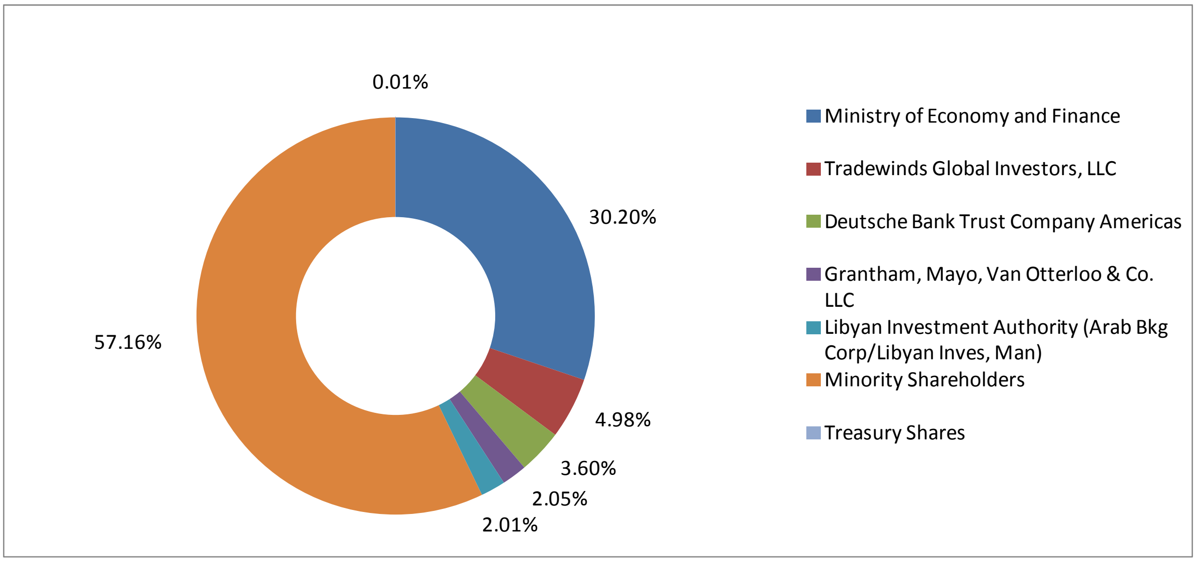
The Investor Relations organise various events aimed at improving the financial community's knowledge of Finmeccanica and dealing with specific issues arising out of the dialogue with the financial community. In addition to daily contacts with analysts and investors, the conference calls with the Senior Executive management, when the first and third quarter results are published or in occasion of significant transactions are particularly important. Institutional Road shows are organized when annual and half-year results are published, and Deal Road shows when extraordinary transactions are carried out. The Investor Day is usually held once a year and is considered the ideal platform for presenting the Senior Executive Management of Finmeccanica, together with the CEOs of the Companies. This event gives financial analysts and institutional investors the opportunity to gain a deeper understanding of the Group's operations, understand its dynamics, commercial, industrial and financial outlook and have direct access to its top management.

More information on the shareholder activities performed by Finmeccanica's Investor Relations is available in the Investor Relations section of the Company's website (www.finmeccanica.com).

The institutional website provides online access to share performance and financial data, market presentations, financial statements and prospectuses on financial transactions; it is also possible to access live or on demand audio/video web casts, on the occasion of the annual and half-year results.

Major shareholders

As at 31 December 2012, Finmeccanica's share capital is divided into 578,150,395 ordinary shares, broken down as follows:



At 31 December 2012, in addition to the Ministry of Economy and Finance, 5 institutional investors own more than 2% of the share capital of Finmeccanica, for a total of more than 14.87% of the share capital [(1)]. For more information, please refer to the page "Shareholding Structure" of "Investor Relations" section at Finmeccanica's website (www.finmeccanica.com)

(1) *It should be noted that the BlackRock Inc. fund has notified that, with reference to the stakes held within the asset management activity, it intends to make use of the exemption laid down under article 119-bis, paragraphs 7 and 8, of the issuers' regulations, as amended by Consob resolution no. 18214, which entered into force on 6 June 2012. Therefore, starting from such date, the BlackRock Inc. fund has requested that any investments, included between 2% and 5%, which were previously reported in the abovementioned companies, are no longer considered to be relevant for the purposes of article 120 of the Consolidated Law on Financial Intermediation.*

Finmeccanica stock included in Dow Jones Sustainability Indexes again in 2012

As already illustrated in the section “Finmeccanica and the Environment”, Finmeccanica appeared in the prestigious Dow Jones Sustainability Indexes World and Europe for the third year in a row. On the basis of the results obtained in the 2012-2013 edition, Finmeccanica has obtained the qualification of “Bronze Class” within the A&DS segment. At worldwide level, Finmeccanica is the only company in the “defence” sector, among the four companies admitted, which is present in the index.

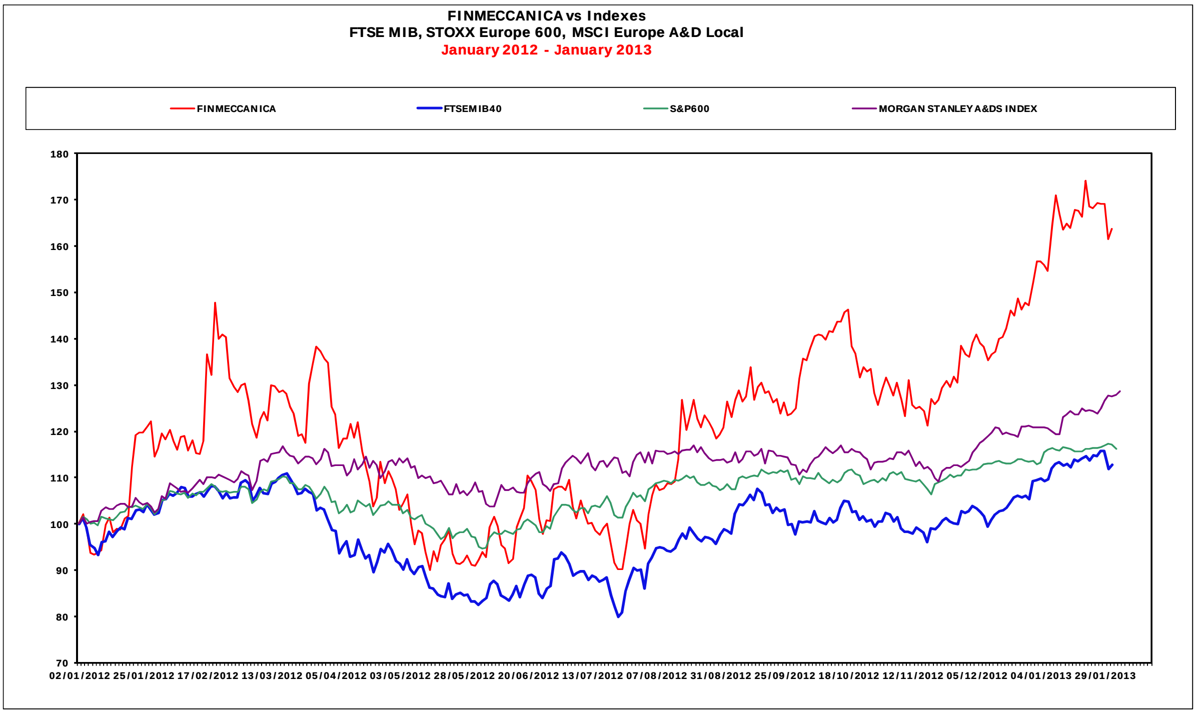
Performance of Finmeccanica stock in the Morgan Stanley A&D Europe Index and the leading Italian and European indexes (02/01/2012 = 100)

At worldwide level, 2012 was the year in which the economic crisis that started in 2008 showed the first signs of slowdown, at least as regards the financial markets, while there were still evident negative effects on the real economy. The basic macro-economic indicators of the so-called BRIC countries continued to deteriorate, following the trend started in 2011. On the contrary, the Eurozone addressed the severe liquidity crisis that had hit it in the last two years, as a result of the sovereign debt crisis that has affected almost all European countries, in a decisive manner. Therefore, the European Central Bank has put together an extensive plan of long-term financial intervention, the so-called LTRO (Long Term Refinancing Operation), by which considerable quantities of liquidity have been injected into the continental banking system. The United States saw the restart of the Corporate America on the one hand, while, on the other, they had to address, once again, the age-old problem of public debt, which has now exceeded the threshold of sixteen trillion dollars: the reduction of this level, which is now unsustainable, will be the focus of the second term of the Obama era.

A global macro-context of this type, which is characterised by high levels of public debt of many industrialised countries, but also by the considerable volatility of exchange rates and by the fact that the prices of some commodities continue to remain at the highest levels of the last decades (e.g. gold, oil) made it necessary to continue to rationalise public spending in order to ensure high qualitative standards in strategically important sectors. The Defence budgets have not been exempt from this trend: as already happened in the past two-year period, they have been the object of a deep process of spending review and reduction. Accordingly, those most under pressure were the companies operating in the Defence business, while recovery continued in the Aerospace - civil aircraft segment, which benefitted from the sound financial position of the main world airlines and of the recovery in air traffic volumes. However, despite this difficult situation, the performance of the Defence stocks has been able to react to uncertainty and has recorded a generally positive trend.

Specifically, in 2012 the performance of the Finmeccanica stock recovered some of the ground lost earlier, thus recording an over-performance with respect to the trend in the relevant sector indexes.

Below is Finmeccanica's stock performance from the beginning of 2012 to 31 January 2013, the index of the major listings in the Milan Stock Exchange (FTSEMIB), the index composed of the 600 top listings in Europe (S&P600) and the Morgan Stanley A&D Europe Index (rebased 02/01/2012 = 100).



CORPORATE GOVERNANCE REPORT AND SHAREHOLDER STRUCTURE

INTRODUCTION

The purpose of this Report, pursuant to Art. 123-bis of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998), as well as the current laws and regulations governing disclosures concerning compliance with codes of conduct, is to provide the necessary periodic and analytical description of Finmeccanica Spa's corporate governance system and its shareholder structure.

Specifically, the disclosure contained herein is prepared in compliance with the provisions on the contents under paragraphs 1 and 2 of the abovementioned Art. 123-bis and on the basis of the articles of the current Corporate Governance Code of Listed Companies (hereinafter also referred to as "the Code"). The Company complies with this Code, which was approved in March 2006 by the "Corporate Governance Committee" and finally updated in December 2011.

The aforementioned Code can be found on the Borsa Italiana website (www.borsaitaliana.it).

1. ISSUER PROFILE

The following is a brief profile of the Company. A fuller description is provided in later sections of this Report.

Company organisation

The organisation of the Company, based on the traditional model, is consistent with the applicable laws provided for listed issuers and is as follows:

– **BOARD OF DIRECTORS,** which is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company's business purpose, except for those acts reserved to the Shareholders' Meeting by law or by the by-laws. The current Board of Directors was appointed by the Shareholders' Meeting on 4 May 2011 for the three-year period 2011-2013 and was subsequently integrated on 1 December 2011, 16 May 2012 and 13 February 2013, as illustrated in details in point 4.2 and 15 below.

– **BOARD OF STATUTORY AUDITORS,** which has – *inter alia* - the task of monitoring: (a) compliance with the law and by-laws and observance of the principles of proper business administration; b) the adequacy and effectiveness of the Company's organisational structure, internal control and risk management system, as well as administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; c) any procedures for the actual implementation of the corporate governance rules provided for in the Code; d) the adequacy of the Company's instructions to subsidiaries with regard to disclosures prescribed by law. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 16 May 2012 for the 2012-2014 term.

- **SHAREHOLDERS' MEETING,** which has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the by-laws.
- **INDEPENDENT AUDITORS:** the Shareholders' Meeting of 16 May 2012 appointed KPMG S.p.A. to carry out the statutory audit of the Company's accounts for the period 2012-2020.
- **OFFICER IN CHARGE OF PREPARING THE COMPANY'S ACCOUNTING DOCUMENTS:** on 14 June 2012, pursuant to Art. 154-bis of the Consolidated Law on Financial Intermediation and articles 25.4 and 25.5 of the Company's by-laws, the Board of Directors appointed Gian Piero Cutillo (the Company's Chief Financial Officer) as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

Objectives and corporate mission

Finmeccanica intends to consolidate and strengthen its role as the first Italian industrial Group in the high technology sector, which ranks among the top ten global players in the Aerospace, Defence and Security sectors, developing a synergistic and integrated portfolio of activities through which to efficiently satisfy the needs of domestic Customers, to participate in the development of European and international programmes and to compete selectively in the global market.

The Group has a workforce of about 68,000 employees working in more than 50 countries and is firmly focused on three strategic sectors: Helicopters, Defence and Security Electronics and Aeronautics. Furthermore, Finmeccanica is also the European leader in the Defence Systems sector and enjoys a strong presence in the space sector and in the satellite services market; it also has significant skills in the Transportation and Energy sectors.

Finmeccanica pursues its own mission in strict accordance with the objective of providing innovation, through competitive and advanced products and services that create value for its Shareholders and aiming at protecting and strengthening its competence in the various business areas.

2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE

A) STRUCTURE OF THE SHARE CAPITAL (Art. 123-*bis*, para. 1, lett. a), Consolidated Law on Financial Intermediation)

The Finmeccanica's share capital is equal to € 2,543,861,738.00 and is made up of 578,150,395 common shares with a par value of €4.40 each, all accompanied by the same rights and obligations.

The holders of Finmeccanica' shares are entitled to vote at the ordinary and extraordinary meetings of the Company.
The Ministry for the Economy and Finance holds a stake of about 30.204% in the share capital of Finmeccanica.
At the date of the approval of this Report the Company owned 32,450 treasury shares, equal to about 0.0056% of the share capital.

B) RESTRICTIONS ON SHARE TRANSFER (Art. 123-*bis*, para. 1, lett. b), Consolidated Law on Financial Intermediation)

In accordance with art. 5.1 *bis* of the Company's By-laws, in the application of the special rules under Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as amended and supplemented, no one, except for the State, public bodies or entities controlled thereby and any other party authorised by law, may possess, on any basis, shares in the Company that constitute a shareholding of more than 3% of the share capital represented by shares with voting rights. The maximum shareholding limit is also calculated in consideration of the total holding of the controlling undertaking, which may be a natural person, legal person or corporation, by direct or indirect subsidiaries and by the subsidiaries of a single controlling undertaking, by affiliated undertakings and by relatives within the second degree of consanguinity or affinity or spouses, provided that the spouses are not legally separated.
With also reference to parties other than companies, the term "control" is held to be within the meaning of Art. 93 of the TUF. The term "affiliation" is held to be within the meaning of Art. 2359(3) of the Italian Civil Code, and is also deemed to exist between parties who, directly or indirectly, through their subsidiaries, other than those which manage mutual funds, sign, with third parties or otherwise, agreements relating to the exercise of voting rights or the transfer of shares, belonging to third parties or otherwise, or other agreements or contracts with third parties or otherwise, as referred to in Art. 122 of the TUF, if such agreements or contracts concern at least 10% of the voting capital for listed companies or 20% of the voting capital for unlisted companies.
For the purposes of calculating the aforesaid shareholding limit (3%), consideration is also given to shares held through trust companies and/or intermediaries or by third parties in general.
Furthermore, on the basis of the new provisions relating to the Government's special powers that are commented on in point D.1) below and, more in particular, pursuant to article 1, paragraph 5, of Decree Law no. 21 of 15 March 2012, as amended and converted by Law o. 56 of 11 May 2012 and to the Decree no. 253 issued by the President of the Council of Ministers on 30 November 2012, as amended and supplemented, anyone – excluding the Italian Government, Italian public bodies or any

entities controlled by the latter – who holds a stake in the share capital which exceeds the threshold set out in article 120, paragraph 2, of Legislative Decree no. 58/98, as amended, or a stake which exceeds the thresholds of 3%, 5%, 10%, 15%, 20% and 25%, is required to notify the acquisition in question to the competent State Administration within the terms and according to the procedures set out in Decree Law no. 21 of 15 March 2012, as amended and converted by Law no. 56 of 11 May 2012. The above shall apply in order to allow the competent State Administration to exercise the special powers envisaged in the abovementioned regulations in the event of a threat of serious damage to the essential interests of the national defence and security.

C) MATERIAL SHAREHOLDINGS IN THE SHARE CAPITAL (Art. 123-*bis*, para. 1, lett. c), Consolidated Law on Financial Intermediation)

The persons who, at the date of the approval of this Report, held, either directly or indirectly, a significant stake exceeding 2% of the share capital, on the basis of the notices disclosed pursuant to Art. 120 of the Consolidated Law on Financial Intermediation[3] and of the other available information, are reported in Table 1 attached hereto.

D) HOLDERS OF SECURITIES THAT CONFER SPECIAL CONTROL RIGHTS (Art. 123-*bis*, para. 1, lett. d), Consolidated Law on Financial Intermediation)

No securities have been issued conferring special control or any other rights.

D.1) SPECIAL POWERS OF THE GOVERNMENT

Law no. 56 of 11 May 2012, which converted Decree Law no. 21 of 15 March 2012, introduced new regulations on the special powers of the Government on the corporate structures in the sectors of the national defence and security, as well as for the activities of strategic importance in the sectors of energy, transportation and communication.

Subsequently, Decree no. 253 issued by the President of the Council of Ministers on 30 November 2012 identified the activities for the national defence and security system, including any key strategic activities, for the purposes of the exercise of the Government's special powers referred to in the abovementioned Law.

With respect to the previous structure, which specifically referred to the exercise by the Government of its special powers over the national companies being privatized and operating in the sectors of

[3] It should be noted that the current Consob regulations governing material shareholdings (Art. 119-bis of the Issuers Regulations no. 11971/1999, as finally amended by Resolution no. 18214/2012) exempt management companies and authorized parties from the obligation to disclose shareholdings acquired within the management activity, which are higher than 2% and less than 5%; with reference to non-EU citizens, this exemption shall apply on condition that they are subject to supervision by a public regulatory authority or recognized by a public authority, in their country of origin.

public services, the special powers defined by the abovementioned Law tend, more in general, to ensure control over the body of shareholders and on some strategic assets, regardless whether they belong to companies with State-owned or fully private shareholdings.

In particular, the new regulations governing special powers provides, in the event of an actual threat of a serious damage to the essential interests of the national defence and security, for the Government to be entitled to exercise the three special powers described below:

a) imposition of specific conditions relating to the security of procurement and information, technology transfers, export control, in the case of the acquisition of stakes in companies that carry out activities of strategic importance for the defence and security sector;
b) veto on the adoption of resolutions passed by the Shareholders' Meeting or of the governing body of a company that carries out activities of strategic importance for the defence and security sector relating to extraordinary transactions or transactions of particular importance concerning mergers, demergers, transfer of businesses or branches of business or of subsidiaries, transfer of the registered office abroad, change in the corporate purpose, dissolution of the company, amendments to bylaw clauses that may be adopted on limits on voting rights (pursuant to article 2351, paragraph 3, of the Italian Civil Code) and assignments of rights *in rem* or of use in relation to tangible or intangible assets or undertaking of obligations that limit their use;
c) opposition to the acquisition of stakes in a company that carries out activities of strategic importance for the defence and security sector, on the part of an entity other than the Italian Government, an Italian public body or an entity controlled by the latter, where the buyer holds a stake in the voting capital which is capable of affecting the interests of the national defence and security. For this purpose, the stake held by third parties with which the buyer has entered into a shareholders' agreement is considered to be included.

The new special powers no longer provide for the Government's right to appoint a director with no voting rights: therefore, the Director without voting rights of Finmeccanica as appointed by ministerial decree of 27 April 2011 will cease to hold office at the expiry of the relevant term of office, for any reason whatsoever.

From the entry into force of the abovementioned Decree n. 253 issued by the President of the Council of Ministers on 30 November 2012, the bylaw clauses that are inconsistent with the new regime of special powers cease to be effective. Therefore, Finmeccanica is making steps to formally bring its Bylaws into line with the new regulations of the Government' special powers.

E) EMPLOYEE SHAREHOLDING: VOTING MECHANISM (Art. 123-*bis*, para. 1, lett. e), Consolidated Law on Financial Intermediation)

No provision is made for any employee shareholding scheme.

F) VOTING RESTRICTIONS (Art. 123-*bis*, para 1, lett. f), Consolidated Law on Financial Intermediation)

In accordance with the laws on privatisation (Law 474/94 as amended), the Corporate by-laws (Art. 5.1-bis provide that voting rights relating to shares held above the maximum limit of 3% may not be exercised. Article 5.1-bis also provides that "voting rights held by shareholders in excess of the shareholding limit shall be reduced proportionally, unless otherwise previously and jointly indicated by all the shareholders concerned. In case of non-compliance, meeting resolutions may be challenged under Art. 2377 of the Italian Civil Code if the required majority would not have been reached had the votes exceeding the maximum limit not been included.

However, non-voting shares shall be included for the purposes of calculating the meeting quorum.

Note should also be taken of the contents of subsection D.1) above, with reference to the special powers described therein.

G) SHAREHOLDERS' AGREEMENTS (Art. 123-*bis*, para. 1, lett. g), Consolidated Law on Financial Intermediation)

The Company has no knowledge of any shareholders' agreements as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, regarding the shares.

H) CLAUSES ON CHANGE OF CONTROL (Art. 123-*bis*, para. 1, lett. h), of the Consolidated Law on Financial Intermediation) AND BYLAW PROVISIONS CONCERNING TAKEOVER BIDS (Arts. 104, para. 1-ter and 104-bis, para. 1, of the Consolidated Law on Financial Intermediation)

Material agreements entered into by Finmeccanica or its subsidiaries and which will become effective, will be amended or extinguished in case of a change of control of the company concerned are listed below with an indication of the corresponding effects.

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
FINMECCANICA	BNPP-BNL, BANCA INTESA SANPAOLO, UNICREDIT, SOCIETE GENERALE, THE BANK OF TOKYO-MITSUBISHI, HSBC BANK PLC, SUMITOMO, ROYAL BANK OF SCOTLAND PLC, BANK OF AMERICA-MERRILL LINCH, BANCO	AGREEMENT FOR THE GRANTING OF A REVOLVING CREDIT LINE	AFTER AN OPTIONAL 90-DAY REGISTRATION PERIOD, EACH BANK MAY REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, TOGETHER WITH ANY INTEREST ACCRUED UNTIL THAT DATE.

	SANTANDER		
FINMECCANICA	ING BANK NV E ING BANK NV, MILAN BRANCH	GUARANTEE AGREEMENTS FOR ANSALDOBREDA	AFTER AN OPTIONAL 90-DAY REGISTRATION PERIOD, THE BANKS MAY CANCEL THE AGREEMENT AND REQUEST A REFUND FOR GUARANTEES ISSUED.
FINMECCANICA	BAE SYSTEMS AND EADS	SHAREHOLDERS' AGREEMENT RELATING TO MBDA SAS, A COMPANY OPERATING IN THE MISSILE SYSTEMS SECTOR	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA, THE OTHER SHAREHOLDERS - BAE SYSTEMS AND EADS – HAVE THE OPTION OF DECIDING WHETHER TO EXTINGUISH FINMECCANICA'S RIGHT TO APPOINT CERTAIN MANAGERS AND TO OBTAIN CERTAIN INFORMATION ABOUT MBDA. IF THIS IS REQUESTED BY THE SHAREHOLDERS, FINMECCANICA CAN ASK THESE SHAREHOLDERS TO BUY ITS STAKE IN MBDA AT MARKET PRICE.
FINMECCANICA	EUROPEAN INVESTMENT BANK	AGREEMENT FOR THE GRANTING OF A LOAN FOR THE "DEVELOPMENT AND PRODUCTION OF INNOVATIVE AIRCRAFT COMPONENTS" PROJECT OF ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA)	EIB MAY CANCEL THE LOAN AND REQUEST EARLY REIMBURSEMENT IF A PARTY OR GROUP OF PARTIES ACTING IN CONCERT ACQUIRE CONTROL OF FINMECCANICA PURSUANT TO ART. 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF FINMECCANICA.
FINMECCANICA	THALES	SHAREHOLDERS' AGREEMENT RELATING TO THALES ALENIA SPACE SAS (TAS - FINMECCANICA 33%), A COMPANY OPERATING IN THE SATELLITE MANUFACTURING SECTOR	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA TO A COMPETITOR OF THALES, THALES IS ENTITLED TO BUY FINMECCANICA' S SHARES IN TAS AT A PRICE TO BE AGREED BY THE PARTIES.
FINMECCANICA	THALES	SHAREHOLDERS' AGREEMENT RELATING TO TELESPAZIO SPA (FORMERLY TELESPAZIO HOLDING SRL - FINMECCANICA 67%), A COMPANY OPERATING IN THE SATELLITE SERVICES SECTOR	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA TO A COMPETITOR OF THALES, THALES IS ENTITLED TO SELL ITS STAKE IN TPZH TO FINMECCANICA AT A PRICE TO BE AGREED BY THE PARTIES.
FINMECCANICA	THALES AND BENIGNI	SHAREHOLDERS' AGREEMENT RELATING	IN CASE OF A CHANGE OF CONTROL, THE OTHER

		TO ELETTRONICA SPA (FINMECCANICA 31.33%), A COMPANY OPERATING IN THE DEFENCE ELECTRONICS SECTOR	SHAREHOLDERS HAVE THE RIGHT TO BUY FINMECCANICA'S SHARES IN ELETTRONICA ON A PRO-RATA BASIS AT A PRICE TO BE AGREED BY THE PARTIES.
FINMECCANICA	GROUP OF BANKS INCLUDING: IŞ BANKASI, VAKIFLAR, YAPI KREDI	GUARANTEE AGREEMENT IN THE INTEREST OF ANSALDO ENERGIA SPA (54.55% FINMECCANICA)	IN CASE OF A CHANGE OF CONTROL OF ANSALDO ENERGIA DURING THE FIRST FIVE YEARS OF THE CONTRACT, THE BANKS MAY ASK FINMECCANICA TO REPAY THEIR LOAN SHARE.
FINMECCANICA	CHARTIS ASSICURAZIONI	AGREEMENT FOR THE GRANTING OF AN INSURANCE CREDIT LINE FOR THE ISSUE OF SIGNATURE LOANS (BID BOND, PERFORMANCE BOND ETC.) IN THE INTERESTS OF THE FINMECCANICA GROUP'S COMPANIES	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA, THE INSURANCE COMPANY MAY REQUEST AN IMMEDIATE CASH DEPOSIT EQUAL TO THE AMOUNTS OF THE GUARANTEES IN FORCE AND TO CANCEL THE CREDIT LINE.

PARTIES	AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE

PARTIES SUBSIDIARIES

AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	GENERAL ELECTRIC COMPANY (THROUGH AVIATION BUSINESS UNIT, MA, USA - "GE")	FRAMEWORK AGREEMENT RELATING TO THE SUPPLY OF HELICOPTER ENGINES	RENEGOTIATION OF THE AGREEMENTS IF CONTROL OF AGUSTAWESTLAND IS ACQUIRED BY A COMPETITOR OF GE; AGUSTA IS LIABLE FOR ANY BREACH OF CONFIDENTIALITY IN RELATION TO THE GE'S PROPRIETARY INFORMATION.
AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	BELL HELICOPTER TEXTRON	LICENCE FOR THE PRODUCTION AND SALE OF 412, 412SP, 412HP, 412EP-SAR, 212, 206A, 206B HELICOPTERS AND SPARE PARTS	TERMINATION OF THE AGREEMENT IN CASE OF TRANSFER OF OWNERSHIP OF AGUSTAWESTLAND TO A THIRD-PARTY HELICOPTER MANUFACTURER AND SELLER, EXCLUDING INTRA-GROUP TRANSFERS.
AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	BOEING COMPANY DEFENCE & SPACE GROUP	AGREEMENT FOR THE REVISION AND SALE OF THE CH47C MODEL AND SPARE PARTS	EXPRESS CANCELLATION CLAUSE, EXCLUDING TRANSFER OF CONTROL WITHIN THE FINMECCANICA GROUP.
AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	OJSC "OPK" OBORONPROM; LLC "INTERNATIONAL HELICOPTER PROGRAMS"; CJSC HELIVERT (THE JVCOMPANY)	AGREEMENT RELATING TO THE JOINT VENTURE FOR PRODUCTION AND SALE OF THE CIVIL HELICOPTER AW139 IN RUSSIA AND IN OTHER CIS COUNTRIES.	TERMINATION OF THE JOINT VENTURE AGREEMENT AND WINDING-UP OF THE J.V. COMPANY ON THE PART OF THE MEMBERS.
AGUSTAWESTLAND TILT-ROTOR COMPANY INC (FORMERLY AGUSTAWESTLAND TILT-ROTOR) 100 % FINMECCANICA THROUGH AGUSTAWESTLAND NV	BELL HELICOPTER TEXTRON INC.	LICENCE AGREEMENT FOR THE TECHNOLOGY OF THE HELICOPTER AW609	THE TRANSFER OF THE LICENCE AGREEMENT, IN THE CASE OF CHANGE OF CONTROL IN AGUSTAWESTLAND TILT-ROTOR COMPANY INC (FORMERLY AGUSTAWESTLAND TILT-ROTOR) OR OF GROUP COMPANIES, IS INEFFECTIVE, EXCEPT WITH THE WRITTEN CONSENT BY BELL HELICOPTER TEXTRON INC.
ALENIA AERMACCHI SPA (FORMERLY ALENIA	BOEING COMPANY	GENERAL TERMS AGREEMENT CONCERNING ALENIA	AUTHORISATION OF BOEING REQUIRED IN THE CASE OF CHANGE OF CONTROL OF

AERONAUTICA) 100% FINMECCANICA		AERMACCHI'S STAKE (FORMERLY ALENIA AERONAUTICA) IN THE BOEING 787 PROGRAMME	ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) AND BOEING HAS THE RIGHT TO TERMINATE THE CONTRACT IN THE EVENT THIS CLAUSE IS VIOLATED.
ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) 100% FINMECCANICA	ABU DHABI UAV INVESTMENT LLC	JOINT VENTURE AGREEMENT CONCERNING THE FORMATION OF A COMPANY (ADVANCED MALE AIRCRAFT LLC) IN ABU DHABI FOR THE DEVELOPMENT AND PRODUCTION OF A CLASS OF REMOTELY-PILOTED AIRCRAFT	TERMINATION OF THE AGREEMENT AT THE OPTION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL. TERMINATION IS SUBJECT TO THE INITIATION OF A SPECIAL AMICABLE SETTLEMENT PROCESS AND NOT AN ARBITRATION PROCEDURE. IN THE ALTERNATIVE, THE NON-BREACHING PARTY MAY DEMAND THAT THE BREACHING PARTY SELLS ITS SHARES AT MARKET VALUE LESS 20%, OR THAT THE BREACHING PARTY PURCHASES THE SHARES OF THE NON-BREACHING PARTY AT MARKET VALUE PLUS 20%.
ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) 100% FINMECCANICA	LOCKEED MARTIN AERO	STRATEGIC TEAMING AGREEMENT THAT SETS OUT THE GENERAL TERMS OF THE RELATIONSHIPS BETWEEN THE PARTIES UNDER JOINT STRIKE FIRE ("JSF") PROGRAMME TO BUILD A 5^{TH} GENERATION MULTIROLE FIGHTER PLANE	TERMINATION OF THE AGREEMENT AT THE OPTION OF LOCKEED MARTIN IN CASE OF A CHANGE OF OWNERSHIP OR CONTROL OF ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) OR SALE OF ASSETS THAT WOULD RESULT IN A SIGNIFICANT LOSS OR DECREASE IN EXPERTISE OR FACILITIES ESSENTIAL TO THE PERFORMANCE OF ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA)
WORLD'S WING SA 94.94% FINMECCANICA THROUGH ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) **ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA)** 100% FINMECCANICA	OAO SUKHOI COMPANY, OAO SUKHOI DESIGN BUREAU, ZAO SUKHOI CIVIL AIRCRAFT	JOINT VENTURE AGREEMENT CONCERNING SUKHOI CIVIL AIRCRAFT, A RUSSIAN COMPANY THAT PRODUCES THE SUKHOI SUPERJET 100	IN THE EVENT OF A CHANGE OF CONTROL OF ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA), SUKHOI COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUKHOI CIVIL AIRCRAFT COMPANY, HELD BY ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) THROUGH WORLD'S WING SA, AT A MARKET PRICE, EQUAL TO THE LESSOR OF FAIR MARKET

			VALUE AND FLOOR VALUE (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF SHAREHOLDINGS IN SUPERJET INTERNATIONAL AND IN SUKHOI CIVIL AIRCRAFT COMPANY) PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA), UNDER THE FUNDING PLAN, LESS 10%.
ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) 100% FINMECCANICA	ISRAEL MINISTRY OF DEFENCE	"STRATEGIC PURCHASE CONTRACT" FOR THE SUPPLY OF 30 ADVANCED TRAINING M346 AIRCRAFT AND RELATED SYSTEMS, SERVICES AND TECHNICAL SUPPORT	IN CASE OF A CHANGE OF CONTROL OF ALENIA AERMACCHI (FORMERLY ALENIA AERONAUTICA) THE ISRAEL MINISTRY OF DEFENCE MAY TERMINATE THE CONTRACT IF, AS A RESULT OF THE SAME, THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A PARTY LINKED TO A STATE DEFINED AS AN "ENEMY OF THE STATE OF ISRAEL" ACCORDING TO THE ISRAELI LEGISLATION ON "ISRAELI'S TRADING WITH THE ENEMY"
ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) 100% FINMECCANICA	ELBIT SYSTEMS LIMITED	"CONTRACTOR LOGISTIC SUPPORT CONTRACT" FOR LOGISTIC SUPPORT (SUPPLY, REPAIR AND SERVICE OF SPARE PARTS) TO THE ISRAELI M-346 FLEET	IN CASE OF A CHANGE OF CONTROL OF A PARTY, AS RESULT OF WHICH THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A PARTY LINKED TO A STATE THAT DOES NOT HAVE DIPLOMATIC RELATIONS WITH ISRAEL (IN THE EVENT THAT THE TRANSACTION RELATES TO ALENIA AERMACCHI) AND WITH ITALY (IN THE EVENT THAT THE TRANSACTION RELATES TO ELBIT SYSTEMS LIMITED), A PRIOR WRITTEN CONSENT IS REQUIRED FROM THE PARTY THAT IS NOT INVOLVED IN THE CHANGE OF CONTROL.
WING NED BV 100% FINMECCANICA THROUGH ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) **ALENIA AERMACCHI SPA (FORMERLY**	OAO SUKHOI COMPANY, SUPERJET INTERNATIONAL SPA	JOINT VENTURE AGREEMENT CONCERNING SUPERJET INTERNATIONAL SPA, AN ITALIAN COMPANY THAT MARKETS REGIONAL JETS, INCLUDING THE SUKHOI SUPERJET 100	IN CASE OF A CHANGE OF CONTROL OF ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA), SUKHOI COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUPERJET INTERNATIONAL, HELD BY

ALENIA AERONAUTICA) 100% FINMECCANICA			ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA) THROUGH WING NED BV, AT A MARKET PRICE, EQUAL TO THE LESSOR OF FAIR MARKET VALUE AND FLOOR VALUE (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF THE SHAREHOLDINGS IN SUPERJET INTERNATIONAL AND IN SUKHOI CIVIL AIRCRAFT COMPANY) PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA), UNDER THE FUNDING PLAN, LESS 10%.
ALENIA AERMACCHI NORTH AMERICA INC (FORMERLY ALENIA NORTH AMERICA INC.) 100% FINMECCANICA THROUGH ALENIA AERMACCHI SPA (FORMERLY ALENIA AERONAUTICA SPA)	L3 COMMUNICATIONS INTEGRATED SYSTEMS LP	JOINT VENTURE AGREEMENT CONCERNING US COMPANY GLOBAL MILITARY AIRCRAFT SYSTEMS LLC FOR UNDERTAKING ACTIVITY IN RELATION TO THE C-27J AIRCRAFT	IF A STAKE EQUAL TO OR MORE THAN 50% OF THE STAKE OF THE LLC OR ASSETS IS TRANSFERRED TO A COMPETITOR OF THE OTHER PARTY, THE PARTY NOT INVOLVED WILL BE ENTITLED TO A PURCHASE OPTION AT THE MARKET VALUE ON THE SHAREHOLDING OF THE PARTY THAT UNDERWENT THE CHANGE OF CONTROL.
ANSALDOBREDA SPA (100% FINMECCANICA) AS A MEMBER OF THE TREVI CONSORTIUM ALONG WITH: - ALSTOM FERROVIARIA SPA - FIREMA TRASPORTI SPA IN A.S. - BOMBARDIER TRANSPORTATION ITALIA SPA	CONSORZIO TREVI (IN LIQ.), WHICH HAS A LOCOMOTIVE SUPPLY CONTRACT WITH TRENITALIA SPA	BYLAWS OF THE TREVI CONSORTIUM	THE BYLAWS OF THE TREVI CONSORTIUM STIPULATE THAT THE SHAREHOLDERS' MEETING CAN DECIDE, BY UNANIMOUS VOTE EXCEPT FOR THE VOTE OF THE CONSORTIUM MEMBER, TO EXCLUDE A MEMBER OF THE CONSORTIUM IN THE CASE OF THE TRANSFER OF THE CONTROLLING INTEREST OF THE CONSORTIUM MEMBER ITSELF, UNLESS SUCH TRANSFER TAKES PLACE WITHIN SUBSIDIARIES AND/OR ASSOCIATES OR, IN ANY CASE, THE SAME FINANCIAL GROUP TO WHICH THE TRANSFEROR BELONGS.
ANSALDOBREDA SPA 100% FINMECCANICA	BOMBARDIER TRANSPORTATION GMBH	COOPERATION AGREEMENT CONCERNING THE JOINT DEVELOPMENT, MANUFACTURE AND SALE OF THE NEW HIGH-SPEED TRAIN	IN THE CASE IN WHICH MORE THAN 50% OF THE SHARE CAPITAL OF ONE OF THE PARTIES OR ITS PARENT COMPANY IS TRANSFERRED TO A COMPETITOR OF THE PARTIES, OR IN THE CASE OF

			THE TRANSFER OF THE ASSETS TO A COMPETITOR, THE PARTY NOT INVOLVED WILL BE ENTITLED TO TERMINATE THE COLLABORATION CONTRACT.
ANSALDO ENERGIA SPA (FORMERLY ANSALDO ENERGIA HOLDING) 54.55% FINMECCANICA	GROUP OF BANKS WITH BANCA IMI, BNP PARIBAS AND UNICREDIT AS LEAD MANAGERS	AGREEMENT FOR THE GRANTING OF TWO CREDIT LINES, ONE OF WHICH IS A REVOLVING LINE	THE BANKS MAY REQUEST THE REPAYMENT OF THE LOAN SHOULD FINMECCANICA LOSE CONTROL OVER ANSALDO ENERGIA SPA (FORMERLY ANSALDO ENERGIA HOLDING). FURTHERMORE THE BANKS MAY REQUEST THE REPAYMENT OF THE REVOLVING CREDIT LINE IN THE CASE OF CHANGE OF CONTROL IN FINMECCANICA
ANSALDO STS SPA 40.065% FINMECCANICA	NAPLES CITY COUNCIL	CONCESSION AGREEMENT FOR THE CONSTRUCTION OF LINE 6 OF THE METRO	TERMINATION OF THE CONTRACT IN CASE OF THE INCORPORATION OR MERGER WITH OTHER NON-GROUP COMPANIES.
SELEX ES LTD (FORMERLY SELEX GALILEO LTD) 100% FINMECCANICA THROUGH SELEX ES SPA	NORTHROP GRUMMAN	"MISSILE COUNTER MEASURE (INFRARED)" CONTRACT	TERMINATION OF THE CONTRACT OR ALTERNATIVELY A REQUEST FOR ADDITIONAL PERFORMANCE GUARANTEES, AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL.
SELEX SYSTEMS INTEGRATION LTD 100% FINMECCANICA THROUGH SELEX ELECTRONIC SYSTEMS SPA	LOCKHEED MARTIN IS&GS (CIVIL) UK	TEAMING AGREEMENT FOR PRESENTING A BID FOR THE JOINT MILITARY AIR TRAFFIC SERVICES PROJECT	TERMINATION OF THE CONTRACT AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL.
TELESPAZIO SPA 67% FINMECCANICA	DLR GFR	BYLAWS FOR SPACEOPAL GMBH (50% TELESPAZIO SPA; 50% DLR GFR), A COMPANY OPERATING IN THE FIELD OF SATELLITE SERVICES RELATING TO THE GALILEO PROJECT	RIGHT OF THE SHAREHOLDER NOT SUBJECT TO A CHANGE IN CONTROL, WITH THE PRIOR AUTHORISATION OF THE SHAREHOLDERS' MEETING, TO SELL ITS SHARES TO A THIRD PARTY OR ANOTHER SHAREHOLDER OR TO WITHDRAW IN EXCHANGE FOR A PAYMENT TO BE DETERMINED.
TELESPAZIO SPA	ITALIAN SPACE AGENCY (ASI)	SHAREHOLDERS' AGREEMENT RELATING	IN CASE OF MATERIAL CHANGES IN THE

67% FINMECCANICA		TO E-GEOS SPA (TELESPAZIO SPA 80%, ASI 20%), A COMPANY OPERATING IN THE EARTH OBSERVATION SATELLITE FIELD	SHAREHOLDER STRUCTURE OF TELESPAZIO, ASI IS ENTITLED, AT ITS OPTION: - TO REPURCHASE THE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CONTRIBUTED BY ASI TO E-GEOS; - TO SELL THE SHARES TO THE SHAREHOLDERS OF E-GEOS IN PROPORTION TO THE STAKES HELD IN THE COMPANY. THE CHANGE IN THE SHAREHOLDER STRUCTURE OF FINMECCANICA SPA OR THALES S.A. IS NOT CONSIDERED TO BE A MATERIAL CHANGE.
DRS SYSTEMS MANAGEMENT LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	SUNBURST MANAGEMENT INC.	PARTNERSHIP AGREEMENT CONCERNING SUNBURST MANAGEMENT (FORMERLY LAUREL TECHNOLOGIES), A COMPANY OPERATING IN THE CIRCUIT CARD AND CABLE ASSEMBLY SECTOR	RIGHT OF THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL TO PURCHASE THE OTHER PARTY'S STAKE AT A PRICE EQUAL TO THE BOOK VALUE OF THE STAKE RECORDED BY THE OTHER PARTY.
DRS DEFENSE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	THALES USA INC.	JOINT VENTURE AGREEMENT CONCERNING ADVANCED ACOUSTIC CONCEPTS, LLC (FORMERLY DRS SONAR SYSTEMS LLC), A COMPANY OPERATING IN THE SONAR SECTOR	OPTION OF THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL (I) TO PURCHASE THE STAKE OF THE OTHER PARTY AT THE MARKET PRICE AS DETERMINED BY AN EXPERT, OR (II) TO OFFER ITS STAKE AT A REASONABLE PRICE TO THE PARTY SUBJECT TO THE CHANGE OF CONTROL WHICH, IF IT REFUSES THE OFFER, WILL BE REQUIRED TO SELL ITS STAKE AT THE SAME PRICE (IN PROPORTION TO THE PERCENTAGE HELD) TO THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL.
DRS RADAR SYSTEMS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	THALES NEDERLAND BV, THALES USA DEFENCE & SECURITY INC.	TECHNOLOGY TRANSFER AND LICENCE AGREEMENT	RIGHT TO TERMINATE THE CONTRACT.

DRS DEFENCE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	DRS TECHNOLOGIES INC	LOAN AGREEMENT	IN CASE OF A CHANGE OF CONTROL, OBLIGATION OF DRS DEFENCE SOLUTIONS OF ACCELERATED REPAYMENT OF THE LOAN TO DRS TECHNOLOGIES
FINMECCANICA GROUP REAL ESTATE 100% FINMECCANICA	FINMECCANICA	LOAN AGREEMENT	RIGHT OF TERMINATION IN FAVOUR OF FINMECCANICA IN CASE OF CHANGE IN THE CONTROL STRUCTURES OF FINMECCANICA GROUP REAL ESTATE OR OF ANY TRANSFER OF THE BUSINESS TO THIRD PARTIES OR OF A SIGNIFICANT BRANCH OF BUSINESS OF FINMECCANICA GROUP REAL ESTATE ITSELF
DRS TECHNOLOGIES INC. AND ITS SUBSIDIARIES 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	FINMECCANICA/MECCANICA HOLDINGS USA	LOAN AGREEMENT	IN CASE OF CHANGE OF CONTROL, DRS TECHNOLOGIES IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF FINMECCANICA /MECCANICA HOLDINGS USA.

As regards takeover bids, it should be pointed out that the Company’s by-laws do not provide for exceptions to the provisions on the passivity rule under Art. 104, paragraph 1-ter, of the Consolidated Law on Financial Intermediation, nor any provisions in the application of the neutralisation rules under Art. 104-bis, paragraph 1, of the Consolidated Law on Financial Intermediation.

I) COMPENSATION FOR DIRECTORS IN CASE OF RESIGNATION OR DISMISSAL WITHOUT JUST CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A TAKEOVER BID (Art. 123-*bis*, para. 1, lett. i, Consolidated Law on Financial Intermediation)

The information required by Art. 123-bis, paragraph 1, letter i), of the Consolidated Law on Financial Intermediation is contained in the Report on remuneration published pursuant to Art. 123-ter of the Consolidated Law on Financial Intermediation (point 8 hereof).

L) LAWS GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BYLAWS (Art. 123-*bis*, para. 1, lett. l, Consolidated Law on Financial Intermediation)

As regards the appointment and replacement of directors, reference is made to paragraph 4.1. below herein.

As regards any amendments to the Bylaws, it should be noted that, pursuant to Art. 123-bis of the Consolidated Law on Financial Intermediation, they shall be approved by the Shareholders' Meeting pursuant to law.

Under Art. 24.1 of the Bylaws, the Board of Directors has the power to adapt the Bylaws to legislative provisions.

Under Art. 22.3 of the Bylaws, any proposals to amend articles or to adopt new Bylaws are decided by the Board of Directors with the vote in favour of 7/10ths of the Directors in office, excluding the Director without voting rights.

Finally, note the Government's veto power over the adoption of amendments to the by-laws that revoke or modify the Government's special powers referred to in point D.1).

M) AUTHORISATION FOR SHARE CAPITAL INCREASE AND AUTHORISATION TO PURCHASE TREASURY SHARES (Art. 123-*bis*, para. 1, lett. m, Consolidated Law on Financial Intermediation)

The Board of Directors has no authority to make capital increases under Art. 2443 of the Italian Civil Code, nor do the Directors have the power to issue equity instruments.

With reference to treasury shares, it should be noted that, on 31 December 2011, the time limit for the purchase expired which had been set by the Shareholders' Meeting on 4 May 2011 in relation to the share buy-back programme authorized on the same date. Subsequently, the Shareholders' Meeting of the Company did not resolve any additional authorisations for the purchase of treasury shares. As mentioned above, the Company held 32,450 treasury shares, equal to about 0.0056% of the share capital, at the date of the approval of this Report.

N) DIRECTION AND COORDINATION

Finmeccanica is not subject to direction and coordination pursuant to Art. 2497 *et seq.* of the Italian Civil Code.

3. COMPLIANCE

The Board of Directors of Finmeccanica has long since resolved (at the meeting of 17 October 2006) to bring the Company's Corporate Governance model into line with the application criteria and principles of the Corporate Governance Code of Listed Companies, with which the Company complies. This model has been subject to subsequent amendments aimed at approving the instructions given by the Code from time to time, which are currently incorporated in the document **"RULES OF PROCEDURE OF THE BOARD OF DIRECTORS"** (hereinafter also referred to as "**RULES**

OF PROCEDURE"), which was finally approved at the Board's meeting of 19 December 2012, in order to formally bring it into line with the new edition of the Code (December 2011), as well as with the changes made in the organisational structure of the Company.

The text of the Code can be accessed by the public on the website of Borsa Italiana (www.borsaitaliana.it)

The text of the Rules of Procedure may be consulted in the specific Governance section of the Company's website (www.finmeccanica.com).

Neither Finmeccanica nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company's corporate governance structure.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (Art. 123-*bis*, para. 1, lett. l), Consolidated Law on Financial Intermediation)

The Company is governed by a Board of Directors that is made up between 8 and 12 members who are appointed by the shareholders. The shareholders also establish the number of members and the length of their terms in office. Directors are appointed for a tern that does not exceed three financial years and may be re-elected pursuant to Art. 2383 of the Italian Civil Code. In the event that the Meeting has not taken steps to do so, the Board will appoint a Chairman from among its members, excluding the Director without voting right[4] appointed pursuant to Art. 5.1 *ter* lett. d) of the Company's by-laws.

Regarding the appointment of the Directors, the by-laws (section 18.4) provide for the specific "list voting" mechanism, as described below.

The Directors are appointed by the Shareholders' Meeting on the basis of lists submitted by the shareholders and by the outgoing Board of Directors in which the candidates are to be numbered consecutively. If the outgoing Board of Directors submits a list of its own, this shall be filed with the registered office of the Company at least 25 days before the date of the meeting on first call, and made public by the Company at least 21 days before the date of the meeting, again on first call, according to the procedures provided for by the regulations in force.

Lists submitted by shareholders shall be filed with the registered office at least 25 days before the date of the meeting on first call, and made public by the Company at least 21 days before the date of the meeting, again on first call, according to the procedures provided for by the regulations in force. The time limits and procedures for submitting the lists are specified by the Company in the notice of call of the Shareholders' meeting.

[4] See, in this regard, paragraph 2, point D.1) of the Report.

Each shareholder may submit or contribute to the submission of one list only and each candidate may stand in one list only under penalty of being ineligible for election.
Only shareholders who, alone or together with other shareholders, represent at least 1% of the voting shares in the Ordinary Shareholders' Meeting will be entitled to submit lists, or such lesser number as may be laid down by provisions of law or regulations, where applicable.
By Resolution no. 18452 of 30 January 2013, CONSOB identified the shareholding required to submit lists of candidates for the election of governing and control bodies of Finmeccanica to the extent of 1%, equal to the percentage provided for in Art. 18.4 of the Company by-laws.
In order to prove ownership of the number of shares necessary for the submission of lists, shareholders must file appropriate certification, proving ownership of the number of shares represented, with the registered office, within the time limit prescribed for the publication of the lists by the Company.
At least two Directors must meet the independence requirements as laid down for Statutory Auditors pursuant to law. In this regard, in line with the provisions laid down in the Corporate Governance Code, the Company expressly requires, in the notice of call of the Meeting, to specify, in the lists of candidates to the position of Director, their eligibility to be qualified as "independent" directors pursuant to law, as well as pursuant to Art. 3 of the Code. Furthermore, all candidates must meet the honesty requirements laid down by the regulations in force.
Together with each list, and within the time limit prescribed for the filing of such lists, declarations by the individual candidates must also be filed, in which they accept their nominations and certify, under their own responsibility, that there are no grounds for ineligibility for election or incompatibility and that all the requirements prescribed by the regulations in force are met for their respective positions including the independence requirements as required by the by-laws.
The Directors appointed shall notify the Company without delay of any loss of the abovementioned independence requirements and honesty, as well as of the emergence of grounds for ineligibility or incompatibility.
Each party entitled to vote may vote for one list only.
The Directors shall be elected as follows:
a) two thirds of the Directors to be elected, with fractions being rounded down to the nearest whole number, shall be drawn from the list that has obtained the majority of votes cast, in the order in which they appear in the list;
b) the remaining Directors will be drawn from the other lists; for that purpose, the votes obtained by these lists will then be divided by one, two, three and so on, depending on the gradual number of directors to be elected. The scores thus obtained shall be allocated progressively to the candidates of each of the various lists according to the order specified therein. The scores thus allocated to the

candidates of the various lists shall be arranged in a single list in descending order. Those who have obtained the highest scores will be elected.
In the event that more than one candidate have obtained the same score, the candidate from the list which has not yet elected any directors or which has elected the lowest number of directors shall be elected.
In the event that none of these lists has elected a Director yet or that they have all elected the same number of Directors, the candidate will be elected whose list has obtained the highest number of votes. In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire meeting and the candidate with a simple majority of votes will be elected;
c) if, following the application of the procedure described above, the minimum number of independent Directors required by the by-laws has not been appointed, the share of votes to be allocated to each candidate in the various lists shall be calculated according to the system indicated in letter b) and the number of candidates necessary to ensure compliance with the provisions of the by-laws, not yet drawn from the lists pursuant to letters a) and b), who meet the independence requirements and who have obtained the highest scores shall be elected. These shall take the place of the non-independent Directors who have been allocated the lowest scores. In the event that the number of candidates does not comply with the minimum of two independent Directors, the Shareholders' Meeting shall resolve, with the majorities provided by law, to replace the candidates who do not meet the independence requirements and who have obtained the lowest scores.
It should be noted that the described terms and procedures for filing and publishing the lists, as well as the related documentation, appear to be adequate, in compliance with the provisions under Art. 147-ter, paragraph 1-bis, of the Consolidated Law on Financial Intermediation, to the amendments introduced by Legislative Decree 27 of 27 January 2010 which transposed the Directive 2007/36/EC on certain rights of shareholders in listed companies. Legislative Decree 27/10 also states that the ordinary “privatisation” rules found in the Consolidated Law on Financial Intermediation and in the enacting laws apply rather than the special rules set out in the so-called “law on privatisation” (Law 474/94).
Section 18.5 of the Company’s by-laws also provides that “for the appointment of Directors who are for whatever reason not appointed in accordance with the procedure provided for herein, the Shareholders’ Meeting shall resolve with the majorities provided by law. If in the course of the financial year, one or more Directors cease to hold office, measures will be taken pursuant to Art. 2386 of the Italian Civil Code. To replace the Directors who have ceased to hold office, the Shareholders’ Meeting shall resolve with the majorities provided by law to appoint replacements from those on the same list as that of the Directors who have ceased to hold office, if previously unelected candidates remain on this list. The Board of Directors carries out the replacement, pursuant

to Art. 2386 of the Italian Civil Code, by appointing the replacement Directors on the basis of the same criteria as in the previous period, in the first meeting after the termination".

The Shareholders' Meeting of 16 May 2012 amended, during the extraordinary meeting, the by-laws' provisions related to the election and the composition of the Board of Directors (Arts. 18.4 and 18.5) and of the Board of Statutory Auditors (Arts. 28.3 and 28.3bis) in line with the new provisions introduced by Law no. 120 of 12 July 2011 and by the Consob implementing regulations governing equal access to the governing and control bodies of listed companies.

The new principle provides for the governing and control bodies being elected to be distributed, for three consecutive terms, on the basis of a criterion that ensures gender equality: specifically, for the first term of office, at least 1/5 (at least 1/3 for the two following terms) of the members of the governing and control bodies shall represent the under-represented gender. The new rules will be applied starting from the first renewal of governing and control bodies after 12 August 2012.

With particular regard to the Board of Directors, a mechanism was introduced which is similar to the provisions laid down in Article 18.4 letter c) of the by-laws in order to ensure a minimum number of independent directors.

The new Art. 18.4 letter c-bis), indeed, provides that, in order to comply with the current regulations governing gender equality, the lists for the election of directors that present a number of candidates equal or higher than three should include candidates of different gender. The gender equality shall also be ensured in case of replacement of directors who cease to hold their position during the term of office pursuant to Art. 2386.

Furthermore, Art. 34 was introduced in the Company's by-laws, which, as already specified, provides for the new regulations governing gender equality to be applied starting from the first renewal of the Board of Directors and of the Board of Statutory Auditors after 12 August 2012 and for three consecutive terms of office.

The Directors thus appointed are joined by a Director without voting rights, who is vested with same rights as those granted by the law and/or by the by-laws to the other Directors, but he cannot be granted the right to undertake proxies or special offices, even on a supplementary or temporary basis, nor can he in any case chair the Board of Directors or act as a legal representative of the Company.

As already described in paragraph 2, point D 1), the Director without voting rights of Finmeccanica as appointed by ministerial decree of 27 April 2011 will cease to hold office at the expiry of the relevant term of office, for any reason whatsoever, as the new special powers of the Government no longer include this right of appointment.

Succession plan

The Board of Directors of the Company has so far considered not to adopt a plan for the replacement of the executive Directors of Finmeccanica S.p.a., thus submitting these assessments to the Shareholders; on the other hand, the Board itself reserved the right to carry out another assessment, after having hear the Appointments Committee that will be established, in accordance with the recommendations under the Code, within the time limit of the current mandate.

4.2. COMPOSITION (Art. 123-*bis*, para. 2, lett. d), Consolidated Law on Financial Intermediation)

The Shareholders' Meeting of 4 May 2011 set the number of the members of the Board of Directors at 11. They will serve until the approval of the financial statements for the 2013 financial year.
In addition to the 11 members of the Board of Directors appointed by the shareholders, in accordance with Art. 5.1-ter(d) of the Bylaws, Carlo Baldocci was appointed as Director without voting rights selected by the Ministry of Economy and Finance, together with the Ministry for Economic Development. He may exercise the "special powers" specified by Law 474/1994 as amended, and he is to remain in office until the end of his term for any reason whatsoever.
Following the resignation of the Director Marco Iansiti on 11 May 2012, the Company's Board of Directors, in the meeting of 16 May 2012, resolved to co-opt Ivanhoe Lo Bello as Director, pursuant to Art. 2386 of the Italian Civil Code and, therefore, up to the next Shareholders' Meeting (his appointment was subsequently confirmed by the Shareholders' Meeting held on 15 April 2013).
The Shareholders' Meeting held on 16 May 2012 took steps to appoint Alessandro Pansa as director (who was already co-opted by the Board of Directors' meeting held on 1 December 2011, pursuant to article 2386 of the Italian Civil Code, as well as Chief Operating Officer from 4 May 2011) as director, who will hold office up to the expiry of the term of office of the current Board of Directors. Starting from 13 February 2013, Alessandro Pansa holds the office of Chief Executive Officer and Chief Operating Officer.
On 21 September 2012 Franco Bonferroni resigned from the office of Director.
In this regard, the Board of Directors, after having acknowledged the difficulties encountered in finding persons of adequate experience and expertise in order to appoint them by co-option to replace Franco Bonferroni, resolved, after having heard the Board of Statutory Auditors, not to appoint by co-option a new Director pursuant to article 2386 of the Italian Civil Code and to refer the decision on the related replacement to the Shareholders' Meeting.

Following the additional changes that occurred in the composition of the Board of Directors as from the closing date of the 2012 financial year, for the detailed illustration of which reference is made to paragraph 15 below, the **Board of Directors which currently holds office** is made up as follows:

GUIDO VENTURONI (1)	**VICE-CHAIRMAN**
ALESSANDRO PANSA	**CEO AND COO**
CARLO BALDOCCI	
PAOLO CANTARELLA (2)	
GIOVANNI CATANZARO (1)	
DARIO GALLI (1)	
IVANHOE LO BELLO	
SILVIA MERLO (2)	
FRANCESCO PARLATO (1)	
CHRISTIAN STREIFF (2)	

(1) Directors appointed from the **majority list** submitted by the Ministry of Economy and Finance, which holds 30.204% of the share capital.

(2) Directors appointed from a **minority list** submitted by a group of asset management companies and institutional investors, which hold an overall stake of about 1.063% of the share capital.

The summary tables annexed to this Report show the structure of the Board of Directors and its committees, specifying the members serving as at the date of approval of this Report, as well as the Directors who ceased to hold office during the 2012 financial year and in the first quarter of 2013.

A brief professional résumé of each member of the present Board of Directors follows, specifying the respective length of service.

GUIDO VENTURONI – VICE-CHAIRMAN

Admiral Venturoni was born in Teramo on 10 April 1934. He has been a Director of Finmeccanica since 12 July 2005 and was re-appointed on 6 June 2008 and on 4 May 2011; he was appointed Vice Chairman of the Board of Directors on 13 February 2013. He attended the Livorno Naval Academy, where he became an officer in 1956. In 1959, he obtained a pilot's licence from the Naval Aviation Branch, which authorised him to operate from aircraft carriers. He was made a Rear Admiral in 1982 and has held positions of increasing responsibility ever since, including Head of Operations at the Navy and later at the Ministry for the Defence, Commander of the 1st Naval Division, Deputy Chief of Staff for the Navy and Commander in Chief of the Naval Squadron and of the Central Mediterranean. In 1992, he was appointed Navy Chief of Staff and 1994 became Defence Chief of

Staff. He was made Chairman of the Military Committee of NATO in 1999. Admiral Venturoni completed his term in Brussels in 2002 and retired from active service after 50 years in the armed forces. He has held numerous important positions and led a number of military operations nationally and internationally, for which he was awarded many Italian and foreign medals. More specifically, he was in charge of the multinational strategic and operational campaign led by Italy in Albania in 1997. From 2002 until November 2005, he served as Chairman of Selenia Communications SpA (formerly Marconi Selenia Communications SpA).

ALESSANDRO PANSA – CEO AND COO

Mr. Pansa was born in Mortara (Pavia) on 22 June 1962. Chief Executive Officer and Chief Operating Officer since 13 February 2013. At Finmeccanica he also held the positions of Director-Chief Operating Officer from 1 December 2011, Chief Operating Officer from 4 May 2011, Chief Financial Officer from 2001 to 2011 and Joint Chief Operating Officer from 2004 to 2011.

He holds a degree in Political Economy from the Bocconi University of Milan, where he specialised in Financial and Monetary Economics. He attended the Business Administration Graduate School at New York University. He started his career at Credito Italiano SpA (1987-1989, Economic Research and Planning Service) and then at Euromobiliare SpA (1989-1992, Investment Banking and M&A Division). He was a Senior Partner at Vitale Borghesi & C. from 1993 and Managing Director of Lazard from 1999. He has overseen numerous extraordinary finance transactions on the stock market on behalf of private companies and public bodies (Ministry of the Treasury, ENEL, Finmeccanica, Ferrovie dello Stato, Wind, AEM in Turin, Mondadori. He is a Member of the Board of Directors of Feltrinelli Editore SpA and of Fondo Strategico Italiano SpA, a Member of the Council for Relations between Italy and the USA and a member of the Aspen Institute. In 2006, he became Professor of Finance at the LUISS University of Rome. In 2007, he published the book "La Difesa Europea" (European Defence) published by Il Melangolo. Furthermore, he has published articles and essays in specialist publications and written books on the subjects of economics, finance and history.

CARLO BALDOCCI – DIRECTOR (5)

Mr Baldocci was born in Rome on 22 November 1966. He has been a Director of Finmeccanica since 4 May 2011, he holds a law degree from the La Sapienza University of Rome and he graduated from the School of Business of Georgetown University of Washington. He entered the diplomatic service after being successful in a competition. At the Ministry of Foreign Affairs he served in the Head Office of political affairs and in the General Secretariat; he served abroad in the Italian embassies in Tehran and Washington. He is a Diplomatic Advisor – a role he has held since 2003 –

([5]) Director without voting rights pursuant to article 5.1-*ter*, letter d), of the By-Laws.

and an Advisor to the Minister for Economy and Finance on international economic affairs. At the moment, he is, among other things, a member of the strategic committee for the development and safeguarding of national economic interests abroad. Within the EU, he is the Italian representative in the Tax Policy Group and he was a member of the Lisbon Committee for the re-launch of competitiveness in Europe.

PAOLO CANTARELLA – DIRECTOR

Mr Cantarella was born in Varallo Sesia (Vercelli) on 4 December 1944. He has been a Director of Finmeccanica since 4 May 2011, he has a degree in Mechanical Engineering from the Politecnico University in Turin. He started his career in Turin companies operating in the automobile components industry and in 1977 he joined Fiat in the Automobile Components division. From 1980 to 1983 he was assistant to the Chief Executive Officer of Fiat SpA as well as head of the Interdivision Industrial Coordination of the Group. From 1983 to 1989 he was Chief Executive Officer of Comau, a company in the Fiat Group operating in the production resources and systems division. In 1989, he joined Fiat Auto where he was responsible for Purchasing and Logistics and in the same year he was appointed, first, General Manager of Fiat Auto, and then, Chief Executive Officer and manager of the Automobile Division of the Fiat Group. From 1996 to 2002, he held the position of Chief Executive Officer of Fiat S.p.a. and Chairman of Fiat Auto S.p.a. From 2000 to 2001, he was Chairman of ACEA (European Automobile Manufacturers' Association). He was a member of the Managing Committee of Confindustria and a Member of the Board of Directors of Mediobanca, HdP (holding company of Partecipazioni Industriali SpA), Alcatel, CNH, Polaroid, Terna and TOROC (Turin Olympics 2006). He was also Co-Chairman of the European Union - Russia Industrialists' Round Table. He is Knight of Labour (*Cavaliere del Lavoro*). He is a member of the Board of Directors of Iren S.p.a. as well as a member of the Advisory Board of Mandarin Capital Partners and Operating Partner of Advent International.

GIOVANNI CATANZARO – DIRECTOR

Mr Catanzaro was born in Mazzarino (Caltanissetta) on 23 October 1944. He has been a Director of Finmeccanica since 4 May 2011, from 1968 to 1979 he was a Director of large commercial companies and from 1979 to 1992 a Director of S.A.I. Assicurazioni S.p.a. in Turin. From 1980 to 1992 he held various positions in the Pozzi Ginori/Richard-Ginori Group in Milan, eventually holding the office of Chief Executive Officer. He was Chairman of Tecnoceram s.r.l. (from 1988 to 1998) and then Director (from 2004) and Chairman (from 2006 to 2008) of Lombardia Call S.p.a., Member of the Board of Directors of Lombardia-Servizi S.p.a. (from 2004 to 2007), Chairman of the Supervisory Body of Sicilia e Sanità S.p.a. (2005-2007) and Member of the Advisory Board of Lombardia Integrata (from 2002 2011, where has held the office of Sole Director.

From 1995 to the present day, he has been Chairman of A.Y.C. Immobiliare SpA, where he initially held the role of Managing Director from 1980. He has been the Managing Director of Lombardia Informatica SpA since 1999 and since 2005 he has been part of Consip SpA, where he has held the positions of Director and Deputy Chairman and then (from 2008 to 2011) of Chairman. From 2007 to 2010 he was Chairman of Gelsia Energia SpA.
Finally, he is Chairman of the Auto Yachting Club in Catania.

DARIO GALLI – DIRECTOR

Mr Galli was born in Tradate (Varese) on 25 June 1957. He has been a Director of Finmeccanica since 6 June 2008 and his mandate was renewed by the Shareholders' Meeting of 4 May 2011. He has a degree in Mechanical Plant Engineering at Politecnico of Milan, and since April 2008 he is Provincial President of Varese. He has been Member of Parliament in the Chamber of Deputies (1997-2006) and Senator (2006-2008); between 1993 and 2002 he was Mayor of Tradate. Between 2009 and December 2012 has held the position of Vice President of the Union of Italian Provinces and, since September of 2009, has been a director of Financière Fideuram S.A. He was assistant to General Administrative Office of the company FAST in Tradate, Responsible Manager manufacturing system at the Aermacchi in Varese and Head of production and logistics at the Replastic in Milan. He is currently a mechanical contractor. Furthermore, he has been professor at postgraduate course of the Chamber of Commerce of Varese.

IVANHOE LO BELLO - DIRECTOR

He was born in Catania on 21 January 1963. He has been a Director of Finmeccanica since 16 May 2012. He has been a member of the Board of Director of CRIAS (Cassa Regionale per il credito alle imprese artigiane) since 1996.
He was a member of the Board of Directors of Banco di Sicilia from 1998 to 2001.
He was the President of the Association of Manufacturers of the Province of Siracusa from 1999 to 2005.
He has been a member of the Council of Confindustria since May 2005.
He was a Director of the Siracusa Branch of the Bank of Italy from April 2004 to January 2008.
He has been a member of the Board of Directors and of the Chairmanship Committee of CIVITA, a leading non-profit organisation in the management and enhancement of cultural heritage, since 1999.
He has been the Chairman of the Chamber of Commerce of Siracusa since July 2005.
He was a member of the Board of Directors of ASAC, the sole shareholder of SAC SpA (the company that manages the Catania airport) from January 2006 to January 2007.
He has been a member of the Chairmanship Committee and Vice-Chairman of Unioncamere since

September 2006.

He was the Chairman of Confindustria Sicilia from October 2006 to March 2012.

He was the Vice-Chairman of Banco di Sicilia SpA (Unicredit Group) from January to April 2008.

He was the Chairman of Banco di Sicilia SpA (Unicredit Group) from April 2008 to November 2010.

He has been a member of the Steering Committee of Confindustria since June 2008.

He was a lead Independent Director of Luxottica Group SpA from April 2009 to April 2012.

He has been a member of the Board of Directors of Fondazione Rosselli since July 2009.

He has been a member of the Scientific Committee of the Centro per la Cultura di Impresa since December 2009.

He has been a member of the Board of Directors of Fondazione CENSIS since September 2010.

He has been the Chairman of Unicredit Leasing SpA, a member of the Board of Statutory Auditors of Infocamere since December 2010; he has been a member of the Advisory Committee of Infocamere since 2011.

He has been the Chairman of the Sicily Region's Local council of of Unicredit SpA since March 2011.

He has been the designated Vice-Chairman of Confindustria with delegated powers for education since April 2012.

SILVIA MERLO – DIRECTOR

Ms Merlo was born in Cuneo on 28 July 1968. He has been a Director of Finmeccanica since 4 May 2011, she holds a degree in Business Economics from the Carlo Cattaneo (LIUC) University in Castellanza (Varese). She is Chief Executive Officer of Merlo SpA Industria Metalmeccanica and Tecnoindustrie Merlo SpA. She holds positions on the Boards of Directors of all the companies belonging to the Merlo group. She has been a member of the Board of Directors and of the Executive Committee of Banca Cassa di Risparmio di Savigliano SpA since 2006.

FRANCESCO PARLATO – DIRECTOR

Mr Parlato was born in Rome on 17 April 1961. He has been a Director of Finmeccanica since 12 September 2007, and was re-appointed on 6 June 2008 and on 4 May 2011. He holds an Economics and Business degree from LUISS University in Rome, and since 2007 has been the Director of the General Finance and Privatisation Section of the Treasury Department, where he has led the office responsible for the privatisation of groups and companies owned by the Ministry for the Economy and Finance since January 2003. For many years prior to that, he held management positions in the IRI Finance Department. He is currently a member of the Policy Committee of Cassa Depositi e

Prestiti.
He has also been a director of Gestore dei Servizi Elettrici - GSE SpA, Fincantieri SpA, Tirrenia di Navigazione SpA and Mediocredito del Friuli Venezia Giulia SpA.

CHRISTIAN STREIFF – DIRECTOR

Mr Streiff was born in Sarrebourg (France) on 21 September 1954. He has been a Director of Finmeccanica since 4 May 2011. He graduated with a degree in Engineering from the École des Mines in Paris.
He worked for the Saint-Gobain group from 1979 to 2005 and he started his career as a development engineer and plant manager at the Halberghutte site in Germany (1979-1982). He held the role of Corporate Planning Vice Chairman for the "Reinforcement Fibre" division located at the Chambery site (France) from 1982 to 1984. He was director of the Gevetex Plant from 1985 to 1988 and from 1988 to 1990 he was General Manager of Gevetex Gmbh. He was also General Manager of Vetrerie Italiana SpA (1991-1993) and General Manager of Saint- Gobain Emballage (1994-1996). From 1997 to 2000, he then held the position of Chairman of the Pont-à-Mousson group and from 2001 to 2003 Chairman of the High Performance Materials division. In 2004, he was appointed Deputy Chairman of the Saint-Gobain group, where he remained until 2005.
In 2006, he was appointed Chairman and General Manager of Airbus and from 2006 to 2009 Chairman and General Manager of the car maker PSA Peugeot Citroen. He is also a Director of ThyssenKrupp, Crédit Agricole, TI-Automotive and Bridgepoint, as well as the Chairman of "CS Conseils".

The Directors of Finmeccanica accept their appointments and remain in office because they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into consideration the commitment connected to their working and professional activities, as well as the overall number of the positions that they hold in the governing and control bodies of other companies listed on regulated markets (including foreign markets), of finance, banking or insurance companies or of other major companies and of the related commitment, also in the light of their participation in the Committees of the Board.
In this respect, the Finmeccanica Board of Directors has expressed an opinion regarding the maximum number of positions as director or auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company, deeming that this number should be no higher than five (5) positions in companies listed on regulated markets, including foreign markets, or in finance, banking or insurance companies or of other major companies (article 1 of the Rules of Procedure). Any positions held by Finmeccanica Directors in companies either

directly or indirectly controlled by Finmeccanica Spa, or in which it holds an equity interest, should not count for the purposes of the calculation of the number of directorships.

Each year, the Board reviews and provides observations on the abovementioned positions in this Report.

The positions as director or auditor held by the current Board of Directors in companies not belonging to the Finmeccanica Group are shown below:

- **ALESSANDRO PANSA**
  Director of Fondo Strategico Italiano SpA
- **SILVIA MERLO**
  Director of Banca CRS S.p.A.
  Director of BNL S.p.A.
  Chief Executive Officer of Merlo S.p.A. Industria Metalmeccanica
- **CHRISTIAN STREIFF**
  Director of ThyssenKrupp AG
  Director of Crédit Agricole S.A.
  Director of Ti-Automotive Ltd

4.3. ROLE OF THE BOARD OF DIRECTORS (Art. 123-*bis,* para 2, lett. d) Consolidated Law on Financial Intermediation)

The Board of Directors is vested with the fullest powers for the management of the Company, with the authority to perform any act it considers appropriate for achieving the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or the by-laws.

The Board is also entitled, as required by section 24.1 of the Bylaws, to resolve on:

a) the merger and demerger in the cases envisaged by law;
b) the establishment or closure of sub-offices;
c) capital decreases in the case of withdrawal of one or more shareholders;
d) bringing the Bylaws into line with regulatory provisions;
e) the transfer of the registered office in the national territory.

Without prejudice to the issues that cannot be delegated pursuant to law (article 2381 of the Italian Civil Code) and the Bylaws (section 22.3), the Board reserved the following issues for its exclusive competence:

1. setting corporate strategy and organisation guidelines (including plans, programmes and budgets);
2. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
3. capital increases, incorporation, transformation, listing, mergers, demergers, winding up or the execution of shareholders' agreements with regard to direct subsidiaries;
4. designation of new Directors with powers, or of Directors, statutory auditors or independent auditors in direct subsidiaries;
5. the purchase, exchange or sale of real estate and leases with a duration of more than nine years;
6. medium- and long-term credit and debt financial transactions for amounts in excess of €mil. 25 per transaction;
7. issuance of guarantees for amounts in excess of €mil. 50 per transaction;
8. the engagement, appointment and dismissal of executives responsible for head office functions as defined in the organisational chart; appointing consultants on a continuous basis for a duration of more than a year involving expenditure in excess of €th. 250;
9. the acquisition of equity investments, also by exercising option rights;
10. transfers, contributions, leases and usufruct and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with corporate restrictions or business segments thereof;
11. transfers, contributions, licences and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with technology, production process, know-how, patent, industrial project and all other intellectual property restrictions connected with work related to defence;
12. moving research and development work related to defence outside Italy;
13. transfer of equity investments in companies, also by means of the exercise or the waiver of option rights, contributions, usufruct, pledges and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;
14. vote in the shareholders' meetings of subsidiaries, associates or companies in which an equity investment is held (the notions of control and association are meant as understood by Art. 2359 of the Italian Civil Code) that conduct business related to defence with regard to the subject matter referred to in the preceding points 10, 11, 12 and 13).

The Board has also reserved, for its exclusive competence, the execution of acts and agreements for amounts in excess of €mil. 150 per transaction, as well as the settlement of any dispute for amounts exceeding €mil. 25.

Resolutions on matters for which the Board of Directors is solely responsible under the Bylaws (Article 22.3) are valid if they are adopted by the favourable vote of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this ratio results in fraction).

The Board's meeting is convened by the Chairman, by a notice specifying the issues on the agenda to be discussed and resolved, within the annual planning of the board's meetings or in any case whenever the same deems it necessary or it is so requested, in writing, by the majority of its members or by the Board of Statutory Auditors.

The individual directors may ask the Chairman to insert issues on the agenda. Where the Chairman deems it appropriate not to grant the request, he/she shall promptly inform the director concerned.

The notice of call is usually served on each member of the Board and of the Board of Statutory Auditors at least three days before that set for the meeting pursuant to section 20.2 of the Bylaws, as well as according to procedures that are suitable to ensure confidentiality and timeliness of the call and that allow to verify that the notice has been received; in cases of urgency, at the discretion of the Chairman, the notice will be sent as promptly as possible, according to the specific circumstances.

As required by the Bylaws, the Board's meetings may be also attended by tele-conference or video-conference, provided that a prior notice thereof is given to the Secretary to the Board, that all the participants may be identified and that the same are able to follow the discussion and at the same time to take part in the discussion of the issues, as well as to peruse, in real time, such documentation as may be distributed in the course of the meeting.

At the request of one or more directors, the Chairman may invite executives from the Company or from Group companies to participate in the individual board's meeting, as well as any other persons or external consultants, whose presence is deemed useful in relation to the issues on the agenda. In any case, these persons will be required to comply with the same confidentiality obligations as those laid down for directors and statutory auditors.

The operational practice that has been followed by the Company for some time ensures that Board meetings are held regularly, at least once a month. The annual calendar of the meetings of the Board relating to corporate events is approved and communicated by the Company in the month of January of the related financial year.

In the course of the 2012 financial year, the Board met 13 times for an average of 2 hours and 30 minutes per meeting. In the course of the 2013 financial year, no. 7 board's meetings have already been held.

The following are the Directors' attendance records for the meetings that took place during 2012:

GUIDO VENTURONI	13 out of 13 meetings
ALESSANDRO PANSA	13 out of 13 meetings
CARLO BALDOCCI	12 out of 13 meetings
PAOLO CANTARELLA	11 out of 13 meetings
GIOVANNI CATANZARO	12 out of 13 meetings
DARIO GALLI	13 out of 13 meetings
IVANHOE LO BELLO (°)	7 out of 7 meetings
SILVIA MERLO	12 out of 13 meetings
FRANCESCO PARLATO	13 out of 13 meetings
CHRISTIAN STREIFF	11 out of 13 meetings

(°) In office from 16 May 2012

DIRECTORS WHO HAVE CEASED TO HOLD OFFICE

GIUSEPPE ORSI *(1)*	*13 out of 13 meetings*
FRANCO BONFERRONI *(2)*	*10 out of 10 meetings*
MARCO IANSITI *(3)*	*4 out of 5 meetings*

(1) Outgoing director on 15 February 2013

(2) Outgoing director on 21 September 2012

(3) Outgoing director on 11 May 2012

All absences were excused.

As envisaged in the Rules, the Board of Directors:

a) examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, monitoring its implementation periodically; defines its corporate governance system and the Group structure;
b) defines the nature and level of risk compatible with the strategic objectives of the Company;
c) evaluates the adequacy of the general organisational, administrative and accounting structure of the Company as well as of its key subsidiaries, paying particular attention to the internal audit system and of the system for risk managing;
d) grants and revokes powers delegated to directors, except for those reserved solely to the Board, establishing the limitations on and manner of exercising these powers and determining the frequency with which the delegated bodies must report to the Board on the actions that have been taken pursuant to the delegation, provided that this will be made at least on a quarterly basis pursuant to section 24.2, last paragraph, of the Bylaws;

e) defines the Company's policy governing the fees due to directors and executives with strategic responsibilities, in accordance with the regulations in force and with the Code;

f) decides, through the Remuneration Committee that has been appointed for this purposes, the remuneration and conditions of service of the directors provided with delegated powers and those of the other directors holding special positions (in consultation with the Board of Statutory Auditors and in accordance with Art. 2389 (3) of the Italian Civil Code);

g) assesses general performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;

h) resolves as to the transactions that are reserved for the same by the law and the Bylaws, as well as to any additional transactions of the Company and subsidiaries, when they are of significant strategic or financial importance or if they are materially important in terms of the Company's assets and financial position, which the Board reserves for itself on the occasion of the granting of delegated powers;

i) at least once a year, appraises the functioning of the Board itself and of its Committees;

j) in order to ensure the correct management of corporate information, adopts, as proposed by the Chief Executive Officer, a procedure for the internal management and external communication of documents and information concerning the Company, with specific regard to the treatment of inside information;

k) provides information, in the Corporate Governance Report and Shareholder Structure, on the procedures for the performance of its duties.

Subject to the opinion of the Control and Risk Committee, the Board of Directors has laid down guidelines for the internal control and risk management system, so that the main risks involving the Company and its subsidiaries are correctly identified and satisfactorily measured, managed and monitored, also defining the degree of compatibility of these risks with the management of the enterprise that is consistent with the defined strategic objectives. In this regard, when preparing the 2013-2017 Budget, the Board defined the nature and level of risk compatible with the Company's strategic objectives.

As illustrated more in detail in paragraph 10 below, to which reference is made for the specific activities and assessments carried out by the Board, the Board of Directors, on the basis of the opinion given by the Control and Risk Committee, has found the organisational, administrative and accounting structure of the Company and of its key subsidiaries adequate, efficient and actually functioning, with specific regard to the internal control and risk management system.

The Board has defined as key subsidiaries those that it directly controls and that are responsible for managing the Group's areas of business – Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation – having regard to all the activities these companies perform either directly or through other subsidiaries.

In assessing general management performance, the Board periodically compared the results attained with those envisaged in the Budget approved by the Board and any subsequent changes.

With regard to the criteria for the identification of the transactions of significant importance, it should be noted that these transactions coincide with those that are already reserved for the Board pursuant to the Bylaws or on the occasion of the resolutions granting delegated powers.

Assessment of the functioning of the Board of Directors

As called for in the Corporate Governance Code and its own Rules of Procedure, the Board of Directors of Finmeccanica conducts annual assessments of the functioning of the Board itself and of its Committees, the compliance with its corporate governance model, as well as of the related size and composition, also taking account of the professional, experience and gender characteristics of its members, as well as of their length of service.

The Rules of Procedure also provide for the Board to be entitled to possibly express to the shareholders, at the end of this assessment and before the appointment of the new governing body, opinions concerning the professional qualifications sought in Board members.

In the early part of 2013, this (self-)evaluation was repeated for the second time for the Board currently sitting and was done, with reference to the 2012 financial year, with the support of the independent expert SpencerStuart who was selected by the Board itself.

For the selection of this consultant, the Board adopts the principle of continuity within each three-year mandate and, in the period between two 3-year terms, the principle of turnover between consultants of primary standing with expertise in the specific sector. SpencerStuart also provides additional services to Finmeccanica and to the Group companies, in areas that are not attributable to the Board's activity, and mainly in the selection of personnel and key resources *(*executive search*)*.

As in previous years, in addition to assessing the degree to which the Board follows the principles and conducts defined in the Rules of Procedure and in the Corporate Governance Code, the latest (self-)evaluation of the Company used benchmarking to compare the Group's practices with the best practices seen in the Italian and foreign marketplace, paying particular attention to the identification of the most appropriate actions to improve its functioning, as well as to the assessment of the effectiveness of the recommended actions at the end of the previous assessment and implemented in the course of the 2012 financial year.

The procedure followed for the (self-)evaluation, according to a well-established practice, was fundamentally based on obtaining the different individual opinions by means of interviews and

through open discussions with each of the Board Members, the Chairman of the Board of Statutory Auditors and the Secretary of the Board, which were then processed by the consultant.
The interviews also focused on giving those interviewed ample room for reflection and stimulating discussion regarding aspects of the structure and functioning of the Board and of the Committees. The appointed consultant also perused the minutes of the meetings of the Board and of the Committees in order to gather further analysis information.
The process conducted with reference to the 2012 financial year highlighted the efficacy of the work carried out, in a particularly complex period, by the Board of Directors, which was engaged in a restructuring and reorganisation plan, as well as in the review of the rules of operation of the Company and of the Group.
At the end of this process, a favourable opinion was expressed as to the efficacy of the activities envisaged in the working programme prepared after the previous evaluation, which were aimed at improving those areas that had been specified as mostly sensitive, as well as additional indications on possible actions to be implemented for improving some specific areas.
The main issues emerged in the course of the (self-)evaluation described above will be the object of specific discussions with the Directors in the course of the current financial year.

As required by the Rules of Procedure of the Board, the Chairman encourages participation of Directors and Statutory Auditors in actions aimed at providing adequate knowledge of the business area in which the Company operates, of the corporate dynamics and their evolution, as well as of the relevant regulatory framework.
In this regard, induction initiatives were taken during the financial year, for a total number of 6 meetings dedicated to an in-depth analysis of specific issues on the part of the Directors and of the Statutory Auditors. Therefore, the recently-appointed Directors and Statutory Auditors had the opportunity to deepen their knowledge as to the Group's activities and in particular on issues such as the management and development of human resources, the industrial structure, the relevant technology and markets, including in-depth analyses on the sectors of Space, Helicopters, Defence and Security Electronics. Furthermore, two meetings were held with the managers, which were dedicated to the examination of the Budget which was then submitted for the approval of the Board.

Finally, the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision in Art. 2390 of the Italian Civil Code.
In accepting his position, therefore, each Director has stated that he does not perform any activity in competition with Finmeccanica, undertaking to inform the Board promptly of any changes to the contents of the statement that he made at the time of his appointment.

4.4. DELEGATED BODIES

Chief Executive Officer and Chief Operating Officer

Without prejudice to the duties reserved to the Board of Directors, the Chief Executive Officer and Chief Operating Officer, as well as being the legal representative of the Company, in accordance with the law and the by-laws, having signatory powers on behalf of the Company and having the power to implement the resolutions of the governing body, has been granted all the powers necessary to jointly manage the Company, its branches of business and its subsidiary, associate and investee companies, consistently with the strategic guidelines identified by him and approved by the Board of Directors.

The Chief Executive Officer and Chief Operating Officer has been granted the powers required to perform these duties, with some limits on their exercise, including: €mil. 150 as the maximum value of contracts that can be signed on behalf of the Company, €mil. 50 limit on the issue of guarantees, €mil. 25 limit on medium and long-term credit and debt financial transactions, and €mil. 25 limit on settlement of agreements relating to each individual transaction.

Information to the Board of Directors

The Chairman of the Board of Directors, or, in case of absence or impediment, the Vice Chairman, calls Board meetings, coordinates their work and directs the proceedings at meetings, ensuring that the Directors are given satisfactory information in good time so that the Board can express itself in a properly informed manner regarding the matters submitted for its attention.

The Board of Directors of the Company, in its Rules, specifies the methods whereby the members of this body are assured that the utmost fairness is observed both in the phase in which prior information is supplied regarding the items on the agenda and in the procedures for conducting the meetings.

Specifically, for the discussion of the items on the agenda, the Directors and Statutory Auditors are provided with the supporting documentation, which is prepared by the Secretary's Office of the Board and which provides the necessary information to allow them to express themselves in a properly informed manner regarding the matters being resolved on.

The supporting documentation is made available in such a way as to ensure the necessary confidentiality and well in advance of the date of the board's meeting, which is usually by the third day prior to that set for the meeting, except in urgent cases when the documentation is made available in due time and subject to prior notice within the same time limit.

However, the Directors and the Statutory Auditors may access the aforesaid information documentation at the registered office in the days immediately prior to that of the meeting.

The Chairman shall verify that the aforesaid information has been duly made available to the Directors and to the Statutory Auditors at the offices.
Moreover, the Chairman, on his own initiative or at the request of the Board members, may set up special meetings in preparation for the Board meeting to explain in greater depth the documentation prepared by the Company's management when particularly complex issues are to be put forth to the Board.
The Chief Executive Officer is also expected to provide the Board of Directors, at least on a quarterly basis, with full information regarding the main activities he has performed in the exercise of his delegated powers, as well as with periodic disclosures in relation to the implementation of the resolutions passed by the Board.
This information is provided at the same time as the periodic accounts (annual, half-year and interim financial statements and management reports) are submitted for the approval of the Board of Directors.

4.5. OTHER EXECUTIVE DIRECTORS

The Board of Directors is made up exclusively of non-executive Directors (i.e. without delegated operational powers and/or management duties within the Company), with the exception of the Chief Executive Officer and of the Chief Operating Officer Alessandro Pansa. In fact, the Board of Directors' meeting of 13 February 2013 resolved to grant the latter the authority, responsibility and power previously granted to him on 26 May 2011 and on 16 May 2012 as Chief Operating Officer, as well as the authority and power previously granted to Giuseppe Orsi as CEO for the joint management of the Company and of the Group, as reported in paragraph 15 below.

4.6. INDEPENDENT DIRECTORS

In accordance with the Company's corporate governance model, which, as mentioned earlier, has been aligned with the recommendations of the new Corporate Governance Code, Finmeccanica's Board of Directors assesses the degree of independence of its non-executive members at the first possible meeting after their appointment. Their independence is reassessed annually in the course of preparing this Report, as well as upon the occurrence of any circumstances that are relevant for independence purposes.
In assessing independence, the Board considers the information given by the individuals concerned regarding circumstances relevant to the assessment. To this end, the Board has defined, after having heard the Board of Statutory Auditors, the contents and procedures according to which the individual Directors provide information under their responsibility, as well as the application criteria relating to the Company, as reported in the Rules of Procedure (section 4).

The Board then submits its assessment of the independence of its members to the Board of Statutory Auditors, which verifies that the assessment criteria and procedures have been correctly applied.
In the meeting of 23 April 2013 the Board of Directors assessed the independence of its own members on the basis of the information gathered from the Directors themselves.
At the end of the checks carried out with regard to the current 8 non-executive Directors, following the appointment by the Shareholders' Meeting of 4 May 2011, as well as of the subsequent additions on 1 December 2011, 16 May 2012 and 13 February 2013 (and therefore excluding Carlo Baldocci, who is a Director with no voting right and the Chief Executive Officer and Chief Executive Officer Alessandro Pansa), the Board has assessed and confirmed the existence of the "independence" requirement for the 7 Directors who have declared that they meet such requirement and therefore with the sole exception of Francesco Parlato, by virtue of his employment relationship with the Ministry for the Economy and Finance, which holds a stake equal to about 30.20% of the share capital.
Therefore, the Company is largely in line with the instruction laid down in the Code (as expressly approved by the Board's Rules of Procedure) which requires the issuers belonging to the FTSE-Mib index to appoint at least one third of independent Directors.
It should be noted that, at the time of the filing of the lists of candidates for the appointment of the Board of Directors on the part of the Shareholders' Meeting of 4 May 2011, the candidate Directors also declared that they met the independence requirements set out by law (Art. 148, paragraph 3, of the Consolidated Law on Financial Intermediation).
In its assessment pursuant to the Corporate Governance Code, the Board of Directors has adopted the same application principles and criteria specified in the abovementioned Code.
As usually, the Board has submitted the independence assessment of its members to the Board of Statutory Auditors, which has positively verified the correct application of the assessment criteria and procedures defined in the Rules of Procedure, without making objections.
It should be noted that none of the serving non-executive Directors has any substantial direct or indirect commercial, financial or professional relationship with the Company and/or its subsidiaries.
The Board of Directors has specified additional factors, set out below, in the assessment of independence, in the framework of the appraisal criteria specified in the Code and adopted in the Board's Rules of Procedure.
Persons in a position to "significantly influence" over Finmeccanica are shareholders holding 10%, even indirectly, of its equity and, in any event, the Ministry for the Economy and Finance and the Ministry for Economic Development, inasmuch as they have the "special powers" pursuant to the regulations in force.

As regards professional collaboration or consultancy, the Board has stated that it will set quantitative reference parameters for assessment in these cases, while it will use its discretion in evaluating specific situations in the light of the Company's best interests, the significance of the relationship and the likelihood of its affecting the Director's independence. The Board, however, set a limit to Directors' emoluments (currently equal to €60,000), the maximum amount allowed for any professional assignments, which, in any event, must first be authorised by the Board.
Additionally, again for the purposes of independence assessment, with regard to persons who are or were in the service of the Italian central government, which is a shareholder of Finmeccanica through the Ministry for the Economy and Finance, the Board of Directors appraises Directors' past or present employment by the Office of the Prime Minister, the Ministry for the Economy and Finance, the Ministry for Economic Development and the Ministry of Defence and any past or present positions held by such persons involving influence over authorities' policies or their manner of execution.
Without prejudice to all the above rules, the principle remains that each Director acts fully in conformity to his obligation to the Company to attend to his duties with the diligence called for by the nature of the position and by his specific expertise.
Independent Directors meet at least once a year, in the absence of the other Directors. Meetings are convened at the request of the independent Directors or by the Lead Independent Director.
In 2012, the independent Directors met 3 times, in all cases as requested by the Lead Independent Director and without the presence of the Chairman and Chief Executive Officer, the Board Member - Chief Operating Officer or the non-executive and non-independent Directors.
During these meetings, the independent Directors selected the topics of greatest interest in enhancing their knowledge of the Group and the context in which it operates.
Specifically, in the course of the 2012 financial year, the independent Directors submitted to the Chairman some initiatives to improve the knowledge of the Company's and Group's activities and actively participated in the consultations connected with the definition of structure of the proxies.
The independent Directors also defined an action plan aimed at improving their knowledge of the Company, of the Group and of the related business dynamics.
In addition, the Company's various internal committees, where appropriate and including matters assigned to them and in the event of particularly important issues, consult with the other independent Directors in order to obtain their opinions.
At the end of the 2012 financial year, the independent Directors, also in support of the activities carried out by the Control and Risk Committee in its capacity as Committee for Transactions with Related Parties, finally selected a financial advisor to assist them in such valuations as may be required within disposal processes.

4.7. LEAD INDEPENDENT DIRECTOR

On 26 May 2011, the Board of Directors, with the abstention of the executive and non-independent Directors, confirmed the Director Admiral Guido Venturoni – the current Vice Chairman of the Company - as Lead Independent Director, with the task of coordinating the requests and contributions from non-executive Directors and in particular from independent directors. In fact, the Rules of Procedure provide for the Board to take steps, in any case, to make this appointment in the event that the Chairman has been granted operating proxies.

Specifically, the Lead Independent Director:

- assists the Chairman in ensuring that Directors receive full and prompt information and in taking appropriate actions to allow Directors and Statutory Auditors to enhance their knowledge of the Company, of the Group and of the corporate dynamics;
- convenes, independently or at the request of other Board members, special meetings of independent Directors to discuss issues relevant to the functioning of the Board or the Company's operations;
- contributes to the process of the assessment of the members of the Board;
- collaborates with the Chairman in the annual planning of the Board's works;
- informs the Chairman of any matters to be submitted to the Board for scrutiny and appraisal.

The Lead Independent Director will serve throughout the term of office of the Board of Directors, that is, until the Shareholders' Meeting when the 2013 financial statements are approved.

The Lead Independent Director met with the Chairman several times throughout the year to explain the requirements of the non-executive Directors, particularly the need to enhance their knowledge of the strategic context of the specific sector in which the Group operates, in order for them to be in a better position to evaluate the transactions that are submitted for the Board's attention.

Again in 2012, the Lead Independent Director coordinated the continuation of the activities that had been already started and that were aimed at improving the knowledge by the Directors and Statutory Auditors of the Group business sectors, as well as of the corporate structures and dynamics.

Specifically, specific meetings were organised with the management of the subsidiaries operating in the Helicopters and Space sectors or at the premises of the companies themselves, which were followed by visits at their production plants. Furthermore, a visit was carried out at an important domestic Customer of the Group companies which operate in the Defence and Security Electronics sector, thus giving the possibility of becoming aware of and actually appreciating the operations of a specific system implemented by these companies.

4.8. HANDLING OF CORPORATE INFORMATION

Inside information

In order to ensure the proper management of corporate information, the Board of Directors' Rules of Procedure provide for the adoption, by the Board and on the proposal of the Chief Executive Officer, of a procedure for the internal management and the external transmission of documents and information concerning the Company, with specific regard to inside information.

For some time now, the Company adopted specific internal procedures to coordinate, the management and transmission of this information within the Group, in order to ensure compliance with the special restrictions and disclosure obligations imposed on listed issuers at every structural level, including subsidiaries.

These procedures were updated, in more organic terms during 2007, by means of a specific directive regarding relations with the media and handling of inside and confidential information about Finmeccanica and the Group companies, which was then updated – during 2010 – in the light of subsequent regulatory changes, as well as of subsequent changes in the organisational structure of the Company and of the Group.

Subsequently, the Company started – in the last months of the 2012 financial year – a process of internal redefinition of roles, responsibilities and operating procedures which had been already regulated and the consequent updating of the abovementioned Directive. Therefore, the updating process was started once again at the beginning of the current 2013 financial year, as results of the further changes occurred after the closing of the 2012 financial year and of the new organisational structure of Finmeccanica Spa proposed by the Chief Executive Officer and Chief Operating Officer and shared by the Board of Directors on 21 February 2013.

The above process was completed on 26 March 2013, with the adoption by the Board of Directors, on the proposal of the Chief Executive Officer, of the new **PROCEDURE ON INSIDE AND CONFIDENTIAL INFORMATION**, whose text can be found in the specific Governance section of the website of the Company (www.finmeccanica.com).

As a result of this approval, the Company then issued (on 27 March 2013) a specific Directive aimed at regulating the issue within the Group.[6]

The abovementioned procedure defines principles, obligations of conduct, roles and responsibilities as to inside and confidential information concerning Finmeccanica Spa and its subsidiaries, with specific regard to the related external communication.

The persons involved, through specific roles and responsibilities, in the management and dissemination of said corporate information are: the Chief Executive Officer and Chief Operating

[6] At Finmeccanica the "Procedure" contains the internal rules adopted by Finmeccanica Spa to regulate its activities; "Group Directive" means the rules issued by the Parent Company to its subsidiaries, so that they can approve them through the adoption of their own internal implementing procedures.

Officer, the organisational Units of External Relations and Communication (REC) or Investor Relations (RIN), in agreement with the Chief Financial Officer (CFO)/Officer in charge of preparing the Company's accounting documents, as well as the Legal and Corporate Affairs (LCA) organisational Unit. Specifically, the external disclosure of inside and confidential information concerning Finmeccanica and its subsidiaries (in particular through press releases and presentations to the market), which must be approved by the Chief Executive Officer and Chief Operating Officer in advance, shall be carried out exclusively through the abovementioned REC or RIN Units, for the aspects under their responsibility, in agreement with the CFO/Officer in Charge and with the LCA Unit.

The Procedure also includes specific provisions as to the confidentiality obligations placed on the members of the Corporate Bodies, the Company's employees and external consultants.

Internal Dealing Code

Within the scope of the procedures in force the management and communication of information pertaining to the Company, it should also be noted that the Board of Directors of Finmeccanica passed a resolution some time ago (on 28 March 2006) to adopt an **INTERNAL DEALING CODE** (in order to replace the Code of Conduct), in the implementation of regulatory provisions on Internal Dealing, as well as in compliance with the implementing regulations imposed by CONSOB for the adoption of the provisions of the European Market Abuse Directive.

The Code, which governs the flow of information to the market about transactions involving shares issued by Finmeccanica or other financial instruments connected to these and initiated, also through a third party, by "Key Persons" in the Company or by persons "closely connected" to them, was subject to a specific update with a resolution passed by the Board of Directors on 14 November 2011.

On this occasion, the provisions concerning periods during which transactions cannot be carried out (blackout periods) by Key Persons (or by persons closely connected to them), were significantly extended, in the light of best practice as well as the guidance and requirements of foreign institutional investors in relation to practices adopted in their respective markets.

Compared to the "period of prohibition", which was initially set out for all the "Key Persons" (Directors, Statutory Auditors, Chief Operating Officer as well as persons holding the office of Joint Chief Operating Officer), for the fifteen days preceding the date of approval of the mandatory periodical reports by the Board of Directors, a distinct blackout period was introduced for executive Directors and for the Chief Operating Officer (as well as for persons closely connected to them), starting from the fourteenth day before the close of each accounting period and ending on the day following the issue of the press release announcing the results achieved in the period; for other Key

Persons (non-executive Directors, Statutory Auditors and persons closely connected to them) the blackout period was extended to start from the closing date of the relevant accounting period and end on the day after the issue of the press release announcing the relevant results.
The quantitative threshold identified by the Code for transactions subject to disclosure provides – in compliance with the regulatory provisions – that only transactions with a total value that does not reach € 5,000 by the end of the same calendar year are excluded from the obligation.
As regards the deadline for disclosure to CONSOB and to the public, "Key Persons" are required to ensure that their notification reaches the Company within 4 trading days after the transaction, and the Company must inform CONSOB, Borsa Italiana SpA and the press agencies before the end of the trading day after receiving the information.
In order to ensure that the rules are correctly applied, the Company has laid down specific operating procedures to ensure that "Key Persons" are made aware of their obligations and are provided with the help necessary to fulfil them.
The Company promptly publishes the information transmitted on its website, in the specific Governance section (www.finmeccanica.com), where the abovementioned Internal Dealing Code is also made available.

Register of persons who have access to inside information

Finally, pursuant to Art. 115-bis of the Consolidated Law on Financial Intermediation, the Company has created a special Register of persons who have regular or occasional access to inside information owing to their work or profession or by virtue of the functions that they perform. The Register is kept up to date in compliance with current regulations. In this regard, the Company has also issued a specific **PROCEDURE** ("**KEEPING AND UPDATING OF THE REGISTER OF PERSONS WHO HAVE ACCESS TO INSIDE INFORMATION AT FINMECCANICA**") concerning the management of the Register, which can be found in the Governance section of the website, as well as a Directive aimed at regulating the issues within the Group**.** [7]

4.9. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

With regard to transactions with related parties, provisions shall apply which are laid down **under the specific "Regulation concerning transactions with related parties"** (hereinafter referred to as "the Procedure"), as approved by the Board of Directors pursuant to Art. **4 of the**

[7] At Finmeccanica the "Procedure" contains the internal rules adopted by Finmeccanica Spa to regulate its activities; "Group Directive" means the rules issued by the Parent Company to its subsidiaries, so that they can approve them through the adoption of their own internal implementing procedures.

Consob Regulation no. 17221 of 12 March 2010 **(**as amended by Resolution no. 17389 of 23 June 2010).
At the meeting of 26 November 2010, the Procedure was unanimously approved by the Board of Directors, after having reviewed the favourable opinion supported by the Procedures Committee (as specially established by and composed of independent Directors) and also underwent further revision on 13 December 2011 in order to take account of certain formal adjustments due to the changed organisational structure of the Company.
At the same time, the previous "Guidelines and criteria for identifying significant transactions with related parties" were repealed, which the Company had adopted pursuant to Art. 2391-bis of the Italian Civil Code, as well as on the basis of the previous recommendations made in the Corporate Governance Code.
The Board also assigned the Control and Risk Committee the task of also serving as the Committee for Transactions with Related Parties.
The Procedures aim to define, based on the principles outlined in the Regulation, rules for ensuring transparency and substantive and procedural fairness in transactions with related parties entered into by the Company, directly or through its subsidiaries. To that end, the Procedures establish the criteria and methods for identifying parties related to the Company (identified in accordance with Annex 1 of the Regulation), as well as the quantitative criteria for identifying transactions of greater or lesser importance entered into by the Company; establishes the procedures for examining and approving transactions with related parties, identifying specific rules for cases in which the Company examines or approves transactions entered into by its subsidiaries; establishes the procedures for meeting the disclosure requirements related to the regime.
The Procedures also set out the types of transactions exempt from the procedural rules as provided for under the Regulation, subject to the regulatory plan concerning disclosure requirements.
It also established the quantitative criteria for identifying so-called "minor" transactions not subject to the Procedures, i.e. transactions for amounts of not more than €mil. 3, or €th. 250 (per year) for on-going consulting work and other professional services, as well as awarding remuneration and financial benefits to members of the administration and control bodies or executives with strategic responsibilities.
The Surveillance Body monitors whether the procedures adopted comply with the principles set out in the Regulation, as well as whether they have been followed and reports its findings to the Shareholders' Meeting.
The Procedures Committee assesses the adequacy of the Procedures and the need to amend them at least once every three years in light of any legislative or regulatory changes and future application practices.

The full text of the Procedures is available in the specific Governance section of the Company's website (www.finmeccanica.com).

Finally, with specific reference to the situations in which a Director has an interest in the transaction subject to the examination of the Board, on his own behalf or on behalf of third parties, the Rules of the Board provide for the Directors to promptly and exhaustively inform the Board itself of the existence of this interest and of the related circumstances. Furthermore, the Directors themselves will abstain from the related resolutions.

5. INTERNAL BOARD COMMITTEES (Art. 123-*bis*, para. 2, lett. d), Consolidated Law on Financial Intermediation)

The Board of Directors has formed Committees from among its members, composed of Directors in accordance with the Corporate Governance Code and as laid down in its own Rules of Procedure. Among these Committees are the Control and Risk Committee and the Remuneration Committee, whose functions, work and composition are described in detail below.
The Board also formed the Strategy Committee, which met 3 times in 2012.
The Committee is currently made up of the following members:

STRATEGY COMMITTEE	ATTENDANCE
CARLO BALDOCCI	3 out of 3 meeting
PAOLO CANTARELLA	3 out of 3 meeting
DARIO GALLI	3 out of 3 meeting
IVANHOE LO BELLO (1)	2 out of 2 meeting
FRANCESCO PARLATO	3 out of 3 meeting

(1) Holding office from 14 June 2012

GIUSEPPE ORSI (2)	*3 out of 3 meeting*
MARCO IANSITI (3)	*0 out of 1 meeting*

(2) Holding office up to 15 February 2013
(3) Holding office up to 11 May 2012

This Committee is responsible for assessing the strategy options for the Group's advancement and the relative business plans drawn up by the Chairman and Chief Executive Officer for submission to the Board of Directors.

During the abovementioned meetings, the Committee specifically examined the strategic guidelines of the Finmeccanica Group, as well as the development of the disposal programme set out in the plan for the operational and financial strengthening of the Company.

6. APPOINTMENTS COMMITTEE

The Company's Board of Directors, by making use of the specific transitional regime envisaged in the Code, considered the opportunity for the Company to take steps to formally set up the Appointments Committee at a later time, in order to ensure the operation of the new Committee by the date of expiry of the current term of office of the Board of Directors, as contemplated by the Code itself.

7. REMUNERATION COMMITTEE

The Board of Directors has established an internal REMUNERATION COMMITTEE, which met 4 times in the course of the 2012, as well as 3 times in the current 2013. The average duration of the meetings was about one hour and thirty minutes.

REMUNERATION COMMITTEE	ATTENDANCE
DARIO GALLI- Chairman	4 out of 4 meetings
FRANCESCO PARLATO	3 out of 4 meetings
CHRISTIAN STREIFF	2 out of 4 meetings
FRANCO BONFERRONI (1)	*4 out of 4 meetings*

***(1)** Holding office up to 21 September 2012*

The composition of the Committee is in line with the provisions of the Code. Also following the subsequent resignation of Franco Bonferroni, the members are all non-executive Directors, most of which are "independent" Directors, including the Chairman. Furthermore, the composition of the Committee is consistent with the recommendation, made by the Code, as to the presence of at least one member in possession of an adequate knowledge and experience in financial or remuneration policy issues.

The duties of this Committee are:

- Submitting proposals to the Board of Directors as to the definition of the Company's policy as to the fees due to directors and managers with strategic responsibilities, in accordance with the current regulations and with the Code;
- determining, under powers delegated by the Board and in the implementation of the remuneration policy set out by the same:

- the compensation and conditions of service of the Directors provided with delegated powers and of the other Directors who hold specific positions (in consultation with the Board of Statutory Auditors where required by Art. 2389 of the Italian Civil Code);
- the performance targets correlated to the variable component of the remuneration due to Directors provided with delegated powers and of the other Directors who hold specific positions, monitoring the application of any decisions adopted and verifying, in particular, the actual achievement of performance targets;

– assisting the Company in deciding on the best policies for the handling of the Group's management employees, as well as the plans and mechanisms in place for developing the management skills of the Group's key employees;
– preparing, for the approval by the Board, remuneration plans based on the assignment of shares or options for the purchase of the Company's shares to the benefit of Directors and executives of the Company and of the Group companies, to be submitted for the subsequent approval of the Shareholders' Meeting pursuant to the regulations in force, as well as defining their implementing regulations;
– assessing, on a periodic basis, the adequacy, the overall consistency and the actual application of the remuneration policy for directors and managers with strategic responsibilities.

The activities of the Committee are regulated by appropriate **RULES**, which were finally updated during the Board of Directors' meeting of 19 December 2012 in order to approve the principles and application criteria recommended in the new edition of the Code.

The Rules (available in the specific Governance section of the Company's website, www.finmeccanica.com) provide, *inter alia*, that the Directors provided with delegated powers are not invited to participate in the meetings in which proposals are submitted in relation to their own remuneration.

Since it was firstly formed in December 2000, the Remuneration Committee has played a role in support of the Company's top management with regard to some of the primary issues related to the strategic management of the Group's human resources and its salary and retention policies.

In this respect, incentive plans have been implemented based on performance and growth targets set for the Group's share price and value.

Furthermore, in line with the strategic objective of refocusing on management development and planning as one of the key priorities of Finmeccanica, the Committee has supported the creation of a qualified, structured and periodic Management Appraisal process, designed to select the beneficiaries of the long-term incentive programmes objectively and impartially.

In 2012, the Committee:

- determined, by virtue of the proxies granted by the Board of Directors on 1 December 2011 and 16 May 2012, the economic and regulatory treatment of the Directors provided with delegated powers granted by the Company – the Chairman and Chief Executive Officer, Giuseppe Orsi, and the Director – Chief Operating Officer (currently Chief Executive Officer and Chief Operating Officer), Alessandro Pansa – as illustrated in the Report on remuneration, to which reference is made;
- approved, in the light of the results of the 2011 financial year, the final amount of fees due to the Chairman and Chief Executive Officer Giuseppe Orsi and to the Director- Chief Operating Officer Alessandro Pansa (currently Chief Executive Officer and Chief Operating Officer) within the framework of the management of short-term (MBO) and medium/long-term (Long Term Incentive Plan "LTIP") incentive plans and for the Group's management;
- preliminarily examined the Report on remuneration (prepared pursuant to article 123-*ter* of the Consolidated Law on Financial Intermediation and pursuant to article 84-*quater* of the Issuers' Regulation of Consob), which was approved by the Board of Directors' meeting of 27 March 2012 and which was submitted for approval of the Shareholders' Meeting on 16 May 2012;
- continued to perform its institutional function of supporting top management in priority areas related to the strategic management of the Group's Human Resources, as well as to its compensation and retention policies. It also pursued actions authorised in previous financial years;
- examined the report prepared by the Human Resources organisational Unit on the assessment and selection of the Strategic Resources in light of the need for an adequate planning of succession in the various corporate roles, an essential task to ensure the management's continuity and growth.

In the first months of the current financial year, the Committee met 3 times and, specifically:

- examined the Operating Plan of the Human Resources organisational Unit focused on the management of processes concerning staff efficiency-improvement and reduction and on the motivation and enhancement of the Human Resources;
- examined the effects of the resolutions passed by the Board of Directors' meeting held on 13 February 2013 concerning the on-going relationship with the Chairman and Chief Executive Officer G. Orsi;
- preliminarily examined the Report on remuneration to be submitted for approval of the Board of Directors in relation to the 2013 Shareholders' Meeting.

To carry out its activities the Committee makes use of the support from the suitable units of the Company and in particular from the Human Resources organisational Unit, as well as of the help of external professionals. No specific budget has been prepared for the Committee’s activity, without prejudice to the abovementioned right to make use of external professionals, which the Board has not yet exercised.

Committee meetings are duly minuted. The Manager responsible for the Human Resources organisational Unit is regularly invited to participate in the Committee meetings; on the invitation of the Committee through the Chairman and in relation to the issues being discussed, the meetings may be attended by other persons, including the non-executive members of the Board of Directors and the employees of the Company or of Group Companies, as well as the Chairman of the Board of Statutory Auditors or any other Statutory Auditor designated by the latter. The Chairman of the Board of Statutory Auditors regularly participates in the Committee meetings.

8. REMUNERATION OF THE DIRECTORS AND OF THE MANAGERS WITH STRATEGIC RESPONSIBILITIES

General remuneration policy

In accordance with the regulations on the transparency of remuneration under Art. 123-*ter* of the Consolidated Law on Financial Intermediation, as well as in compliance with Art. 6 of the Corporate Governance Code, the Board of Directors took steps, in the meeting of 23 April 2013, following the valuations made and the proposals put forward by the Remuneration Committee, to approve, with reference to the 2013 and subsequent financial years, the Company’s policy on the remuneration of the members of governing bodies, general managers and of the other managers with strategic responsibilities envisaged in paragraph 3, letter a) of the abovementioned Art. 123-*ter*.

The first section of the abovementioned Report, containing the Company’s remuneration policy, as well as the procedures used for the related adoption and implementation, will be submitted (pursuant to Art. 123-*ter*, paragraph 6, of the Consolidated Law on Financial Intermediation) to the consultative voting at the next Shareholders’ Meeting called to approve the 2012 Financial Statements.

The policy adopted – which is summarised in the following points – is the object of an analytical description, in compliance with the information criteria and elements envisaged in the provisions of laws and regulations referred to above, in the abovementioned Report to which reference is made in full.

For detailed information as to the remuneration paid out in the 2012 financial year, for any reason and in any form, including that paid by subsidiary and associated companies, to the individual members of the Board of Directors, as well as to the Statutory Auditors, the General Managers and any other managers with strategic responsibilities, reference is made to the second section of the

Report on Remuneration, which has been prepared pursuant to Art. 123-*ter*, paragraph 4, of the Consolidated Law on Financial Intermediation.

The full text of the Report on Remuneration is made available according to the procedures set out by law, also through the publication in the specific Governance section of the Company's website (www.finmeccanica.com), within the time limit of 21 days prior to the date of the Shareholders' Meeting called to approve the financial statements.

Share-based remuneration plans

At the date of this Report, the Company had no incentive plans based on financial instruments.

Remuneration of executive Directors

In order to ensure a correct balancing of the Company's interests, aimed at retaining and motivating managers with the necessary skills for managing the Company and business development and at ensuring an alignment of the management's objectives with the creation of value for shareholders in the medium/long term, the remuneration of the executive Directors is determined by ensuring a balanced pay-mix between the fixed component and the variable one, in relation to the strategic objectives set by the Board of Directors.

In particular, the variable remuneration is structured into a short-term component (which is typically annual) and a medium/long-term component.

The short-term variable remuneration for executive Directors is mainly conditional on the achievement of predetermined performance objectives of an economic and operational nature, in line with the strategic guidelines determined by the Board of Directors, whose results can be objectively measured and verified.

The medium/long-term variable remuneration is structured into two 3-year monetary incentive plans (Performance Cash Plan and Long Term Incentive Plan) and is subject to the achievement of predetermined performance objectives of an economic and operational nature only.

The performance indicators, which can be objectively measured and verified, are identified among those that mostly represent the Company's ability to create value on multi-year plans and are aligned with the strategic guidelines determined by the Board of Directors.

For more details, reference is made to the specific information provided in the Report on Remuneration.

Remuneration of managers with strategic responsibilities

The remuneration of managers with strategic responsibilities is made up, in line with the practices applied at Group level for management staff, of a fixed component and a variable component, in relation to the strategic objectives set out by the Board of Directors and is commensurate, as a whole, with the specific responsibilities assigned. Consistently with the guidelines of the Remuneration Policy adopted by the Company, in accordance with the criteria laid down in the Code, the variable part of the remuneration is linked to the achievement of predetermined and measurable performance targets.

For more information, reference is made to the Report on Remuneration.

Remuneration of non-executive Directors

The remuneration of non-executive Directors is limited only to the fixed component, which is subject to the decision of the Shareholders' Meeting, and is not linked in any way to the achievement of performance objectives. Therefore, non-executive Directors do not participate in any incentive plan.

Indemnity due to Directors in case of resignation, dismissal without cause or termination of the employment relationship following a takeover bid (pursuant to Art. 123-bis, paragraph 1, letter i), Consolidated Law on Financial Intermediation)

There are no agreements previously entered into between the Company and Directors which provide for indemnities for Directors in the event of resignation or dismissal without cause or the termination of the employment relationship as a result of a takeover bid.

Instead, with reference to the provisions concerning executive Directors, as to treatments in case of ceasing to hold office or the early termination of the employment relationship, reference is made to the specific information provided in the Report on Remuneration.

9. CONTROL AND RISK COMMITTEE

The Board of Directors has set up a Control and Risk Committee (previously named Internal Audit Committee) which, in the course of the financial year, met 11 times; from January 2013 until today, the Committee met 2 times. The Internal Audit Committee was set up by a resolution passed by the Board on 6 December 2000 and the name of the same was changed to the current one following the resolution passed by the Board of Directors' meeting held on 19 December 2012. The average duration of the meetings was about one hour and forty minutes.

The Committee is made up as follows:

CONTROL AND RISK COMMITTEE	ATTENDANCE
PAOLO CANTARELLA - Chairman	10 out of 11meetings
GIOVANNI CATANZARO	11 out of 11meetings

SILVIA MERLO 10 out of 11meetings

GUIDO VENTURONI 10 out of 11meetings

The composition of the Committee – all "independent" Directors – is in line with the provisions of the Corporate Governance Code; furthermore, this composition is consistent with the recommendation, made by the Code, as to the presence of at least one member who must have an adequate experience in accounting and financial or risk management issues. The activities of the Control and Risk Committee are regulated by Rules approved by the Board of Directors, whose text has been updated in light of the amendments made to the Code in the updated version of December 2011.

The text of the Rules of the Committee is available in the specific Governance section of the Company's website (www.finmeccanica.com).

The Board of Statutory Auditors and the Internal Audit Manager are constantly involved in the Committee's work; the Chairman and Chief Executive Officer may also take part. If appropriate, depending on the items on the agenda, the Committee meetings may also be attended by other persons, including the members of the Board of Directors and the employees of the Company or of Group companies. During the 2012 financial year, on the invitation of the Committee in relation to the issues being discussed, some meetings of the same were attended by the Chairman and Chief Executive Officer, the Director – Chief Operating Officer (who is currently Chief Executive Officer and Chief Operating Officer) and some employees, both of Finmeccanica and of Group companies.

The Committee supports, with an adequate preliminary investigation activity, the assessments and decisions made by the Board of Directors in relation to the internal control and risk management system, as well as those relating to the approval of the periodic financial reports. In particular, as regards the activities carried out by the Committee as to the assessment of the adequacy of the internal control and risk management system with respect to the characteristics of the company and to its risk profile, as well as of its effectiveness, reference is made to paragraph 10 below. The Committee, within the framework of its activity of assistance and support to the Board of Directors, specifically performs the following duties:

a) together with the Officer in charge of preparing the Company's accounting documents and after having heard the Independent Auditors and the Board of Statutory Auditors, assessing the correct use of the accounting standards, as well as their uniformity in preparing consolidated financial statements;

b) expressing opinions on specific issues pertaining to the identification of the main business risks;

c) examining the periodic reports concerning the assessment of the internal control and risk management system , as well as any reports of particular importance prepared by the Internal Audit organisational Unit;

d) monitoring the independence, adequacy, effectiveness and efficiency of the Internal Audit organisational Unit; the Committee itself oversees its activities should operating powers be granted to the Chairman of the Board;

e) being entitled to ask the same organisational Unit to carry out checks on specific operating areas, giving notice thereof, at the same time, to the Chairman of the Board of Statutory Auditors;

f) reporting on the activity carried out to the Board of Directors at least on a six-monthly basis and, in any case, on the occasion of the approval of the draft separate financial statements and of the half-year financial report, as well as on the adequacy of the internal control and risk management system;

g) performing such additional duties as may be assigned to it by the Board of Directors.

The Control and Risk Committee also performs functions as Committee for Transactions with Related Parties, referred to in the Procedure for Transactions with Related Parties adopted by Finmeccanica Spa pursuant to Art. 4 of CONSOB Regulation 17221 of 12 March 2010, as amended and supplemented, by a resolution passed by the Company's Board of Directors on 26 November 2010.

Committee meetings, constantly attended by the members of the Board of Statutory Auditors, are duly minuted.

In performing its duties, the Committee may seek assistance from the outside professionals, provided they are contractually bound by specific confidentiality agreements and are not in such a situation as to impair their independence of judgment.

In carrying out its work the Committee is entitled to access any necessary information to perform its duties and makes use of the Company's organisational Units. Consequently, while it retains the right, mentioned above, to avail itself of the services of outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.

In 2012 and from January 2013 to the date of publication of this Report, the Control and Risk Committee has discussed the main following issues.

For a full description of the activities carried out by the Committee within the framework of the new internal control and risk management system, reference is made to paragraph 10 below.

Specifically, in the course of the mentioned period the Committee:

- continued the process to check the operations of the internal control and risks management system of Finmeccanica and of the main subsidiaries and of the degree of adoption, on the part of the same, of the Directives of Finmeccanica Spa;
- held specific meetings with the subsidiaries for the purpose of examining in detail together with the management the functioning of their respective internal audit systems and the underlying controls set to support the development of the business;
- examined the Report of the Internal Audit Organisational Unit on the work carried out in the course of 2011 and all the audit reports, including those concerning the cross-section audits conducted on the Finmeccanica Group and issued in the course of such financial year;
- discussed the obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (Art. 36 of CONSOB's Market Regulation no. 16191/2007, as amended and supplemented) and noted that the administration and accounting system responsible for the financial reporting process functions effectively and that it essentially meets the requirements of Art. 36 36, and therefore no special plan to bring it into compliance is needed;
- performed any additional duties described in paragraph 10 below.

The Committee also reviewed the preparation of the half-year report and the annual financial statements, meeting with the auditing firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

Finally, on the basis of reports from the Internal Audit Manager and from the auditing firm, the Committee assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing annual and half-year financial statements.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In the course of the 2012 financial year, the Rules of Procedure of the Board of Directors and of the Control and Risk Committee were amended in order to approve the provisions laid down in the Code in relation to the internal control and risk management system, taken as the combination of rules, procedures and organisational structures whose purpose is the identification, measurement, management and monitoring of the main risks.

The system outlined in this manner provides, in short, for the Board of Directors to play a general role of guidance and assessment of the adequacy of said system; specifically, subject to the opinion of the Control and Risk Committee, the Board of Directors:

a) defines the guidelines for the internal control and risk management system, so that the main risks involving the Company and its subsidiaries are correctly identified, as well as satisfactorily measured, managed and monitored, also defining the degree of compatibility of these risks with a management of the enterprise consistent with the identified strategic objectives;

b) assesses, at least on an annual basis, the adequacy of the internal control and risk management system with respect to the characteristics of the enterprise and to the assumed risk profile, as well as its efficiency; the results of this assessment are disclosed in the Corporate Governance Report on an annual basis;

c) approves, at least on an annual basis, the work plan prepared by the Internal Audit Manager, after having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;

d) assesses, after having heard the Board of Statutory Auditors, the results presented by the independent auditor in the letter of recommendations (if any) and in the report on the main issues that arose at the time of the statutory audit of accounts.

In this regard, the Board of Directors, with reference to the activities referred to in the aforesaid points a), b) and c) and subject to the favourable opinion of the Control and Risk Committee issued on 11 April 2013, took steps - in its meeting of 23 April 2013 – to define the guidelines of the new internal control and risk management system, to assess the adequacy of the same with respect to the characteristics of the enterprise and to the risk profile, as well as to approve the Work Plan of the Internal Audit Unit, after having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system.

In addition to the Board of Directors and to the Control and Risk Committee, for the purposes of the assessment of the effectiveness of Finmeccanica Spa's internal control and risk management systems, the following persons intervene:

- Director in charge of the internal control and risk management systems;
- Internal Audit Manager;
- Officer in charge of preparing the Company's accounting documents pursuant to Law 262/05;
- Surveillance Body formed pursuant to Legislative Decree 231 of 8 June 2001;
- Board of Statutory Auditors.

In the course of 2012, a more thorough assessment of the efficacy and adequacy of the internal audit system was also performed with regard to widespread news reports about the investigation of Group companies being conducted by judicial authorities.

Again in 2012 investigations were continued and started which involved Finmeccanica Spa itself, some subsidiaries and some managers of the Group; in this regard, full cooperation has been provided to the investigating authorities.

To that end, the Control and Risk Committee and the Surveillance Body, together with the Board of Statutory Auditors and with the help of the competent Organisational Units of Finmeccanica, performed their own investigation into some of these matters through meetings with the top management of Finmeccanica and the Group companies involved and with representatives of the independent auditors. The Board of Statutory Auditors also carried out an independent audit through meetings with the Boards of Statutory Auditors of the Group companies involved.

As already pointed out, with regard to the activities carried out, as presented by the Chairman of the Control and Risk Committee, the Board of Directors confirmed the evaluation of the suitability of the organisational, administrative and accounting structure of the Company, as well as of any subsidiaries having strategic importance, with specific reference to the internal control and risk management system.

The Corporate Governance Report and Shareholder Structure relating to the 2011 financial year and the disclosures additional to the Annual Financial Report provided on the occasion of the Shareholders' Meeting of 16 May 2012 also reported information on the identification of certain areas of improvement and implementation of the Internal Control System of the Group, with respect to which the Group already put in place specific initiatives during 2011 and has more planned for 2012.

In this regard, it should be pointed out that the activities planned for 2012 were actually carried out.

In particular, in 2012 Finmeccanica issued the following Group Directives[8], Company Procedures[9], Guidelines and manuals, aimed at regulating sensitive activities in terms of Control Systems:

- Guidelines "Consultants and Business Promoters" issued on 11 January 2012 in the implementation of Directive 17 of 8 February 2011 on the "Execution and management of contracts in support of commercial activities with public administrations, institutional clients and state-owned companies." These Guidelines, drawn up on the basis of national and international regulations as well as best practice (e.g. OECD reports, ASD principles), regulate the following aspects:

• Definition of consultancy and business promotion; definition of institutional clients.

• Implementation procedures: only very limited possibilities for companies to deviate from the Directive and from the Guidelines issued by Finmeccanica.

• Base version of contract: a list of basic elements to be verified in contracts has been drawn up, as has a standard contract.

• Red Flags: identification of the main risk factors for which evaluation and traceability are obligatory (e.g. personal or family relationships, countries with a high risk of corruption).

[8] In Finmeccanica, "Group Directive" means the regulations issued by the Parent Company to the subsidiaries so that they approve them through the adoption of their own internal procedures.

[9] In Finmeccanica, "Company Procedure" means the internal rules adopted by each subsidiary in an independent manner or in the application of a Group directive; the term "Procedure" itself also means the internal rules adopted by Finmeccanica SpA to regulate its own activities.

• Countries with favourable tax systems: reference to the black list of national systems and definition of general rules of conduct with a ban on executing a contract if the Consultant or Business Promoter is resident in a tax haven country other than the country of the job order.

• Record card: a document which summarises the relationship is required, with detailed instructions concerning the restrictions and requirements in executing the contract.

• Legal opinion with two levels of verification: a database of general opinions regarding the operating conditions in the various countries which is managed by the Compliance Organisational Unit of Finmeccanica and an evaluation of the specific task which is carried out by the companies.

• Questionnaire: standard form to ensure that the companies acquire the key information about the Consultant/Business Promoter;

- Directive no. 20 on the "enhancement, management and protection of the intellectual property of the Finmeccanica Group", issued on 15 February 2012, with the objective of adopting a combined and coordinated system for the enhancement, management and protection of the intellectual property of Finmeccanica and its operating companies;
- Directive no. 21, "Trade Compliance", issued on 9 March 2012. The Directive covers two particularly important areas: (i) the import/export of equipment for military, dual or commercial use which is subject to specific regulatory requirements (with particular regard to ITAR, EAR, OFAC, EU Council and applicable laws in the UK and Italy); (ii) programmes of sanctions or other restrictive measures which affect countries or persons considered sensitive (above all by the competent authorities of the USA, the EU, the UK and Italy, as well as pursuant to the Resolutions of the UNO Security Council). The objective of the directive in question is to establish a system of compliance at Group level, with which the companies of the Group that carry out export activities, which even only potentially fall into the scope of application of the abovementioned regulations and programmes implemented the Directive through a structured system which envisages the issue of specific procedures on the part of the company;
- Directive no. 22 "Commissioning and management of professional services" issued on 30 June 2012. The Directive has the objective to define the guidelines, the scope of application, the roles and responsibilities connected with the commissioning and management of professional services, other than the business activities that are regulated by Directive no. 17. This Directive was implemented by each subsidiary by issuing or changing its own implementing procedure. The adoption of this Directive also entailed a review of the existing consultancy agreements in order to bring them into line with the new provisions;
- Directive no. 23 "Gifts, hospitality and entertainment expenses" issued on 30 June 2012. The Directive has the objective to define the general principles, the scope of application, the roles and responsibilities connected with the management of gifts, hospitality and entertainment expenses. The

implementation of this Directive required each subsidiary to issue or change its own implementing procedure;

- Directive no. 24 "Sponsorships and advertising initiatives and donations to associations and entities" issued on 30 June 2012. The Directive has the objective to define the guidelines, the scope of application, the roles and responsibilities connected with the management of sponsorships and advertising initiatives and of grants to associations and entities. Rules are laid down for the identification and formalization of said initiatives, which take account of the party for which they are intended, also with regard to their traceability. The implementation of this Directive required each subsidiary to issue or change its own implementing procedure. The adoption of this Directive also entailed a review of the existing sponsorship and consultancy agreements in order to bring them into line with the new provisions;
- Directive no. 25 "M&A Transactions" issued on 30 June 2012. The Directive has the objective to define the scope of application, the guidelines, roles and responsibilities connected with the management of Merger & Acquisition (M&A) transactions, in order to ensure their transparency and consistency with the Group strategies. All the M&A initiatives, even if included in the strategic plan, are subject to an analysis and authorization process, which is carried out in predefined phases, with detailed duties that must be performed by the responsible organisational units of Finmeccanica and of the Group company involved in the transaction. The abovementioned Directive also constitutes an internal Procedure for Finmeccanica Spa;
- Procedure no. 18 "Purchases of goods and services and commissioning of professional services" of Finmeccanica Spa issued on 30 June 2012. The procedure is structured into two parts: part A) which regulates the purchases made by Finmeccanica, both directly and through Finmeccanica Group Services SpA and Finmeccanica Group Real Estate SpA and part B), which regulates the commissioning and management of professional services. Rules have been laid down, both for suppliers and for professionals, to regulate the selection, the formalisation of the relationship, the monitoring of the performance and traceability;
- Procedure no. 1 "Search for, selection and recruitment of the personnel of Finmeccanica S.p.a." issued on 12 December 2012, which sets out the criteria used by the Company for the purposes of the management of these activities and which is applicable to the personnel to be hired with any title; this Procedure cancels and supersedes the similar document issued in 2007;
- Manual for the management of compliance with Law 262/05, which was prepared with the objective to describe the Finmeccanica model relating to the system of Internal Control over Financial Reporting and any activities that the companies falling within the scope of application of Law 262/05, including the Parent Company, must carry out to ensure its correct adoption and implementation.

From an organisational point of view, it should be noted that, with the issue of the Service Order no. 25 of 15 June 2012 relating to the "Legal and Corporate Affairs" organisational unit of Finmeccanica (which was then renamed "Legal, Corporate and Compliance Affairs" by a subsequent Service Order no. 5 on 22 February 2013), the specific Compliance organisational unit was set up, under the responsibility of the new position of the Senior Compliance Officer (SCO), with the task and duty:

- to ensure the knowledge, implementation and monitoring of the regulations applicable to the corporate activities, through the dissemination of tools for the management of legal risks in the main business areas of the Group;
- to ensure, in coordination with the competent Organisational units of Finmeccanica and of the Group companies, the identification, preparation and updating of the necessary directives and procedures to ensure adequate monitoring of legal risks, in order to prevent any corporate behaviours that do not comply with the rules;
- to control any mechanisms of communication and reporting on the part of the compliance officers of the Group companies, operating as a point of reference for any critical issues relating to the application of regulations or to the adequacy of any protocols with respect to the guidance policies of the Parent Company;
- to ensure adequate information flows concerning compliance issues to the benefit of the Corporate Bodies and of the managers responsible for the Company's Organisational units and to report, on a periodical basis, to the Control and Risk Committee and to the Board of Statutory Auditors;
- to ensure controls over trade compliance (exports and programmes of sanctions), providing the necessary legal advice in any proceedings and in any activities under the responsibility of the Parent Company;
- to represent the Parent Company in the ethical committees and in the initiatives that promote the adoption of principles and codes governing business ethics either at national or international level and to provide legal advice in any projects connected with the promotion of sustainability.

In the performance of the provisions under the abovementioned Directive 21 governing Trade Compliance, the Group companies took steps to identify and appoint a Trade Compliance Officer from among their staff, who shall ensure compliance, at the company, with any national and international regulations governing imports/exports, as well as help promote and implement a compliance system at Group level.

Again from an organisational point of view, it should be noted that on 23 July 2012 the "Directives and Procedures" Unit was established within the Human Resources Organisational Unit, which will be responsible for coordinating the preparation, approval and issue of the Group Directives, the Company Procedures and the Policies/Guidelines.

Within the context of the activities undertaken for the improvement and implementation of the internal control and risk management system, as more specifically reported below, in 2012 and in 2013 the Company's Organisational, Management and Control Model pursuant to Legislative Decree 231/01 was brought into line with the provisions of Legislative Decree 121/11 on the subject of environmental crimes, of Legislative Decree 109/12 as to the "Employment of illegally-staying third-country citizens" and of Law no. 190 of 6 November 2012 concerning the "Provisions for the prevention and repression of bribery and illegality in Public Administrations." The current Organisational Model was approved by the Board of Directors at the meeting of 15 April 2013.

The initiatives undertaken and the measures adopted by the Company in the first months of the current 2013 financial year for the improvement and implementation of its own internal control and risk management system, as well as for the achievement of the objective to continue the process for consolidating any procedures of control over the Group's activities and for strengthening the role of direction and coordination towards the operating Companies included the following activities.

- The implementation of the new organisational structure of Finmeccanica Spa, as proposed by the Chief Executive Officer and Chief Operating Officer and shared by the Board of Directors on 21 February 2013, aimed at streamlining decision-making processes, as well as at achieving the best operating efficiency. In fact, the new structure provides for a significant reduction in first-level positions and for the definition of Corporate functions, as well as of functions for the coordination of staff presence abroad and market coordination.
- The establishment of a Management Committee, chaired by the Chief Executive Officer and Chief Operating Officer and made up of the Managers responsible for the Organisational Units of Internal Audit, external relations and Communication, Human Resources, Strategies, Business Development and Innovation, as well as by the CFO and by the Group General Counsel. This Committee is responsible for the direction and coordination of the Group's governance activities. Furthermore, in relation to the issues dealt with, the Managers responsible for other Organisational Units of Finmeccanica may be specifically involved.
- The establishment of a Group Management Committee (made up of the Chief executive Officers of the main subsidiaries, as well as, for Finmeccanica Spa, by the CFO and by the two Managers responsible for the organisational units of Human Resource and Strategies, Business Development and Innovation), with the task of consultation and support in assessments and operational decisions for the sharing of business critical issues, as well as of important programs and initiatives. This establishment, which is part of the new organisational structure of Finmeccanica Spa, responds to the need to involve the managers of the Companies in the Group's issues, as well as in the analysis and definition of those projects that are more directly relevant to the achievement of the Group's results.

- During the meeting held on 21 February 2013, the approval by the Company's Board of Directors of the project to centralise the Group's Internal Audit activities at the Holding Company, with the objective to strengthen its role of control over the Group, as well as to increase efficiency of the activities themselves. This project is expected to be completed by the end of the current financial year; in full operation, the resources operating at the Group companies will be hired by Finmeccanica S.p.a., while adopting a structured organisation by business segments with staff turnover. The objectives of the abovementioned project consist of: *i)* increasing effectiveness of actions and improving operating cost efficiency through a single Audit unit; *ii)* increasing control over the Group's operating companies; *iii)* optimising the exchange of knowledge within the working groups, through a more transparent dialogue, the cooperation of all players involved and the sharing of objectives with a single central unit; *iv)* improving the mix of skills through job rotation mechanisms and structured career paths that allow to realise the importance of control in management activities.

  For the purposes of implementing the project, the Company appointed a third-party independent expert to provide consultancy and assistance services in order to define the mission, mandate, roles and related information flows of the new Internal Audit Function. In the performance of these services, the following documents were drawn up:

  – centralised Internal Audit organisational structure;
  – interfunctional organisational model (*modello organizzativo interfunzionale*, MOI), which defines the relationships that are maintained between the Group Internal Audit Organisational Unit of Finmeccanica S.p.a. and the Control and Supervisory Bodies of both Finmeccanica S.p.a. and the Group Companies, and outlines both the operational powers granted to the Organisational Units within the same, and the methods/flows of interaction between the different players during the entire process relating to operating activities (governance, planning, implementation and reporting);
  – service order of the abovementioned structure.

  The next steps provide for the formalisation of the Internal Audit organisational unit, through a special Service order, and the transmission of the MOI to the Top Management of the Group companies that fall within the scope of application of the project itself. Subsequently, it is expected that about 70 resources, who currently work for the Internal Audit function of the operating companies, will gradually be transferred to Finmeccanica S.p.a..

  The project was shared and positively valued by both the Control and Risk Committee and by the Board of Statutory Auditors.

- The verification of the adequacy, operation and effectiveness, with the support of an independent third-party (according to what was provided for by the Company's Board of

Directors in the meetings held on 7 March and 15 April 2013), as to any existing contracts concluded by the operating Companies in the three-year period 2010/2012 for the purchase of intangible assets, such as engineering, software and consultancy services.

In particular, within the process of purchasing services from third-party counterparties, the cost items involved in the investigation relate to the following:

- consultancy services,
- engineering;
- software/IT;
- commercial brokerage and services of agents.

It should be noted that the cost items related to commercial brokerage and services of agents (also in consideration of the strengthening of the group's internal rules in terms of identification and execution of contracts for relationships with intermediaries and business promoters and given the nature of the services in question) will be subject to separate identification and management.

The investigation has been extended to the years 2010 to 2012 and will involve the following business areas:

- aeronautics (Alenia Aermacchi Group);
- space (Telespazio Group);
- defence systems (Oto Melara and WASS Group);
- helicopters (AgustaWestland Group);
- defence and security electronics (Selex ES Group);
- transportation (AnsaldoBreda and BredaMenarinibus Group).

The extension of the investigation to the energy sector (Ansaldo Energia) will take place at the end of the first phase of activity. The investigation will be extended both to the Italian companies and to the foreign companies of the Group, with specific regard to Europe.

The investigation shall provide, at the time of its completion, reasonable certainty about:

- the correctness of the implementing procedures of purchase transactions examined in terms of compliance with the procedures in force;
- the inherence and effectiveness of services rendered by counterparties;
- the possibility of supplying evidence and traceability of transactions;
- the counterparties' honesty;
- the fairness (where the type of service so permits) of any transaction values.

The investigation shall be structured into at least three operating phases:

1) preliminary phase – definition of the scope of investigation and selection of individual transactions to be analysed;

2) analysis phase – detailed examination of identified transactions;
3) phase of representation of results – periodical and interim presentations and preparation of the final, fact-gathering and descriptive Report.

Given the complexity of the investigation activity and the extent of its scope (both in terms of time horizon and corporate areas involved), the investigation is structured, from an operating point of view, into two separate modules:

1) pilot module, the activity of which will be carried out in the 12 months after the appointment (and in any case by the expected date for the approval of the Financial Statements relating to the 2013 financial year) and which provides for the implementation of verification activities with reference to the following three business sectors: aeronautics (Alenia Aermacchi Group), space (Telespazio Group) and defence systems (OtoMelara and WASS Group). The definition of the pilot module takes account of both the companies that fall within the scope of the Group's core business and the need to involve, but only at a later time, some companies/business sectors that at present are affected by reorganization/restructuring/merger processes;
2) second module, for which it is expected that verification activities will be carried out with reference to the following business sectors:
    - helicopters (AgustaWestland Group);
    - defence and security electronics (Selex ES Group);
    - transportation (AnsaldoBreda and BredaMenarinibus Group).

  - In terms of timing, it is expected that this module may be extended to the second year of verification.

- The additional implementation and the strengthening of the Group's internal regulations governing the identification and execution of contracts for the relationships that the operating Companies maintain with consultants and business promoters, which are based on criteria of transparency, traceability and verification of the subjective requirements of professionalism and honesty.
- The <u>review of Directive no. 17/2011 and of the related Guidelines</u>, which are currently being applied, with the objective of strengthening the control measures implemented by the Parent Company as to the contracts entered into by the subsidiaries with agents and business promoters.
- On 12 March 2013, the establishment of a <u>specific function within the Internal Audit unit</u> responsible for monitoring and strengthening the audit activities concerning any contracts entered into in support of the business activities of the Group companies, in order to ensure compliance with the group's Directive and Policies/Guidelines.

- The identification of new rules as to the composition and requirements for appointments within the Corporate Bodies of the operating Companies, including – in particular – a limited number of the members of the Boards of Directors, the change in the composition of the Surveillance Bodies (whose members are mostly from outside of the Companies and the Group), the obligation of all members of the Corporate Bodies to meet specific requirements of honesty, as well as the expectation of specific events (some of which are connected with judicial investigations), whose occurrence will result in the suspension or removal from the office. In this regard, also note the on-going review of Directive no. 18/2011 ("Formation and operation of the Boards of Directors and of the Boards of Statutory Auditors of Subsidiaries").
- On 7 March 2013, the establishment of a "Committee of Corporate Bodies" (coordinated by the Group General Counsel and made up of the Managers responsible for the Organisational Units of "External Relations and Communication", "Human Resources", "Strategies, Business Development and Innovation", as well as, limited to the appointments to the Boards of Statutory Auditors, of the CFO), with the task of proposing the appointments to the offices of Director, Statutory Auditor or member of the Surveillance Body in first-level or "strategic" subsidiary or investee companies, as well as of selecting – for any other subsidiaries – the proposed appointments submitted by the CEOs of the lead Companies of each sector.
- On 15 March 2013, the issue of Directive (no. 1/2013) on the composition and appointment of the members of the Surveillance Bodies pursuant to Legislative Decree no. 231/01 of the Group's subsidiary companies incorporated under Italian law, which provides for their respective Bodies to be made up of more than one member. In particular, these Bodies will usually made up of three members: the Manager responsible for the Legal and Corporate Affairs Organisational Unit of the Company involved and two external members (including the Chairman), identified from among university teachers and professionals with proven expertise and experience in legal, financial and internal audit issues, as well as, in particular, with adequate experience in the application of Legislative Decree no. 231/01. Furthermore, the external members shall meet specific requirements in terms of autonomy and independence, as well as specific cases will be envisaged for the suspension and removal from the office.
- An increased number of the members of the Surveillance Body of the Company, as illustrated on paragraph 10.4 below.
- The expected establishment, as resolved by the Board of Directors' meeting held on 7 March 2013, of a new Organisational Unit named Risk Management, which shall report to the CFO within the Administration, Finance and Control Unit, in order to improve the Group's Governance within the management of operating and financial risks.

- On 28 March 2013 the issue of Directive (no. 3/2013) on Environmental Protection, which defines – also from the point of view of Legislative Decree no. 231/01 – principles and obligations aimed at environmental protection, pollution prevention and the improvement of environmental performance at the Group Companies, in accordance with the provisions under the Group's Environmental Policy.
- On 28 March 2013, the issue of Directive (no. 4/2013) on the legal aid in support of commercial contracts, which defines the guidelines relating to the conclusion by the group Companies of commercial cooperation contracts and agreements of strategic importance or of significance in economic, equity or financial terms for Finmeccanica and the Companies, with specific reference to any contracts concerning supplies intended for countries that are considered to be "sensitive".
- The establishment, as resolved by the Board of Directors on15 April 2013, of a new Committee that will be responsible for identifying criteria and behaviours with which a Group of global size and presence, operating in the Sector of Aerospace and Defense, must comply in order to conform to new and more important best practices. The Committee will focus its analysis – at the end of which it will formulate the necessary recommendations – on the following aspects:
    - identification of measures and actions capable of further increase the principles and standards of conduct which must be complied with in the business operations;
    - identification of additional actions aimed at ensuring the actual implementation of these new principles and standards, with the utmost possible efficacy.

  This Committee will report to the Board of Directors and will be made up of external professionals of recognised independence, authority and competence: Giovanni Maria Flick (who will act as Chairman), Alberto Alessandri, Vittorio Mincato, Giorgio Sacerdoti and Angelo Tantazzi.

  Finally, the Company will appoint an independent third-party to assess the application of any recommendations formulated by the Committee within the Group.

As more specifically described in paragraph 10.1 below, as regards the internal control system for financial reporting (ICFR)[10], this provides, among other things, for administrative and accounting procedures (narratives) which describe the activities, checks, roles and responsibilities, as well as the information and document flows to support the process of drawing up financial reports.
A specific component to manage the risks of fraud has been integrated into this system, as commented more in detail in paragraph 10.1 below.

[10] ICFR - Internal Control Financial Reporting.

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Below is a summary of the investigations which are being currently conducted in relation to Finmeccanica Spa or which have come to its attention as they relate to Group companies, with specific reference to the events that occurred in 2012 and in early 2013.

Finmeccanica Spa - within the criminal proceedings brought by the Public Prosecutor's Office at the Court of Naples in relation to the supply contracts concluded in 2010 by AgustaWestland, Selex Sistemi Integrati and Telespazio Argentina with the Government of Panama - in the execution of an order for the production of documents, which must be added to those issued in the course of 11, delivered, on 9 September 2012, the minutes of the meetings of the Board of Statutory Auditors and Surveillance Body of Finmeccanica and of AgustaWestland and Selex Sistemi Integrati, as well as updated information on the state of progress of the contracts concluded by the involved companies with AGAFIA to the Public Prosecutor's Office.

Within this investigation, on 23 October 2012 the former Sales Manager of the Company was served with a warrant for remand in custody (*ordinanza di custodia cautelare in carcere*) for the offence under article 322-*bis* of the Italian Criminal Code. On the same date, a search warrant was executed at the office of Finmeccanica which is used by the former Sales Manager in order to gather the necessary documents for the reconstruction of the relationships maintained by the latter with other persons with whom he maintained the relationships being investigated.

In mid-November 2012 the investigations relating to the contracts concluded between the Group Companies with the Government of Panama in 2010 were transferred to the Public Prosecutor's Office at the Court of Rome.

On 23 January 2013 the warrant for remand in custody issued to the former Sales Manager of Finmeccanica ceased to be applied due to the running of time.

On 28 June 2012 Finmeccanica Spa – within the criminal proceedings relating to the supply by AgustaWestland International Ltd of 12 helicopters to the Indian Government, which were started by the Public Prosecutor's Office at the Court of Naples and which was transferred to the Public Prosecutor's Office at the Court of Busto Arsizio at the end of July 2012 – delivered, in the execution of an order for the production of documents, the documentation relating to: *i*) the findings of the Internal Audit activity carried out by AgustaWestland in relation to the contract for the supply of 12 helicopters in India; *ii*) the international competitive tender for the supply of the abovementioned helicopters; *iii*) any ancillary contracts that are functional to the aforesaid supply, in which an advisor to AgustaWestland took part, either personally or through companies attributable to him.

In relation to this investigation, on 20 September 2012 Finmeccanica was served with a notice of investigation (*informazione di garanzia*) as to the unlawful administrative act referred to in article 25 of Legislative Decree no. 231/01, in relation to the offences under articles 110, 319 and 322-*bis* of the Italian Criminal Code that were allegedly committed by, among others, the former Chairman and Chief Executive Officer of the Company, who ceased to hold the office of Chief Executive Officer on 13 February 2013 and the office of Chairman on 15 February 2013 and who was previously responsible for the AgustaWestland Group.
On 12 February 2013 a warrant for remand in custody was executed, which had been issued by the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio against the then Chairman and Chief Executive Officer of Finmeccanica; on the same date, search and seizure activities were carried out at the Finmeccanica offices used by the top management and by some executives of the Company, which were aimed at gathering the necessary administrative, accounting, non-accounting, contractual and banking documentation, both in paper and in electronic format, attributable to the aforesaid contract of supply to the Indian Government. The order for search and seizure issued against the former Manager responsible for the Finmeccanica office in India was also served on the latter by way of notice of investigation for the offences under articles 110, 319 and 322-*bis* of the Italian Criminal Code.
On 26 March 2013 Finmeccanica was served, among others, a notice of request for extension of the time limit of the preliminary investigations for the unlawful act under article 25 of Legislative Decree no. 231/01.
In relation to this affair, it results that at the end of February 2013 the Indian Judicial Authority also started criminal investigations that were to involve eleven individuals and four companies. In this context, on 13 March 2013 search activities were carried out at the Finmeccanica offices in New Delhi.

On 7 March 2013 Finmeccanica Spa – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome in relation to the supply of 45 trolley buses made by BredaMenarinibus within the competitive tender launched by Roma Metropolitane S.p.A. (see what is stated below in relation to BredaMenarinibus) – was served with an order for search and seizure aimed at gathering the documentation relating to the internal procedures of authorization for the execution of said supply.

On 27 March 2013 Finmeccanica S.p.a. – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Naples – delivered, in the execution of an order for the production of documents, the administrative, accounting and contractual documentation relating to the relationships maintained by AgustaWestland and by Alenia Aermacchi with a Nigerian company.

Finmeccanica Spa – with reference to the criminal proceedings conducted by the Public Prosecutor's Office of the Court of Rome for the offences referred to in articles 2 and 8 of Legislative Decree no. 74/2000, which are still being conducted against the former Director of External Relations (for the description, reference is made to the 2011 Report on Corporate Governance) – has been informed that the case concerning the position of the former Chairman of Finmeccanica – who ceased to hold office on 1 December 2011 - was dismissed at the end of 2012.

On 23 April, 15 and 25 May 2012, **AgustaWestland SpA** – within the criminal proceedings started by the Public Prosecutor's Office at the Court of Naples, which was transferred to the Public Prosecutor's Office of Busto Arsizio at the end of July 2012 – provided information and produced documents in relation to: *i*) the organisational structure of the company; *ii*) the corporate procedures; *iii*) some foreign orders, including the contract for the supply of 12 helicopters in India; *iv*) the relationships maintained with foreign suppliers and intermediaries.

On 24 July 2012, following the ruling by the Public Prosecutor's Office at the Supreme Court, the investigation file relating to the supply by AgustaWestland International Ltd of 12 helicopters to the Indian Government was transferred to the competent Public Prosecutor's Office of Busto Arsizio.

On 27 August 2012 AgustaWestland SpA was served with a notice of investigation as to the unlawful administrative act under article 25 of Legislative Decree no. 231/01, in relation to the offences under articles 110, 319 and 322-*bis* of the Italian Criminal Code, which were allegedly committed by the then manager responsible for the AgustaWestland Group and by the then Chief Executive Officer of the Company, who ceased to hold office on 28 February 2013.

On 12 February 2013, in relation to this investigation, a warrant for remand in custody under house arrest (*ordinanza di custodia cautelare agli arresti domiciliari*) was executed, which had been issued by the Judge of Preliminary Investigations of the Court of Busto Arsizio against the Chief Executive Officer of AgustaWestland SpA who held office at the time of the events.

On the same date, search and seizure activities were also carried out at the offices of AgustaWestland used by the Chief Executive Officer and by some executives, which were aimed at gathering administrative, accounting, non-accounting and contractual documentation, as well as minutes and documents relating to the Surveillance Body's meetings, both in paper and in electronic format, relating to the aforesaid supply relationship. From these orders for search it results that the former Managing Director, the Administrative officer and two executives of the company are under investigation for various reasons.

This investigation also involves the former Sales Manager of AgustaWestland, against which an order for search and seizure has been executed, which has been aimed at gathering the administrative, accounting, non-accounting, contractual and banking documentation, both in paper and electronic format, attributable to the aforesaid supply contract.

On 28 March 2013 AgustaWestland SpA was served, among others, with the notice of request for extension of the time limit of the preliminary investigations for the unlawful act referred to in article 25 of Legislative Decree no. 231/01. This measure was also served on AgustaWestland Ltd..
On 13 March 2013, in relation to the recent criminal investigation started by the Indian Judicial Authority, search activities were carried out at the offices of AgustaWestland India in New Delhi.

On 14 March 2013 AgustaWestland SpA – within the criminal proceedings started by the Public Prosecutor's Office at the Court of Busto Arsizio in relation to tax offences – was served with an order for search aimed at gathering the administrative, accounting, non-accounting, contractual and banking documentation, both in paper and in electronic format, referable to the financial and commercial relationships maintained by the company – for the period 2007/2012 – with some suppliers. This order was also served by way of notice of investigation against the Administrative officer of the company for the offences under articles 2 and 4 of Legislative Decree no. 74/2000.

On 1 February 2012 **Ansaldo Energia SpA** - in relation to the judgment issued by the Court of Milan on 20 September 2011, by which the company was sentenced to an administrative pecuniary penalty of €150,000.00 for the unlawful administrative act under Art. 25, paragraph 3 of Legislative Decree 231/2001 and to the confiscation of the equivalent of €98,700,000.00 – filed an appeal against this judgment. The hearing before the Court of Appeal of Milan will be held on 3 October 2013.
Although confident that the ruling will be revised, the company has allocated a provision for risk for an amount equal to the entire sum (€86,548,000) as discounted; in its turn, Finmeccanica has allocated an amount equal to 45% of this sum, against the guarantees issued to the minority shareholder at the time of the transfer of the shareholding.

On 16 March 2012 Ansaldo Energia SpA - within the context of proceedings conducted by the Public Prosecutor's Office of the Court of Milan in relation to the Zubair project in Iraq – was served with a request for extension of the duration of the preliminary investigations into the alleged offence under Art. 25 of Legislative Decree 231/01 in relation to Art. 322-bis, paragraph 2, no. 2 of the Italian Criminal Code, which was allegedly committed in the first half of 2011 in Milan.

Ansaldo STS - in relation to the collapse of a building that occurred in Naples on 4 March 2013 – saw the involvement of its Chief Executive Officer and of two employees of the company in a notice of investigation served by the Public Prosecutor's Office at the Court of Naples on 7 March 2013, as to the offences under articles 434 and 449 of the Italian Criminal Code.

On 11 October 2012 **AnsaldoBreda SpA** – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Naples – was served with an order for the production of documents aimed at gathering the documentation relating to the relationships maintained with GADIT A.G.

On 25 March 2013 AnsaldoBreda SpA – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome in relation to the supply of 45 trolley buses by BredaMenarinibus in the competitive tender launched by Roma Metropolitane S.p.A. – was served with an order for search at the offices used by the company's CFO, who was the CFO of BredaMenarinibus at the time of the events, aimed at gathering the documentation proving the role played by the latter in the events under investigation.

On 26 September 2012 **BredaMenarinibus SpA** – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome in relation to the supply of 45 trolley buses in the competitive tender launched by Roma Metropolitane SpA and awarded to a Temporary Business Partnership (ATI, *Associazione Temporanea di Impresa*) made up of companies that do not belong to the Finmeccanica Group – was served with an order for search and seizure aimed at gathering the documentation relating to the aforesaid tender and to the award of the sub-supply contract to the company, as well as copy of the Organisational Model and of the minutes of the Surveillance Body's meetings. The order was also served by way of notice of investigation against, among others, the former Chief Executive Officer of the company, who ceased to hold office on 1 January 2012, for the offence under articles 110, 319, 321 of the Italian Criminal Code and for the offence under article 2 of Legislative Decree no. 74/2000, and the company for the unlawful administrative act under article 25, paragraph 2, of Legislative Decree no. 231/2001.
On 17 October 2012 the company was served with another order for seizure aimed at gathering, *inter alia*, the documentation relating to all the consultancy services connected with the supply of the 45 trolley buses.
On 2 November 2012 the company was served with the notice of request for extension of the time limit of the preliminary investigations. From the latter order it results that the former Director of External Relations of Finmeccanica and the former Chief Executive Officer of Electron Italia S.r.l. are also under investigation.
On 23 January 2013 the former Chief Executive Officer of the company was served with a warrant for remand in custody, which was then converted into an order for house arrest.
On 7 February 2013 the company was served with an order for search and seizure aimed at gathering the accounting and contractual documentation relating to the relationships maintained with Italian Trade Center SRO, as well as a copy of the tax returns relating to the years in which the debt invoices of the aforesaid company were recorded.

On 25 March 2013 the former CFO of the company, which is currently the CFO of AnsaldoBreda, was served with a notice of investigation for the offence under article 8 of Legislative Decree no. 74/2000.

Electron Italia Srl, 80% owned by SELEX Elsag SpA (now Selex ES SpA) was subject, in 2011, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Rome, to a search order in relation to a consultancy contract entered into in 2009 with the limited liability company Soluzioni di Business. Notification of the abovementioned measure was also provided by way of notice of investigation to the then Chairman of Electron Italia Srl, who ceased to hold office on 27 July 2011, for the offences under Art. 8 of Legislative Decree 74/2000 and Art. 110 of the Italian Criminal Code.

On 8 January 2013 Electron Italia Srl - within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Naples in relation to three contracts awarded to the company for the supply of video-surveillance systems for some municipalities of the province of Naples – was served with an order issued by the Judge for Preliminary Investigations of the Court of Naples concerning the preventive seizure of the amount of €6,250,000.00 pursuant to articles 19 and 53 of Legislative Decree no. 231/01 for the unlawful administrative act under article 24-*ter* of Legislative Decree no. 231/01.
The order issued by the Judge for Preliminary Investigations of the Court of Naples also provided for the application of personal provisional remedies against, among others, the former Chief Executive Officer, who ceased to hold office on 12 March 2013, as to the offences under articles 110, 81-paragraph 2, 326, 353 and 416 of the Italian Criminal Code and an employee of the company as to the offences under articles 110, 81-paragraph 2, 326 and 353 of the Italian Criminal Code.
On 29 January 2013, following a request for review, the Court of Naples provided for the annulment of the order for seizure and ordered the reimbursement of the sum to the company.
On 19 February 2013 the company was served with the notice of conclusion of preliminary investigations for the unlawful act under article 24-*ter*, paragraph 2, of Legislative Decree no. 231/2001.
On 4 April 2013 the former Chief Executive Officer of the company was served with the notice providing for the immediate trial (*giudizio immediato*). The hearing for discussion before the Court of Naples will be held on 23 May 2013.
On 10 April 2013 the company was served with the notice notifying that a pre-trial examination hearing was to be held on 24 May 2013, in relation to the request for committal for trial filed by the Public Prosecutor for the offence under article 24-*ter*, paragraph 2, of Legislative Decree no. 231/01.

This order was also served on an employee of the company for the crimes under articles 353 and 326 of the Italian Criminal Code.

On 8 January 2013 **Elsag Datamat SpA** (then Selex Elsag SpA, now Selex ES SpA) – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Naples in relation to the contract for the supply of a centralised management system of video-surveillance systems at the CEN in Naples and the contract for the construction of the integrated traffic monitoring system of the city of Naples (for which the company was involved, as early as 2010, in some orders for search and seizure) – was served with an order issued by the Judge for Preliminary Investigations of the Court of Naples concerning the preventive seizure of the sum of €47,255,649.82 pursuant to articles 19 and 53 of Legislative Decree no. 231/01 for the unlawful administrative act under article 24-*ter* of Legislative Decree no. 231/01.

The order issued by the Judge for Preliminary Investigations of the Court of Naples also provided for the application of personal precautionary measures against, among others, the former Chief Executive Officer of the then Elsag Datamat, who ceased to hold office on 30 June 2010 and an employee of the company in relation to the offences under articles 110, 81-paragraph 2, 326, 353 and 416 of the Italian Criminal Code and another employee of the company in relation to the offences under articles 110, 81-paragraph 2, 326 and 353 of the Italian Criminal Code.

On 29 January 2013, following a request for review, the Court of Naples ordered the annulment of the order for seizure and ordered the reimbursement of the sum to the company.

On 19 February 2013 the company was served with the notice of conclusion of the preliminary investigations for the unlawful act under article 24-*ter*, paragraph 2, of Legislative Decree no. 231/2001.

From the abovementioned order it results that the investigations involve the persons subject to the precautionary measures, as well as other two employees of the company.

On 4 April 2013 the former Chief Executive Officer and an employee of the then Elag Datamat were served with the notice providing for the immediate trial. The hearing for discussion before the Court of Naples will be held on 23 May 2013.

On 10 April 2013 the company was served with the notice notifying that a pre-trial examination hearing was to be held on 24 May 2013, in relation to the request for committal for trial filed by the Public Prosecutor for the offence under article 24-*ter*, paragraph 2, of Legislative Decree no. 231/01.

This order was also served on an employee of the company for the crimes under articles 353 and 326 of the Italian Criminal Code.

Elsag Datamat SpA (then Selex Elsag SpA, now Selex ES SpA) – within the framework of the investigations started by the Judicial Authority in relation to three tenders launched by the

Municipality of Barletta, the Municipality of Lucera and the Municipality of Maiori for the construction of access control systems for the limited traffic area – saw one of its employees receive three notices of investigation for offences linked to supplies that did not conform to the requirements of the contracting authority (articles 353 and 356 of the Italian Criminal Code).
On 30 November 2011, with reference to the criminal proceedings concerning the construction of the system in the area of the Municipality of Barletta conducted by the Public Prosecutor's Office of Trani, the employee was served with a notice notifying that the pre-trial examination hearing was to be held on 9 February 2012.
On 12 July 2012 the Court of Trani, at the pre-trial examination hearing, provided for the employee to be committed for trial for offences linked to supplies that did not conform to the requirements of the contracting authority (articles 353, 356 and 483 of the Italian Criminal Code). The first hearing before the competent Court was held on 22 October 2012 and the proceedings is now in the discussion phase.

Elsag Datamat SpA (then Selex Elsag SpA, now Selex ES SpA) saw one of its former employees, who at the time of the events was the "General Site Services" Manager, who now works for another Group company, receive a notice of investigation issued by the Public Prosecutor's Office of the Court of Genoa for offences under articles 426 and 449 of the Italian Criminal Code, in relation to the overflow of the Chiaravagna river which took place in Genoa on 5 October 2010.
On 5 October 2012 the former employee was served with the notice of conclusion of the preliminary investigations for the offences under articles 426 and 449 of the Italian Criminal Code, while on 8 March 2013 here was served with the notice notifying that the pre-trial examination hearing was to be held on 16 May 2013.

On 26 and 30 November 2012, **Selex Elsag SpA** (now Selex ES SpA) – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Florence as to the offence under article 16, paragraph 1, of Legislative Decree no. 96/03 – was served with two orders for search aimed at gathering the contractual, administrative and accounting documentation relating to the activity carried out by the abovementioned company in Syria with reference to the construction of the technological communication network named "Tetra".
On 6 March 2013 Selex ES was served, at the Florence office, with an order for the request to deliver the server containing a specific software, from which it results that the former Chairman, who ceased to hold office on 31 December 2012, and the former Chief Executive Officer of the then Selex Elsag, who ceased to hold office on 30 September 2012, and two employees of the company are under investigation.

Selex Galileo SpA (now Selex ES SpA) - within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Palermo, which was then transferred to the Public Prosecutor's Office of Milan, was subject, in 2011, to search measures aimed at obtaining administrative/accounting, corporate and non-accounting documentation connected with the public financing that the company requested under the integrated package of concessions for innovation ("P.I.A. Innovazione").
Notification of the measure in question was also provided, by way of notice of investigation in connection with offences under articles 81-paragraph 2, 640-*bis*, 483, 56 and 640 of the Italian Criminal Code, to two former Chief Executive Officers of the then Selex Galileo, who ceased to hold office on 16 February 2009 and 31 December 2012, respectively, and two employees of the company.
On 5 March and 25 September 2012, the involved persons were served with the requests for extension of the time limit of the preliminary investigations.

On 26 April 2012 **Selex Service Management SpA** - within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Naples concerning the awarding of the construction and management of the Control System for Waste Tracking, SISTRI, for which the company, as early as 2011, was subject to two orders for search and seizure – was served with an additional order for search aimed at gathering the documentation filed with the Ministry for the Environment, Land and Sea in relation to the Project starting from 2006.
This investigation involves, among others, the former Chief Executive Officer of the company, who ceased to hold office on 28 September 2011, for offences under articles 416, 110, 640, 323 of the Italian Criminal Code and articles 2 and 8 of Legislative Decree no. 74/2000.

On 17 April 2013 Selex Service Management S.p.A. was served with an order issued by the Judge for Preliminary Investigations of the Court of Naples, which provided, among others, for the application of the warrant for remand in custody against the former Chief Executive Officer of the company for the offences under articles 416, 319, 320, 321 and 640-*bis* of the Italian Criminal Code and articles 2 and 8 of Legislative Decree 74/2000, as well as the preventive seizure of the sum deposited in the company's accounts that the investigated person allegedly subtracted to the Tax Office or unlawfully collected for undue reimbursements, equal to €6,955,791.

From this order it results that the company's Director of Operations is also under investigations for the offence under article 648-*bis* of the Italian Criminal Code.

On 13 January 2012 Selex Service Management SpA - within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of L'Aquila, which was then transferred to

the Public Prosecutor's office of Rome, concerning a number of contracts in place between the company and Abruzzo Engineering SCpA in liquidation (30% owned by Selex Sema), - was subject to an order for the production of documents, which must be added to those already issued in 2011, aimed at gathering the documentation relating to the checking work carried out by the Surveillance Body.
In relation to this affair are under investigation the Director of Operations, for the offences under articles 110 and 319 of the Italian Criminal Code, the CFO and two employees of the company.

On 24 May 2012 **Selex Sistemi Integrati SpA** – within the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome in relation to alleged tax offences in the award of works contracts on the part of ENAV S.p.A. – was served, as victim, with a notice notifying that the pre-trial examination hearing was to be held on 22 June 2012, in relation to the request for committal for trial for the offences under article 8 of Legislative Decree no. 74/2000 and articles 110 and 646 of the Italian Criminal Code against, among others, the former Chief Executive Officer, who ceased to hold office on 14 December 2011, and the former Sales Manager of the company.
At the hearing held on 22 June 2012 in relation to these proceedings, Selex Sistemi Integrati formalised its appearance as an aggrieved party acting in criminal proceedings to recover damages.
By an order of 9 November 2012, the Judge for the Pre-trial examination hearing at the Court of Rome allowed the company to appear as an aggrieved party in criminal proceedings to recover damages against the accused persons, while by a decree of 23 November 2012 he provided for the former Chief Executive Officer and the former Sales Manager to be committed for trial. The hearing for discussion will be held on 22 November 2013.

On 4 October 2012 Selex Sistemi Integrati SpA - in relation to the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome in relation to cases of bribery in the award of works contracts on the part of the ENAV, for which the company has been under investigation for the unlawful act under article 25, paragraph 2, of Legislative Decree no. 231/01 (for the description, reference is made to the Report on Corporate Governance relating to the 2011 financial year) – submitted a request for plea bargain in order to define all the positions concerned with trials that had been contested pursuant to article 25, paragraph 2, of Legislative Decree no. 231/01. By a judgment of 7 December 2012, the company negotiated the application of the pecuniary penalty of €150,000 and the confiscation of the sum of €1,000,000, acknowledging an amount of €1,000,000 to ENAV by way of compensation for damage.

In relation to the critical issues that arose as to the correct performance of some supplies concerning the contracts entered into by Selex Sistemi Integrati with the customer ENAV, below are summarized the actions brought after the Report on Corporate Governance relating to the 2011 financial year:

- , in relation to the appointment, in February 2012, of an independent third-party, RINA SERVICES S.p.A., for the analysis of the fairness of the value and works implemented within the sub-contracts awarded to Arc Trade Srl, Print Sistem Srl, Techno Sky S.p.A. and Renco S.p.A. (for a total value of about €138 million) in the period from 1 January 2008 to 30 November 2011, on 31 May 2012 RINA delivered the "Final Report" to the company in relation to the Phase 1 of the assignment. This Report pointed out that orders had been checked for €127 million, with respect to the scope of activities awarded, while other orders of about €11 million could not be quantified in economic terms and thus could not be checked (as they were lump-sum orders that were not quantified in detail or because they dealt with supplies that could be procured from a single supplier at worldwide level, which did not reply to the requests for quotation).

  As to the orders that were checked, it was found that orders or a portion of orders of €32 million (equal to about 23% of the total) could not be quantified, while it was found that a portion of orders totalling about €16 million could not be checked (for the reasons reported above). According to the findings of Phase 1, the company took steps to replenish the provisions allocated in the 2011 financial statements for an amount of €6 million. After having acknowledged the Final Report of Phase 1, the Board of Directors of Selex Sistemi Integrati deemed it appropriate to immediately start the Phase 2 of the assignment, which was completed on 15 November 2012, with the delivery of the "Final Report". On the basis of the results of the Phase 2 of the assignment and without prejudice to the scope of activities already awarded for the Phase 1, Selex Sistemi Integrati allocated an additional provision of €15.7 million.

- On 6 July 2012, the Board of Directors of Selex Sistemi Integrati approved an updated version of the Organisational, Management and Control Model as per Legislative Decree 231/2001. This updating, which had been preceded by an important Risk Assessment activity which was also carried out in cooperation with external consultants, involved not only the introduction of environmental crimes in the regulations under examination, but also and above all the adoption of any and all proposed amendments and additions to the Model, which have been submitted, both for its general part and for its special part, in the light of the well-known legal proceedings that have involved the company. Considerable emphasis has been given to the updating of the Special Part relating to the Crimes against Public Administrations; in particular, a targeted in-depth analysis was carried out on the following areas which were considered to be the most critical areas: (i) management of sub-contracts; (ii) acquisition of contracts with public bodies through the participation in negotiated procedures, as well as in public tenders; (iii) financial flows;

- as regards the possible action against directors towards the previous Chief Executive Officer, Selex Sistemi Integrati appeared in court as an aggrieved party in criminal proceedings to recover damages in the abovementioned criminal proceedings relating to alleged tax offences. In any case, also in the light of the results of the existing criminal proceedings, the company will remain entitled to bring, in the future, any action against directors, which becomes statute-barred in five years from the date when the director ceases to hold office.

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As regards the above, it should be noted that:

- in relation to these pending criminal proceedings - with the exception of the ruling at first instance against Ansaldo Energia SpA and for the plea bargain of Selex Sistemi Integrati - no rulings have been issued against the Group companies, their directors or managers in relation to such matters and no motions for committal for trial have been filed against the companies involved pursuant to Legislative Decree no. 231/01;
- as regards the orders for acquisition issued by the Judicial Authority with regard to a number of Group company contracts, it should be explained that (except for the contract entered into between AgustaWestland International Ltd and the Indian Ministry of Defence in relation to the supply of 12 AW101 helicopters, for which the Indian Government has notified the company of the suspension of any payments) these are being duly performed and to date no objections in this regard have been filed by the counterparties, nor have any actions been brought by third parties before the Judicial Authority aimed at nullifying their validity or effectiveness.

The Board of Directors, the Board of Statutory Auditors, the Control and Risk Committee and the Surveillance Body of Finmeccanica were kept duly informed about the foregoing events.

In particular, as regards the events concerning the supply of helicopters in India and the subsidiary Bredamenarinibus S.p.A., the following checks were carried out.

In relation to the first event, the Control and Risk Committee, together with the Board of Statutory Auditors, and the Surveillance Body of Finmeccanica held a meeting with both the Chief Executive Officer of AgustaWestland and the former Chairman and Chief Executive Officer of Finmeccanica; they also carried out additional in-depth analyses, examining, *inter alia*, all the reports prepared by the Internal Audit unit of AgustaWestland and a summarized report prepared by an independent English law firm, which illustrates the results of the in-depth analyses carried out on the contract for the sale of 12 AW101 helicopters in India, the agreements entered into by AgustaWestland for the repurchase of the WG30 helicopters that were sold in India in 1987 and on the services rendered by Global Services FZE (a company established by Christian Michel in Dubai) in the performance of the Post Contract Services agreement entered into following the acquisition by AW of the abovementioned contract for the sale of 12 AW101 helicopters in India. Furthermore, in order to complete the assessments carried out as to this affair, the Control and Risk Committee, in agreement with the Board of Statutory Auditors, asked: *i)* to appoint an independent third-party, RINA SERVICES S.p.A., to assess the fairness of any prices applied by IDS Infotech (India) and IDS Tunisia and the amount of services actually rendered by the abovementioned companies; *ii)* to update any relationships maintained by the group companies with Mr. Haschke and with companies that can be associated with the same.

The results of the activities carried out are reported below.

RINA Services SpA completed its activities on the contracts awarded by AgustaWestland SpA to IDS Infotech (India) and to IDS Tunisia from 2007 to 2012; the relevant report points out that the abovementioned suppliers have actually carried out their activity in favour of AgustaWestland SpA, that the supply activities under examination have substantially covered the period of execution of the works and that AgustaWestland SpA has used in these years, or is about to use, the technical papers (both in paper and in electronic format) that have been the object of the activity of the aforesaid suppliers. Additional in-depth analyses have been required of RINA Services SpA about the value of the abovementioned papers.

As regards the relationships between Mr. Haschke and any companies that can be associated with him and the Group companies, we only confirm the existence of relationships - as already pointed out in the additional information required by Consob on 9 May 2012 and made public on 16 May 2012 – with Alenia Aeronautica SpA, OtoMelara SpA, AgustaWestland SpA, Ansaldo Energia SpA and AnsaldoBreda SpA, while it results that from 1 January 2010 there were no relationship between Mr. Guido Gerosa – and any companies attributable to him – and any companies in the Finmeccanica Group.

The Surveillance Body also held a meeting with the former Manager responsible for the Sales Department of Finmeccanica in India.

In addition to any activities jointly carried out with the Control and Risk Committee, the Board of Statutory Auditors of Finmeccanica held a meeting with the Board of Statutory Auditors of AgustaWestland and also asked the Chairman of the Board of Statutory Auditors of the same to provide updated information on the initiatives and the audits undertaken by the Board of Statutory Auditors, the governing bodies and the Surveillance Body of AgustaWestland as to the investigations being conducted. On the basis of what has been communicated by the Board of Statutory Auditors of AgustaWestland, according to what it learned during the relevant hearings and the results of the assessments and audits carried out by the responsible Bodies, there are no cases of possible commission of crimes, nor any significantly critical issues concerning the internal control system, nor any irregularities concerning the adequacy of, and compliance with, corporate procedures. Also following the request submitted by the Board of Statutory Auditors of AgustaWestland, the company took steps to appoint the abovementioned independent third-party to assess the fairness of the prices applied by IDS Infotech (India) and IDS Tunisia and the amount of services actually rendered by the aforesaid companies; it also provided for an audit to be started, aimed at establishing whether: *i)* AgustaWestland complied with the corporate procedures and whether the same conformed to the Directives of Finmeccanica; *ii)* the corporate procedures concerning purchases of services can be considered to be reliable and adequate, or whether there are deficiencies in the internal control system.

In particular, the audit on the "Purchase of services", which started on 15 March 2013 and which is expected to be completed by the end of May 2013, will assess:

- the compliance of the process with the new AW procedures, issued at the end of 2012, within the Purchasing Cycle (Purchase Order Acknowledgement Process, Purchase Order Approval Process, Purchase Order Creation Process, Sourcing Process, Supplier Initial Approval Process);
- the adequacy in terms of organisation, system of proxies and segregation of duties;
- compliance with signatory powers;
- the adequacy of monitoring checks.

In relation to the affair concerning Bredamenarinibus S.p.A., the Control and Risk Committee, together with the Board of Statutory Auditors, held a meeting with the Chairman of Bredamenarinibus S.p.A.; subsequently, it examined a report containing the results of the audit carried out by the latter company on the consultancy and intermediation relationships subject to the investigations conducted by the judiciary, from which it results that "the current top management has full confidence in the judiciary and has confirmed that it believes that the investigations being conducted will demonstrate that the company is fully unrelated to the facts which involve the previous top management; at the end of the investigations under way, the current management will consider the commencement of actions (if any) to protect the company and to be compensated for any damage suffered and being suffered". In this report, the top management also acknowledges that a critical issue has been solved, which was linked to the pre-existing lack of independence of the Internal Audit manager with respect to the executive Chairman of the company and to any other corporate operating function.

In addition to the activities jointly carried out with the Control and Risk Committee, the Board of Statutory Auditors of Finmeccanica held a meeting with the Board of Statutory Auditors of Bredamenarinibus S.p.A. within the framework of the periodic meetings with the corresponding supervisory bodies of first-level/strategic companies. Subsequently the Chairman of the Board of Statutory Auditors of Finmeccanica also held a meeting with the Chairman of the Board of Statutory Auditors of the subsidiary as to the consultancy and intermediation relationships subject to the investigations conducted by the judiciary.

10.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS RELATED TO THE PROCESS OF FINANCIAL REPORTING

The Internal Control over Financial Reporting (ICFR) system is defined as the set of activities aimed at identifying and evaluating the actions or events that, when occurring or failing to occur, could compromise, in whole or in part, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting.

Within Finmeccanica, there is such an internal audit system governing the financial reporting process that has been defined in accordance with the generally accepted frameworks issued by the Committee of Sponsoring Organisations (CoSO) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT).

Specifically, in 2012, on the basis of the Fraud Risk Assessment carried out in the previous financial year in relation to the cases of fraud defined in the Group Fraud Library, the administrative and accounting procedures were integrated with a set of additional checks with respect to those existing for the prevention of risks of fraud, in accordance with the provisions under Auditing Standard 5 "An Audit of Internal Control Over Financial Reporting That is Integrated With An Audit of Financial Statements", issued by the Public Company Account Oversight Board (PCAOB). It puts, among the other things, particular emphasis on the checks related to the prevention, identification and detection of fraudulent activities, to be intended as acts capable of generating misrepresentation from a financial, capital and economic point of view in the financial statements or of misappropriating the corporate assets. These checks are tested within the framework of usual monitoring activities according to the plan defined by the Officer in Charge. In addition, the Officer in Charge started specific monitoring on purchasing cycle processes aimed at reporting fraudulent acts or significant deficiencies in the ICFR system, which have been already completed on the Parent Company and on AgustaWestland.

As to the results of the antifraud monitoring activities carried out on the 2012 Financial Statements, with reference both to the testing of controls that mitigate fraud risks and to the Detection Audit activity on the purchasing cycle management process, the following observations should be noted.

Within the antifraud monitoring plan on the 2012 Financial Statements, Finmeccanica carried out activities, with reference to the Group companies that fall within the scope of application of law no. 262/2005, of both testing of antifraud controls for the purposes of the compliance with the abovementioned law (periodical monitoring), and of verification of the purchasing cycle management process, which were aimed at detecting frauds (if any) perpetrated to the detriment of the company and/or deficiencies in the internal control system (specific monitoring) – the so-called Detection Audit.

Within the Test Programme on the 2012 Financial Statements defined by the Officer in Charge for the purposes of the application to Law no. 262/2005, within the Group, tests were conducted – on the Half-Year Financial Statements at 30 June and on the Financial Statements at 31 December – on about 2,300 antifraud controls, divided among the following components of the internal control system for financial reporting (ICFR) adopted by Finmeccanica:

- no. 1,530 Controls at "Process" level defined by the corporate procedures (the so-called Process Level Control), about 280 of which were tested for the purposes of the Half-Year Financial Statements;
- no. 490 Controls relating to the operation and management of IT systems (the so-called IT General Control);
- no. 280 Controls at "Entity" level in relation to the structure and organisation of the individual Companies (the so-called Entity Level Control).

From the analysis of the findings of the Test Programme on the 2012 Financial Statements, it results that, in consideration of ineffective controls, the related compensating controls and/or material tests carried out by the Internal Audit function allowed to confirm the overall efficiency of the existing procedures monitoring the risk areas being examined.

Furthermore, consistently with the 2012 Programme, specific monitoring activities (the so-called Detection Audit) were started in the second half of 2012, which were aimed at detecting any fraudulent conduct or any deficiencies in the ICFR system in relation to the process of "Procurement of goods and services" and which provide for the following macro-phases:

a. Mapping: this phase consists of the identification of information flows and systems in support of the processes of Procurement of goods and services of the Group companies, in order to identify the information set (cut-off date 31.10.2012) in relation to which the subsequent analyses must be carried out.
b. Scoping: this phase provides for:
    - the application of specific indicators (Key Fraud Indicators), which have been developped on the basis of the fraud patterns identified in the Fraud Risk Assessment, to the database identified during the mapping phase, made up of the

purchasing cycle transactions recorded in the systems in the three-year period 01/01/2010 – 31/10/2012;

- the definition of analyses and correlations to be used for processing data and for extrapolating inconsistencies/potential anomalies (if any).

c. Test: this phase provides for:

- the analysis of any anomalies identified after the scoping phase, in order to identify the so-called “False Positives” (justified exceptions) and/or evident errors;
- performance of tests for any anomalies in relation to which additional analyses are necessary.

To date, the Mapping and Scoping activities have been completed on all the Companies that fall within the scope. The test activities have been completed for Finmeccanica S.p.a. and for AgustaWestland S.p.a. and AgustaWestland Ltd, while they are still being conducted for the other companies within the scope; the related completion is expected to take place at the end of the first half of 2013.

With reference to Finmeccanica S.p.a., 9,300 suppliers were examined. In particular, the following was analysed for each of them:

- Personal data
- Requests for Purchase
- Purchase Orders
- Incoming goods
- Invoices
- Payments.

On the basis of the defined correlations and of fraud patterns, extrapolations were carried out in order to identify inconsistencies/potential anomalies (if any) and to eliminate any cases of false positives (justified exceptions) and/or immaterial errors. A documentary analysis was carried out in relation to about 155 supplier codes in order to verify the causes that generated inconsistencies.

With reference to AgustaWestland S.p.a., about 25,300 suppliers were analysed using the same method as that used for Finmeccanica S.p.a.. A documentary analysis was carried out in relation to about 27 supplier codes in order to verify the causes that generated inconsistencies. With reference to AgustaWestland Ltd, about 9,900 supplies were analysed. A documentary analysis was carried out in relation to about 6 supplier codes in order to verify the causes that generated inconsistencies.

From the analyses carried out for Finmeccanica S.p.a. and AgustaWestland S.p.a. and AgustaWestland Ltd, it results that the anomalies reported by the Key Fraud Indicators and by the subsequent checks, are due to opportunities to improve the internal control system that are attributable to misalignment of procedures which, however, do not impair the purchasing cycle process.

Furthermore, in relation to the provisions under the 2012 Action Plan, a Manual was issued for the management of compliance with Law 262/05, including the component related to the management of risks of fraud; its objective is to strengthen the internal control model on financial reporting within the Group and to ensure it is managed with development in mind.

The responsibilities for establishing and maintaining the ICFR system, on the whole, are governed and distributed throughout the organisation.

In particular, Finmeccanica's model currently calls for the involvement of:

- **Administrative body to which authority has been delegated**

This refers to the Chief Executive Officer.

- **Officer in charge of preparing the Company's accounting documents**

Reference is made to paragraph 10.6 below.

- **Financial reporting managers**

To comply with Law 262/2005, within the major companies of the Group, the boards of directors, after having heard the opinion of the Officer in Charge and of the Board of Statutory Auditors of the Company, have appointed financial reporting managers (FRMs) responsible for the financial information provided to the Group Parent and for supporting the Officer in charge of preparing the Company's accounting documents.

As such, the FRMs have the following responsibilities:

- developing for each Group company administrative and accounting procedures underlying the financial reporting process that ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim financial statements and is in line with the actual operations of the company concerned based on the instructions received from the Officer in charge of preparing the Company's accounting documents;
- defining and implementing any plans for improvement;
- attesting, with respect to the Officer in charge of preparing the Company's accounting documents of Finmeccanica, together with the Delegated Governing Body of the company, to what is requested by the Parent Company in relation to the internal control system for the governance of the financial reporting process and the preparation of accounting documents.

- **Internal Audit Organisational Unit of Finmeccanica Spa**

The Officer in charge of preparing the Company's accounting document has entrusted the Internal Audit Organisational Unit with responsibility for "independently" assessing the functioning of the internal controls over financial reporting.

The Internal Audit Organisational Unit, assisted by the internal audit organisational units of the various Group companies and based on indications provided by the Officer in charge, conducts tests of the actual application of the administrative and accounting procedures defined by the Group Parent and other Group companies and coordinates activities within these companies, by means of a specific plan of operations, which defines the methods for verifying the implementation of controls.

The results of the tests conducted for each company are submitted to its management, which determines what improvements should be made so that a suitable, up-to-date action plan can be prepared.

On the basis of the overall results of these tests, the Internal Audit Organisational Unit of Finmeccanica prepares an executive summary that enables the Officer in charge of preparing the Company's accounting documents and the Delegated Administrative Body to assess the adequacy and actual application of the administrative and accounting procedures followed in preparing the individual financial statements, the condensed half-year financial statements, and the consolidated financial statements, for the purposes of the issue of the certifications envisaged in the relevant regulations.

The management of the ICFR system developed by Finmeccanica features the following general stages:

- risk identification and assessment (Financial and Fraud Risk Assessment);
- assessment of the adequacy of related controls;
- testing the functioning of the system of controls.

Risk identification and assessment (Financial and Fraud Risk Assessment)

The risk assessment (Financial Risk Assessment) is the set of activities aimed at identifying and assessing any actions or events, whose occurrence or absence may compromise, in whole or in part, the achievement of the ICFR objectives: specifically, the reliability of financial reporting. Within the framework of risk assessment, particular attention is paid to the Fraud Risk Assessment, identifying and assessing any conditions (risk factors) that could increase the risk of frauds within the Company.

Risks identification and assessment are identified by considering the likelihood that an event will occur and its potential impact on the financial statement items, without taking account, from a prudential perspective, of the existence of controls aimed at reducing the risk to acceptable levels.

Assessment of the adequacy of related controls

On the basis of analyses of potential (Financial and Fraud) risks, control measures have been identified which are aimed at mitigating the same. The adequacy of the control measures is assessed on the basis of their ability to reduce risks, with reasonable certainty, to acceptable levels.

The defined controls are attributable to the following macro-types:

- Process Level Controls;
- entity-level controls which, as controls that apply to the entire organisation since they are common and cut across it, are structural elements of the ICFR system;
- IT General Controls (ITGC).

In 2012, as already mentioned, additional controls were formalised and implemented with respect to those already in place, in order to strengthen fraud risk management on the basis of the results from the Fraud Risk Assessments carried out in 2011.

Furthermore, the Group issued the Manual for the management of compliance with Law 262/05, including the component related to the management of fraud risks; its objective is to strengthen the internal control model on financial reporting within the Group and to ensure it is managed with development in mind.

In 2013 usual maintenance and development activities are expected to carry out on the ICFR system's components.

Check the operations of the internal control system and specific monitoring

In order to check and ensure the operations of the system for internal control on financial reporting, specific testing and monitoring activities are expected to be carried out by independent third parties (Internal Audit).

The test plan defined by the Officer in Charge provides for checks to be carried out, on a turnover basis, on all the control components of the ICFR system of Finmeccanica; specifically:

- any controls that are considered to be "key" tests as defined in the descriptions are tested on an annual basis;
- the correct segregation of incompatible roles is tested on an annual basis;
- ITGC components that are considered to be necessary to ensure adequate control over applications and the infrastructure are tested on an annual basis; ITGC components that are not subject to systematic changes, as they pertain to structural aspects of the company (e.g. organisation, policy, etc.), are tested on a quarterly basis, on a turnover basis, and in any case, on the occasion of significant changes;
- Entity Level Controls are tested on a quarterly basis and, in any case, on the occasion of significant changes.

Furthermore, to integrate the control model, specific monitoring activities are envisaged which are aimed at reporting the existence of possible fraudulent acts and/or significant deficiencies in the ICFR system (so-called Detection Audit). This activity is carried out on a turnover basis according to a "Top-down-risk based" approach, which allows the application of controls starting from any areas at highest risk; furthermore, the activity is carried out in relation to specific events, including, but not limited to, organisational changes or reports, such as to presuppose the presence of fraudulent acts or significant deficiencies.

10.2. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As required by the Rules of Procedure of the Board of Directors, the Chief Executive Officer also holds the position of Director in charge of the internal control and risk management system, which is responsible for the implementation and maintenance of an effective System.

In particular, the same Director:

a) identifies the main corporate risks, in light of the features of the activities carried out by the Company and its subsidiaries, periodically submitting them to the scrutiny of the Board;

b) implements the guidelines defined by the Board and takes care of the planning, creation and management of the internal control and risk management system, constantly verifying its overall adequacy, efficacy and efficiency;

c) sees that the system is adjusted in response to changes in operational conditions and the legislative and regulatory framework;

d) may ask the Internal Audit Organisational Unit to carry out controls on specific operating areas and to check for compliance with internal rules and procedures in performing business operations, at the same time giving notice thereof to the Chairman of the Board, the Chairman of the Control and Risk Committee and to the Chairman of the Board of Statutory Auditors;

e) promptly reports to the Control and Risk Committee or to the entire Board as to problems and critical issues arisen in performing his duties or of which he has become aware, so that the Committee or the Board may take any appropriate actions.

The Director in charge of the internal control and risk management systems (SCIGR) of Finmeccanica Spa, in particular, has prepared the document named "Guidelines for the internal control and risk management systems".

This document identifies, in an analytical and detailed manner, the following aspects of the SCIGR:

i) the methodological tools used for the identification, measurement, management and monitoring of the main risks;

ii) the agents, showing their respective roles in the light of the current Corporate Governance structure of Finmeccanica, which, in turn, reflects the provisions under the Code of listed companies;

iii) the process aimed at identifying, assessing and managing the Finmeccanica Group's risks, divided based on their related type as follows:

1) Compliance risks: arising from the performance of ordinary business operations, which relate to the failure by the business activities to comply with the relevant contractual clauses, laws, regulations and rules; this non-compliance may cause the company to incur administrative and criminal sanctions, as well as to affect the company's image and the its operations themselves;
2) Strategic risks: affecting the degree of success of the Company's strategies, the processes' ability to achieve the objectives defined by Top Management and the Company's image;
3) Operating risks: concerning ordinary business operations, which affect the efficacy and efficiency of the various corporate areas / processes;
4) Financial risks: arising from the performance of ordinary business operations, which affect economic and financial figures within the management of accounting and reporting, taxation, cash and credit.

The Finmeccanica Group manages 125 macro-risks broken down by category, applied to the different business segments, as follows:

- 16 compliance risks;
- 25 financial risks;
- 46 operating risks;
- 38 strategic risks.

The Management of the Finmeccanica Group's Companies, within the related Risk Assessments, assesses the macro-risks and the related control system to monitor the same.

Specifically, risks are assessed considering the impact and the probability of their occurrence, at an inherent (net of on-going controls) and residual (in consideration of the efficiency of the existing controls) level. The risk and control system assessment is carried out with quantitative, qualitative techniques, or with their combination.

10.3. INTERNAL AUDIT MANAGER

The Board of Directors' Meeting of 19 December 2012 appointed Giuseppe Bargiacchi, in his capacity as the Internal Audit Manager, to verify that the internal control and risk management system was operational and adequate.

The Board of Directors ensures that the Internal Audit Manager is provided with adequate resources to fulfil his responsibilities and defines his fees, in accordance with the Company's policies, as well as with the duties assigned to the same, as specified in the Rules of Procedure of the Board itself and as listed below:

a) checking, both on an on-going basis and in relation to specific needs and in accordance with international standards, the operations and suitability of the internal control and risk management system, through an Audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks;
b) he is not responsible for any operating area and reports to the Board of Directors and, through the same, to the Chairman, or, should the latter be granted delegated operating powers, to the Control and Risk Committee and, through it, to its Chairman;
c) he has direct access to all useful information to perform his duties;
d) he prepares any periodic reports containing adequate information on his activity, on the procedures according to which the risk management is carried out, as well as on the compliance with any plans defined to limit them; the periodical reports contain an assessment of the suitability of the internal control and risk management system;
e) he promptly prepares reports on events of particular importance;
f) he forwards the reports referred to in points d) and e) to the Chairmen of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
g) he checks, within the framework of the Audit plan, for the reliability of the IT systems, including accounting systems.

In 2012, the Internal Audit Manager performed the following main activities:

- performed audits;
- managed and updated the Register of natural and legal persons that have access to inside information;
- coordinated the Internal Audit Managers of the companies involved in implementing Law 262/05 with regard to verifying that the proper procedures have been followed;
- provided technical support for the Surveillance Body pursuant to Legislative Decree 231/01, including updating the Company's Organisational, Management and Control Model.

As to the Group companies, the Internal Audit Manager reported to the Control and Risk Committee that their three-year plans for risk-based audits and monitoring of activities have been coordinated.

With regard to the profile under Legislative Decree 231/01 and the related activities carried out by the main Group companies, it should be noted that the requirements of this law were being successfully and generally fulfilled, with the adoption by said companies of the Organisational, Management and Control Model and of the Code of Ethics and the appointment of a Surveillance Body by their respective Boards of Directors. For information on updates made to the Model by Finmeccanica Spa and its subsidiaries, please refer to Section 10.4.

The abovementioned Manager has financial resources included in the Internal Audit Organisational Unit's budget, in order to carry out his duties. This Department's activities have not been outsourced. As already reported, the Control and Risk Committee is also responsible for supervising and monitoring the independence, adequacy, effectiveness and efficiency of the Internal Audit Organisational Unit; the Committee itself oversees the latter's activities should the Chairman of the Board be granted delegated operating powers.

Finally, as previously reported, note the recent establishment of a specific function within the Internal Audit unit, which directly reports to the Internal Audit Manager and which is responsible for monitoring and strengthening the Audit activities with regard to any contracts supporting the Group Companies' business operations.

10.4. ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE 231/2001

The Legislative Decree 231/01 introduced, into the Italian legal system, a regime of administrative liability against Entities, for certain types of offences committed in the interests or to the benefit of the same. The Company has adopted appropriate measures to prevent it from incurring any criminal liability through the establishment of specific regulatory systems aimed at preventing the commission of any offences contemplated by this Decree on the part of Directors, Auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica Spa.

To this end, on 12 November 2003, the Board of Directors of Finmeccanica Spa adopted an Organisational, Management and Control Model as per Legislative Decree 231/01, as updated by resolutions of 26 July 2007, 25 June 2009 and 16 December 2010. In the meeting held on 31 July 2012, the Board updated the Organisational, Management and Control Model as per Legislative Decree no. 231/01, as reviewed following the entry into force of Legislative Decree 121/11, which introduced article 25-*undecies* in Legislative Decree 231/01, concerning various types of "environmental crimes" including:

- ✓ destruction or deterioration of the habitat within a protected site;
- ✓ spills that cause pollution of soils, sub-soils, surface waters and underground waters and the overcoming of the risk threshold concentrations;
- ✓ unauthorized waste management;
- ✓ breach of the obligations concerning disclosures and the keeping of statutory books and forms;
- ✓ unlawful waste traffic;

- ✓ breach of the emission limit values or of the rules laid down in the authorisation for operation of plants.

In the light of the additional regulatory amendments to Legislative Decree no. 231/01 – as introduced by Legislative Decree 109/12 as to the "Employment of illegally-staying third-country citizens" and by Law no. 190/12 bearing "Provisions for the prevention and repression of bribery and illegality in Public Administrations", the Surveillance Body and the Board of Directors gave their favourable opinion, in the meetings of 4 October and of 8 November 2012, respectively, to set up a working group made up of internal resources and external consultants with an activity programme aimed at reviewing and updating the Organisational Model, also taking account of the evolution of organisational structure of Finmeccanica Spa.

Furthermore, with a view to expressing the Finmeccanica Group's values, as formalised in the Charter of Values, the review in question makes the Code of Ethics of Finmeccanica Spa independent from the Organisational Model, as an independent control tool of ethical governance.

The review and updating process in question was completed with the approval of the current version of the Organisational Model on the part of the Company's Board of Directors on 15 April 2013.

The same procedure is being carried out by the Finmeccanica group companies and is expected to be completed during the current financial year.

It should be noted that the Organisational Model is based on the guidelines issued by Confindustria (latest update in 2008).

The current Organisational Model is composed of:

- a "General Section" essentially dealing with:
  1) the Surveillance Body, the information that has to be sent to it, and its reports on the work it has done with respect to corporate bodies;
  2) staff training and the circulation of the Organisational, Management and Control Model within and outside the Company;
  3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;
- "Special Section A" which covers offences against Public Authorities;
- "Special Section B" which covers corporate crimes;
- "Special Section B1" which covers crimes of bribery between individuals;
- "Special Section C" which covers violations of occupational health and safety laws;
- "Special Section D" which covers crimes of receiving, laundering or using illegal monies or goods;
- "Special Section E" which covers computer crimes and illicit data processing;
- "Special Section F", which covers criminal enterprise;

- “Special Section G”, which covers environmental crimes.

The documents supporting the Finmeccanica Spa’s Model:

- the Code of Ethics;
- the Finmeccanica Spa’s organisational structure;
- the system of power delegation;
- the report file, a document to be drawn up by first-tier managers, as well as by collaborators (if any), to report regularly to the Surveillance Body for meetings with members and/or representatives of government bodies, including any information on restrictions contained in the Organisational Model pursuant to Legislative Decree 231/01, which can be referred to the other Special Sections of the document referred to by the report file itself;
- the list of “Key Persons” in accordance with the Code of Conduct for Internal Dealing;
- the legislative framework of Finmeccanica Spa;
- the clause that the Company includes in commercial, financial and consulting contracts.

This Model can be found in the specific Governance section of the Company’s website (www.finmeccanica.com). In addition, it should be noted that all the Italian subsidiaries have adopted similar Organisational, Management and Control Models pursuant to Legislative Decree 231/01, which can also be consulted on their respective websites, and that the companies have appointed related Surveillance Bodies.

In this regard, on 21 February 2013 the Board of Directors’ meeting, while resolving on the appointment of the new members of the Surveillance Body of Finmeccanica Spa following the resignation of the external members Giuseppe Grechi (Chairman) and Manuela Romei Pasetti, took steps to amend the related by-laws by extending the number of the related members up to a maximum number of five members.

The Surveillance Body of Finmeccanica Spa is currently made up of three external professionals, Enrico Laghi (who holds the position of Chairman), Angelo Piazza and Angelo Carmona, and by the Company’s Group General Counsel, Mario Orlando (the sole internal member pursuant to the by-laws).

Multi-person compositions of the Surveillance Bodies have been resolved by the Board of Directors of some first-level subsidiaries, while other companies have appointed a member of the Board of Statutory Auditors as Chairman of the Surveillance Body, in any case ensuring a multi-person composition, with the participation, as members, of the managers responsible for the organisational units of Legal and Corporate Affairs and Compliance and, in some cases, of Internal Audit.

Furthermore, with regard to the composition and appointment of the Surveillance Bodies of subsidiaries incorporated under Italian law, reference is made to what has been already reported above as to the recently-issued Directive no. 1/2013.

The duties and functioning of this Body are governed by specific by-laws approved by the Finmeccanica Board of Directors on 15 December 2005 and updated on 25 June 2009, 16 December 2010, 21 September 2011, on 21 February 2013 and on 15 April 2013. The by-laws entrust the Surveillance Body with wide-ranging tasks for the purposes of monitoring the validity and effectiveness of the Organisational Unit. Within these tasks, among other things, the Surveillance Body receives reports (if any) on the part of company representatives or third parties, holds periodical hearings to hear the managers responsible for potential areas at risk of offences pursuant to Legislative Decree 231/01, examines reports and disclosures prepared by the corporate units and provides recommendations or instructions to the top management and to the corporate bodies, also with respect to appropriate actions for improving or changing checks. The Surveillance Body has also adopted internal rules, which have been communicated to the Board of Directors. Similar rules have been adopted by the respective Boards of Directors of the subsidiaries.

10.5 INDEPENDENT AUDITORS

On 16 May 2012 the Shareholders' Meeting appointed KPMG SpA to audit the accounts during the period from 2012 to 2020.

The firm's appointment, therefore, will terminate at the time of the approval of the financial statements for 2020.

The appointment envisages the auditing firm carrying out the following activities:

- auditing of the separated financial statements of Finmeccanica S.p.a.;
- statutory audit of the consolidated financial statements of Finmeccanica S.p.a.;
- limited audit of the condensed consolidated half-year financial report of Finmeccanica S.p.a.;
- period review of regular book-keeping.

10.6 OFFICER IN CHARGE OF PREPARING THE COMPANY'S ACCOUNTING DOCUMENTS AND OTHER CORPORATE ROLES AND ORGANISATIONAL UNITS

Officer in charge of preparing the Company's accounting documents

In accordance with Art. 154-bis of the Consolidated Law on Financial Intermediation, on 14 June 2012, the Company's Board of Directors appointed Gianpiero Cutillo, Chief Financial Officer of the Company, as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

In fact, under Art. 25 of the by-laws, the Board of Directors, having previously obtained the mandatory opinion of the Board of Statutory Auditors, appoints a person to this position, whose mandate expires at the same time as the term of office of the Board of Directors that has designated him.

The choice of an executive for this position is made from among persons who, for a period of at least three years:

a) have performed duties of governance and control or management in companies listed on regulated markets in Italy, in other EU Member States or in OECD countries with a share capital of not less than €mil. 2; or

b) have had legal powers of control over the accounts of companies such as those specified in letter a), or

c) have been professionals or full university professors in financial or accounting matters; or

d) have performed functions as executives in public or private bodies with expertise in finance, accounting or control sectors.

Also in accordance with the by-laws, the Executive in question must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with his appointment by the Board of Directors, Gianpiero Cutillo has been formally vested, in addition to the powers already conferred on him as Chief Financial Officer, with all the powers necessary for the correct performance of the duties for which he is responsible by law.

The Officer in charge of preparing the Company's accounting documents releases the certification required by Art. 154-*bis*, paragraph 2 of the Consolidated Law on Financial Intermediation and, together with the Chief Executive Officer, the attestation under Art. 154-*bis*, paragraph 5 of the Consolidated Law on Financial Intermediation.

As previously reported as to the actions taken by the Company for the implementation of the internal control and risk management system, the **corporate roles and organisational units** which are specifically involved in the system include, in particular:

- the Compliance Organisational Unit, which is led by the new Senior Compliance Officer (SCO) and which is responsible, *inter alia*, for monitoring the regulations applicable to the Company's activities and for disseminating legal risk management tools in the main sectors in which the Group operates;
- the Risk Management Organisational Unit, which is currently being established, which reports to the CFO and which operates within the Administration, Finance and Control Unit, with the objective to improve the Group's Governance in the management of operating and financial risks, as well as with the specific mission to support the Company's top management in monitoring activities concerning risk identification, assessment and management;

– the specific function established within the Internal Audit Unit, which directly reports to its Manager and which is responsible for monitoring and strengthening the Audit activities in relation to any contracts supporting the Group Companies' business operations.

10.7 COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to maximise efficiency of the internal control and risk management System and to reduce any duplication of activity, specific procedures have been set out for the coordination between the various persons involved.

In particular, it should be noted that**:**

- as previously specified, the Board of Statutory Auditors and the Internal Audit Manager regularly participate in the Control and Risk Committee's meetings; joint meetings of these bodies were also held during the financial year;
- the Control and Risk Committee reports to the Board of Directors at least on a six-monthly basis – in any case, on the occasion of the approval of the draft separate financial statements and of the half-year financial report – on the activity carried out, as well as on the adequacy of the internal control and risk management system;
- the Chairman of the Board of Statutory Auditors or any other Statutory Auditor designated by the same regularly participates in the Surveillance Body's meetings;
- the Board of Statutory Auditors holds periodic meetings, in particular with the Officer in charge of preparing the Company's accounting documents, the Internal Audit Manager and any other corporate functions with specific duties concerning the internal control and risk management System.

11. APPOINTMENT OF STATUTORY AUDITORS

As with the appointment of the members of the Board of Directors, the list voting system has also been adopted for choosing Statutory Auditors. The provisions of the by-laws governing the election of the Board of Statutory Auditors (Art. 28.3) provides for the deadlines and methods for filing and publishing lists, as well as the related documentation, in compliance with the requirements of Arts. 147-ter(1-bis) and 148(2) of the Consolidated Law on Financial Intermediation (in the text amended by Legislative Decree 27 of 27 January 2010 during the transposition of Directive 2007/36/EC on the rights of shareholders of listed companies).

As explained earlier regarding the appointment of Directors, Legislative Decree 27/10 provided that "privatised companies" are also subject to the ordinary rules found in the Consolidated Law on

Financial Intermediation, as well as the implementing provisions, in place of the special rules contained in Law 474/94 (so-called “privatisation law”).

Therefore Art. 28.3 of the by-laws currently requires that the list of candidates presented by shareholders, together with related supporting documentation, be deposited at the Company’s registered office at least 25 days prior to the date set for the first convocation of the Shareholders’ Meeting and must be published by the Company at least 21 days prior to the Meeting, in accordance with applicable law (it must be made available to the public at the Company’s registered office, at the market management company’s office and on the Issuer’s website).

In order to be able to provide up-to-date information on its website, the Company expressly requests that, when Shareholders’ Meetings are called, shareholders deposit résumés of each candidate with exhaustive personal and professional information when they file the lists.

Lists may only be submitted by Shareholders holding, either alone or jointly with other Shareholders, at least 1% of the share capital with voting rights at Ordinary Shareholders’ Meetings, or holding lower percentages if envisaged by applicable laws or regulations.

It should be noted that with regard to the election of the Board of Directors, the minimum shareholding required to present a list of candidates for the election of Finmeccanica’ s administration and control bodies was set by CONSOB (with Resolution no. 18452 of 30 January 2013) at 1%, percentage envisaged in section 28.3 of the Company’s by-laws.

The Board of Statutory Auditors is appointed based on lists submitted by the shareholders in compliance with the procedures described below, in order to ensure the election of two regular members and one alternate member on the part of the minority list. The Chairman of the Board of Statutory Auditors is appointed by the Meetings from among the Auditors elected from the minority list pursuant to Art. 148, para. 2-*bis*, of Legislative Decree no. 58/98, as well as to Art. 28.3, second-last paragraph, of the Company’s by-laws.

Each list, in which candidates are listed in consecutive order, is divided into two sub-lists: one list for candidates to the position of regular Auditor and the other list for candidates to the position of alternate Auditor. At least the first candidate in each sub-list must be registered with the Register of Auditors and must have been performing statutory audits of accounts for a period of no less than three years.

The members of the Board of Statutory Auditors shall be appointed as follows:

a) three regular Auditors and one alternate Auditor will be taken from the list that receives the majority of votes cast, in the consecutive order in which they appear in the list;

b) two regular Auditors and one alternate Auditor will be taken from minority lists; to this end, votes obtained by the lists are subsequently divided by one and by two according to the consecutive order in which the candidates were listed.

The scores thus obtained shall be allocated to the candidates of each of said lists, according to the order of the lists as respectively envisaged. The scores thus assigned to the candidates of the various lists are reported in a single decreasing order. Those who have obtained the highest scores will be elected.
In the event that more than one candidate has obtained the same score, the candidate from the list which has not yet elected any regular Auditor shall be elected.
In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire Meeting and the candidate with the majority of votes will be elected.
In the event of the replacement of a regular Auditor elected from the majority list, the alternate Auditor elected from the same majority list takes his place, while in the event of the replacement of the regular Auditor elected from the minority list, the alternate Auditor elected from the same minority list takes his place.
The new members of the Board, pursuant to Art. 2401 of the Italian Civil Code, shall be appointed by the Meeting from among the candidates in the same list of the Auditor who has ceased to hold office.
In the event that, for whatever reason, the appointment of one or more regular Auditors or alternate Auditors or the integration of the Board of Statutory Auditors cannot be made as required above, the Meeting shall resolve with the majorities prescribed by law, in compliance with the principle of the representation of minorities.
Article 28.1 of the Company's by-laws also requires at least two of the regular Auditors and at least one of the alternate Auditors to be chosen from Registered Auditors of Accounts with at least three years of auditing experience. Auditors that do not satisfy this requirement must have at least three-year experience:

a) in performing duties of governance and control or management in stock companies with a share capital of not less than €mil. 2; or
b) as professionals or full university professors in legal, economic, financial or technical and scientific matters closely connected with the Company's activities; or
c) in performing functions as executives in public or private bodies in the banking, finance and insurance sectors, or in sectors closely connected with the Company's activities, intended as those that are useful for achieving the Company's business purpose.

Furthermore, it is envisaged that persons who serve as auditors for five or more issuers, or who perform governance and control functions for a number of other companies in excess of the limit provided by current law, may not be chosen as regular Auditors.
Furthermore, all the members of the Board of Statutory Auditors must meet the independence requirements laid down for Statutory Auditors in the current regulations. In this regard, the

Company (as also reported in relation to the appointment of the Directors) expressly requires, in the notice of call of the Meeting, to specify, in the lists of candidates, their eligibility to be qualified as "independent" directors, on the basis of the criteria laid down for Directors in Art. 3 of the Code.
As already reported as to the appointment of Directors, the Shareholders' Meeting of 16 May 2012 took steps to update the Company's by-laws provisions related to the election and composition of the Board of Statutory Auditors (Arts. 28.3 and 28.3*bis*) in order to ensure gender equality as required by the new provisions under Law no. 120/2011, according to which at least 1/5 of the members in the first term of office (at least 1/3 in the following terms) shall represent the under-represented gender.
Therefore, (on the basis of the new Arts. 28.3 and 28.3*bis* of the by-laws) any lists that, considering both the sub-list of regular Auditors and that of alternate members, present a number of candidates equal or higher than three, must include, in the sub-list of regular Auditors, candidates of different gender so as to ensure a composition of the Board of Statutory Auditors in compliance with the current regulations governing gender equality. In the event that the sub-list of alternate Auditors from said lists indicates two candidates, they must belong to different genders.
Furthermore, the new Art. 34 of the Company's by-laws states that the provisions described above shall apply starting from the first renewal of the Board of Statutory Auditors after 12 August 2012 and for three consecutive terms of office.

12. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (Art. 123-*bis*, para. 2, lett. d), the Consolidated Law on Financial Intermediation)

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 16 May 2012 for the 2012-2014 term. The Board will, therefore, stand down at the next Shareholders' Meeting, held to approve the financial statements for the period ended 31 December 2014.
The **Board of Statutory Auditors** serving at 31 December 2012 was composed as follows:

RICCARDO RAUL BAUER (2)	**CHAIRMAN**
NICCOLO' ABRIANI (2)	**REGULAR AUDITOR**
MAURILIO FRATINO (1)	**REGULAR AUDITOR**
SILVANO MONTALDO (1)	**REGULAR AUDITOR**
EUGENIO PINTO (1)	**REGULAR AUDITOR**

VINCENZO LIMONE (1) **ALTERNATE AUDITOR**

STEFANO FIORINI (2) **ALTERNATE AUDITOR**

(1) Auditors appointed from the **majority list** submitted by the Ministry of the Economy and Finance, which had a shareholding of 30.20% of the share capital.

(2) Auditors appointed from the **minority list** submitted by a group of asset management companies and institutional investors, which hold an overall stake of about 1.03% of the share capital of Finmeccanica.

The tables annexed to this Report summarise the structure of the Board of Statutory Auditors, showing the Auditors serving at 31 December 2012, their respective positions of regular Auditor held in other issuers (in observance of the restrictions pursuant to Art. 144-terdecies, comma 1, of the Issuers' Regulation[11]), as well as of the Statutory Auditors who ceased to hold office in the course of the 2012 financial year.

No changes in the composition of the Board of Statutory Auditors have taken place since the end of the 2011 financial year.

Brief résumés of the careers of the members of the Board of Statutory Auditors are given below, specifying their respective length of service.

RICCARDO RAUL BAUER - CHAIRMAN

Mr. Bauer was born in Milan in 1951. He has been the Chairman of the Board of Statutory Auditors of Finmeccanica since 16 May 2012. He holds an Economics and Business degree and is a Certified Public and Professional Accountant. He is a Contract Professor for Company Audit and Control at the Sacro Cuore University in Milan. He has carried out statutory audit and professional training activities at PRICEWATERHOUSECOOPERS SpA (1968-1998). He has provided consultancy and assistance services to leading Italian companies. Currently, he is, *inter alia*, the Chairman of the Board of Statutory Auditors of the Union of Italian Jewish Communities and a member of the Board of Statutory Auditors of the Museum of Jewish Heritage and Shoah. He is enrolled in the Register of Intermediaries at the Ministry of Justice. He is the author of various editions of the "Civil Code" and of the "Tax Code" and of numerous publications concerning audits and contracts.

[11] The full list of the offices of administration and control held (at the companies referred to in Volume V, Title V, Chapters V, VI and VII of the Italian Civil Code) pursuant to article 144-*terdecies*, paragraph 2, of the Issuers' Regulation, is published by Consob on its website, as required by article 144-*quinquiesdecies*, paragraph 2, of the same Regulation.

NICCOLO' ABRIANI - REGULAR STATUTORY AUDITOR

Mr. Abriani was born in Turin in 1966. He has been a regular Statutory Auditor of Finmeccanica since 16 May 2012. He is a lawyer and a Professor of Commercial Law at the University of Florence; Lecturer for the Post-graduate course for Business Lawyers at the "Luiss Guido Carli" University in Rome. He was an Independent Director of Apulia Prontoprestito S.p.A. (2005-2011); Member of the Surveillance Board of Ligabue Holding SpA (2006-2010); Chairman of the Surveillance Body of Ama SpA (2006-2009). He has held many academic positions, including: Dean of the Faculty of Economics at the University of Foggia and Director of the Department of Economics and Law at the University of Foggia. Currently, he is a Member of the Steering Committee of the Faculty of Economics at the University of Florence and a Member of various arbitration boards.

MAURILIO FRATINO – REGULAR STATUTORY AUDITOR

Mr. Fratino was born in Alba (Cuneo) in 1952. He has been a regular Statutory Auditor of Finmeccanica since 2009; his term of office was renewed by the Shareholders' Meeting on 16 May 2012. He is a lawyer and practices in the areas of civil, commercial and corporate law. He is a certified public accountant. An instructor of food and wine law at the University of Turin. He has held numerous positions, including: member of the Committee of Experts for the Creation of the Single Market for the Prime Minister; Statutory Auditor and Director of Autostrade SpA; Deputy Executive Chairman of Autostrada Torino Savona SpA; Managing Director of Riccadonna International BV. Current positions include: Vice-Chairman of Banca Regionale Europea SpA (UBI group), Chairman of the Board of Auditors of Federvini, Auditor of Accounts for Federalimentare, Statutory Auditor of Il Sole 24ore SpA, Chairman of the Cassa Rischio Vita of the Food Industry and member of the Tax and Corporate Governance Committee of Confindustria.

SILVANO MONTALDO - REGULAR STATUTORY AUDITOR

Mr. Montaldo was born in Laigueglia (Savona) in 1957. He has been a regular Statutory Auditor of Finmeccanica Spa since 2006, having been reappointed on 16 May 2012. He is a Certified Public and Professional Accountant. He has served or currently does serve as statutory auditor to numerous corporations, as well as an auditor of public entities, is a member of the Surveillance Bodies and is a commissioner of firms in the process of bankruptcy. Currently, he is a member of the Board of Statutory Auditors of various companies, including: Aeroporti di Roma SpA, Carige Assicurazioni SpA, Carige Vita Nuova SpA, Autostrade dei Fiori SpA, GSE SpA.; member of the Surveillance Board of Autostrada dei Fiori SpA; extraordinary commissioner of Antonio Merloni SpA, IAR Siltal SpA. and Olcese S.p.A..

EUGENIO PINTO - REGULAR STATUTORY AUDITOR

Mr. Pinto was born in Taranto in 1959. He has been a regular Statutory Auditor of Finmeccanica since 16 May 2012. He graduated *cum laude* in Economics and Business. He is a Certified Public Accountant. Currently, he is, *inter alia*, a Permanent Professor of the Business Economics department at the "Luiss Guido Carli" University in Rome. He has held numerous positions as director and statutory auditor in many Italian industrial and financial groups. He holds numerous positions, is currently: Chairman of the Board of Statutory Auditors of Eni Adfin SpA, Stogit SpA and Snam Rete Gas SpA (Snam Group); independent director and member of the Internal Audit Committee and of the Remuneration Committee of Astaldi SpA, Chairman of the Board of Auditors at Assonomine, the Italian association of joint-stock companies.

STEFANO FIORINI – ALTERNATE STATUTORY AUDITOR

Mr. Fiorini was born in Genoa in 1969. He graduated in Economics and Business. He is a Certified Public Accountant. He has gained significant experience in the main sectors of industrial activities and services. He has worked in the auditing sector at KPMG SpA and Arthur Andersen SpA. He has hold the position of Investment Director at PM & PARTNERS and ABN Amro Capital Investments NV. Currently he provides consultancy services in civil and criminal proceedings concerning disputes relating to economics, business and financial issues in the capacity as court-appointed expert (CTU, *Consulente Tecnico d'Ufficio*) or consultant to the Public Prosecutor. He is a regular statutory auditor of Iacobucci HF Electronics SpA, Albany International Italia Srl and alternate auditor of Utilitas – Servizi per il territorio Srl.

VINCENZO LIMONE - ALTERNATE STATUTORY AUDITOR

Mr. Limone was born in Taranto in 1950. He graduated in Economics and Business. He is a Certified Public Accountant. He is a contract Professor of Securities Market Economics at the University of L'Aquila and Contract Professor of Economics applied to Engineering at the "Tor Vergata" University in Rome. He is currently a General Manager at the General Accounting Office (*Ragioneria Generale dello Stato*).

In compliance with the Corporate Governance Code, the Board of Statutory Auditors assessed, in the first meeting after the appointment (which was held on 14 June 2012), as well as in the current 2013 financial year (in the meeting held on 4 April 2013), the requirements of independence for Regular Auditors**.** In that regard, the Board of Statutory Auditors followed the indications of the Code regarding the concept of independence for Statutory Auditors.

In addition to the supervisory functions (pursuant to article 149 of the TUF) already listed in paragraph 1 of this Report, the Board of Statutory Auditors performs the duties attributed to it (pursuant to article 19 of Legislative Decree no. 39/2010) in the capacity as “Internal Control and Auditing Committee”. In this capacity, the Board supervises: a) the financial reporting process; b) the effectiveness of the internal control and risk management systems; c) the statutory audit of annual and consolidated accounts; d) the Independent Auditors’ autonomy, with specific regard to the performance of services other than the audit of accounts provided to the Company and to its subsidiaries on the part of the Independent Auditors and of the entities belonging to its network.
Furthermore, the Board of Statutory Auditors: submits the reasoned proposal to the Shareholders’ Meeting as to the appointment of the independent auditors for the statutory audit of accounts and the determination of the relevant fees; verifies the correct application of the assessment procedures and of the criteria adopted by the Board of Directors to assess the independence of its members.
The Statutory Auditors take part in the meetings of the Board of Directors; in this regard, they are provided, at the same time as the Directors, with the documentation on the issues on the agenda of the Board, as well as with periodic information on the legislative and regulatory developments regarding the Company and its corporate bodies.
In performing its work, the Board of Statutory Auditors liaises with the Company’s Internal Control Organisational Unit, the Independent Auditors, the Control and Risk Committee (formerly Internal Control Committee), the Surveillance Body referred to in legislative Decree no. 231/2001 and with the Officer in Charge referred to in law no. 262/05. Specifically, the Board of Statutory Auditors receives the necessary operational assistance for the performance of its own auditing work from the Internal Control Manager, obtains all the Audit Reports and examines the Annual Control Plan.
In the course of the financial year, the Board of Statutory Auditors plans meetings with the Boards of Statutory Auditors of the companies that are directly owned or “strategic”, in order to allow a profitable exchange of information with specific regard to the corporate operations, the characteristics of the internal control and risk management system and the corporate organisation.
The Board of Statutory Auditors also takes part in the meetings of the Control and Risk Committee and, in the person of its Chairman or any other Auditor designated by the same, in the meetings of the Surveillance Body under Legislative Decree no. 231/2001.
The Board (pursuant to article 2404 of the Italian Civil Code) must meet at least every ninety days.
The Board of Statutory Auditors’ meetings may be held by tele-conference or video-conference, provided that all the participants may be identified and are able to follow the discussion, to simultaneously intervene in the discussion of the issues dealt with, as well as to peruse the documents in real time.

During the 2012 financial year, the Board of Statutory Auditors held no. 35 meetings, with an average duration of the meetings equal to about 2.5 hours; as a result of the renewal of the Board of Statutory Auditors (on 16 May 2012), the first 23 meetings were attended by the outgoing members and the subsequent meetings were attended by the newly-appointed members. Furthermore (as already illustrated in paragraph 4.3 above), during the financial year the Statutory Auditors took part, together with the Directors, in specific induction actions aimed at encouraging a deeper knowledge of the activities and of specific issues concerning the Group.

In the 2013 financial year, as at the date of approval of this Report, no. 9 meetings had already been held.

Below are reported the data concerning the presence of the Statutory Auditors in the meetings of the Board of Statutory Auditors, as well as in the meetings of the Board of Directors, which were held in the course of the 2012 financial year:

	Board of Statutory Auditors	Board of Directors	
RICCARDO RAUL BAUER °	12/12	7/7	meetings
NICCOLO' ABRIANI °	11/12	7/7	meetings
MAURILIO FRATINO	33/35	13/13	meetings
SILVANO MONTALDO	33/35	12/13	meetings
EUGENIO PINTO °	12/12	7/7	meetings

° holding office from 16 May 2012

	Board of Statutory Auditors	*Board of Directors*	
LUIGI GASPARI *	*23/23*	*6/6*	*meetings*
GIORGIO CUMIN *	*22/23*	*6/6*	*meetings*
ANTONIO TAMBORRINO *	*20/23*	*6/6*	*meetings*

** holding office up to 16 May 2012*

All absences were excused.

13. SHAREHOLDERS RELATIONS

In view of the importance, emphasised by the Code, of establishing an on-going professional relationship with the general body of Shareholders and institutional investors, a special Investor Relations Department is set up to conduct this activity.

The Investor Relations department provides the qualitative and quantitative elements about the expected financial and economic performance and the business performance of the Group; furthermore, the Investor Relations supports the financial markets in preparing a perception and valuation of Finmeccanica on the stock exchange which is consistent with the intrinsic value of the Group, as well as through communication of Guidance and monitoring of the market consensus on the Group' expected results.

Information regarding the composition of the Company's management bodies, résumés of their members' careers, internal dealing information and the Corporate by-laws, as well as the Company's Annual Corporate Governance Report, may be found on the Finmeccanica's website in the specific Governance section.

The Board of Directors' reports, minutes of Shareholders' Meetings and other important corporate documents are also published in the same section of the site, as well as a review of the press releases issued by the Company.

In the same Governance section, an interactive platform ("Governance System") is available, which makes it possible to "surf" through the various functions in charge of the management of the Company.

This instrument allows the identification of the role, responsibilities and related composition of each body, as well as access to the résumés of each member.

The Investor Relations section publishes the Company's financial statements and presentations to the financial market with the relevant web-casting, video and audio broadcasts, as well as some information of most interest, such as data related to dividends, shareholding structures and credit rating.

Furthermore, further expansion is expected to be implemented in 2013 in the structure and contents of the Company's website.

In occasion of the Shareholders' Meeting, Investor Relations arranges, in collaboration with the Legal and Corporate Affairs organisational Unit, a large section on the Finmeccanica website, reporting all the necessary documentation for the participation in the Meeting itself; in view of the latter, the Investor Relations promotes some initiatives aimed at encouraging active participation from institutional investors (Shareholder Engagement).

During the financial year, Investor Relations organises numerous events aimed at improving the financial community's knowledge of Finmeccanica and at analysing specific issues of common

interest. In this context, particular importance is attached to the conference calls on the occasion of the publication of the results of the first and third quarter and on the occasion of the announcement of important transactions, the institutional Roadshows with the Group's Top Management on the occasion of annual and six-monthly results, the Deal Roadshows on the occasion of extraordinary transactions and the Investor Day that is usually organised once a year: the latter sees the participation of the Top Management of Finmeccanica supported by the CEOs of the Companies. This is an opportunity for financial analysts and institutional investors to find out more about the Group's operations and to gain an understanding of its performance and its commercial, industrial, income and financial prospects, as well as to directly access to the company Top Management.
Finally, during the annual International Airshow (which alternates between Farnborough in England and Le Bourget in France), Investor Relations organises individual/private meetings, between the financial community and the Top Management of Finmeccanica and of the Group's main companies. As required by investors, the above meetings are accompanied by specific presentations of the main products and systems of the companies, which are reported in a dedicated section.
With regard to the relationship with socially responsible funds, the Investor Relations started communication initiatives with the related corporate governance teams, including the organisation of a focused roadshow in London with the participation of Alessandro Pansa, CEO – Chief Executive Officer and Chief Operating Officer, as well as a specific telepresence on the functioning of the Board of Directors with the participation of the Vice-Chairman of Finmeccanica, Admiral Guido Venturoni.
These communication activities are being expanded and consolidated, considering the growing number of investment funds that adopt ESG (environmental, social, governance) criteria in their investment policies.
In support of the above, Investor Relations strictly follows the inclusion of the Group in the Dow Jones Sustainability Index, which confirmed Finmeccanica' s presence in the prestigious World and Europe indices in 2012 and for the third consecutive year.
Established in 1999, the Dow Jones Sustainability Indexes are the first and most important stock exchange indexes to assess, on an annual basis, the performance of companies and the maintenance of commitments undertaken in the field of economic, social and environmental sustainability. They are looked after by the rating company SAM - Sustainable Asset Management in Zurich, in cooperation with Dow Jones Indexes in New York.
The Investor Relations Manager is Raffaella Luglini. The Investor Relations unit depends directly from the CEO – Chief Executive Officer and Chief Operating Officer Alessandro Pansa.

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14. Shareholders' meetings (Art. 123-*bis*, para. 2, lett. c), the Consolidated Law on Financial Intermediation)

Significant changes were introduced by Legislative Decree 27 of 27 January 2010 (transposing Directive 2007/36/EC) affecting some of the rights of shareholders of listed companies and how Shareholders' Meeting are to be conducted, which led to important changes for the Company. These regulations have been subsequently subject to amendments and additions (by Legislative Decree no. 91 of 18 June 2012), which will be applied starting from the next Shareholders' Meetings called in the current 2013 financial year.

The alignment to such law and the CONSOB implementing regulations required that a series of adjustments be made to the Company's by-laws, both mandatory changes and others left to the discretion of the Shareholders' Meeting.

Notice of call and disclosures to shareholders

As required by section 12.2 of the Company's by-laws, the Shareholders' Meeting is called at least once a year to approve the financial statements within 180 days of the close of the fiscal year.

Shareholders' Meetings are called by means of a notice published on the Company's website (as well as in at least one national daily newspaper), containing the information required by Art. 125-*bis* of the Consolidated Law on Financial Intermediation, at least 30 days prior to the date set for the Shareholders' Meeting on first call, except for any Shareholders' Meetings called: i) to appoint the members of the corporate bodies through the list voting (for which the time limit is of 40 days); ii) to resolve on defence measures in the case of a take-over bid (for which the time limit is of 15 days) and iii) to resolve on capital decreases and the appointment and dismissal of liquidators (for which the time limit is 21 days).

The shareholders who represent, even together with other shareholders, at least a fortieth of the share capital may make, within the time limits and according to the procedures set out in article 126-*bis* of the Consolidated Law on Financial Intermediation in the Company's notice of call, additions to the list of issues to be discussed at the Shareholders' Meeting or submit proposed resolutions on any issues that are already on the agenda of the Shareholders' Meeting, specifying the related reasons. In

any case, the shareholders will be entitled to submit, regardless of the shareholding held by each of them, proposed resolutions in the course of the Shareholders' Meeting.
In the calling, planning and management of these events, the focus has always been on encouraging as many Shareholders as possible to attend Shareholders' Meetings and on ensuring that Shareholders are provided with the highest quality information, subject to the restrictions on the methods of disclosure of price sensitive information.
Therefore, as already reported in paragraph 13 above, all the relevant documents regarding the items on the agenda and any information concerning the specific Shareholders' Meeting are promptly made available to Shareholders through the Company's website and are simultaneously filed at the Company's registered office and with Borsa Italiana. In particular, the Company takes steps to promptly publish - in an appropriate section that can also be accessed directly from the website's home page – the explanatory Reports of the Meeting's agenda and any other documents to be submitted to the Shareholders' Meeting, proxy forms and information on the amount and composition of its share capital, as required by law or regulations.
As already reported, during 2013 the structure and contents of the institutional site are expected to be expanded, also for the purposes of optimising the procedures and quality of access by the shareholders to any information disseminated before the meeting and, more in general, to all the relevant corporate documentation.
The Board of Directors also sees that shareholders are given accurate and timely information regarding the items on the agenda so that all shareholders are in a position to be well informed and have full knowledge of the facts involved in making the decisions for which the Shareholders' Meeting is responsible.
The Board of Directors and the Company's top management participate in the Shareholders' Meetings and regularly report on the activity carried out during the financial year and on the Issuer's future plans at Shareholders' Meeting called to approve the annual financial statements.

Right of attendance at the Shareholders' Meeting

Based on the record date mechanism, the right to attend Shareholders' Meeting and vote is held by those who communicate via an authorised financial broker that they hold shares of the Company seven trading days prior to the date set for the Shareholders' Meeting in first convocation.
The Art. 14.1 of the by-laws provides for the entitled persons to be represented by written proxy, which may be notified to the Company by electronic means (via certified electronic mail or uploading in a special section of the Company's website) as indicated in the notice calling the Shareholders' Meeting. The Company provides the entitled persons with a proxy form for the participation in the individual Shareholders' Meetings.

The Art. 14 of the by-laws also provides for the Company to be entitled to designate a common representative for each Shareholders' Meeting, i.e. a person to which the shareholders may grant a proxy with instructions on how to vote (which the common representative shall comply with) on all or certain of the items on the agenda. Such proxy must be given by the end of the second trading day prior to the date set for the Shareholders' Meeting on first call.
Finally, as required by article 127-*ter* of the Consolidated Law on Financial Intermediation, the shareholders may also submit questions on the issues on the agenda before the Shareholders' Meeting, within the time limit (so-called cut-off date) and according to the procedures specified by the Company in the notice of call.

Operations and Competences

Shareholders may pass resolutions on all issues reserved to them by applicable laws, except for the Board's right to resolve (pursuant to article 2365, paragraph 2, of the Italian Civil Code and section 24.1 of the Company's by-laws) on the issues specified in paragraph 4.3 above.
During Ordinary Shareholders' Meetings, resolutions are passed by an absolute majority of those in attendance, with the exception of the matters specified under Art. 22.3 of the by-laws, for which the favourable vote equal to at least three-fourths of the capital represented at the Meeting is required (Art. 16.5 of the by-laws).
Extraordinary Shareholders' Meetings also require the favourable vote of at least three-fourths of the capital represented in order for resolutions to pass (Art. 16.4 of the by-laws).
The Company adopted **SHAREHOLDERS' MEETING RULES** some time ago, with the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, laying down rules for main aspects (such as the right to take part in meetings or to be present at them, rules for debate, voting methods, arrangements for voting operations, etc.) so that the proceedings are properly conducted and shareholders are assured of the right to speak on the items on the agenda.
In order to ensure that all Shareholders are able to exercise this right correctly, the Rules contain special provisions concerning the manner in which requests to speak on the individual items on the agenda should be presented, the maximum time shareholders are allowed to speak and the possibility of asking to be allowed to speak again and to state how they will vote if they wish to do so.
The Rules also contain provisions for special powers held by the Chairman that enable him to settle conflicts among the persons attending the meeting or to prevent them from arising and to repress abuse of any kind.
These Rules are always distributed to all shareholders whenever a meeting is held, and may be viewed in the specific Governance area of the Company's website (www. finmeccanica.com) and

were updated in 2010, also for the purposes of incorporating certain provisions under the abovementioned Legislative Decree no. 27/10.
Specifically, the Rules exactly define procedures for admittance to Shareholders' Meeting locations by those entitled to attend (Art. 4) and expressly provide for procedures for addressing shareholders' concerns prior to the Meeting (Art. 10) in keeping with the law in force. The time limits related to the exercise of the right to submit questions before the Shareholders' Meeting are set out, as required by the regulations in force (articles 125-*ter* and 127-*ter* of the Consolidated Law on Financial Intermediation), in the related notice of call.
During the 2012, in the context of the general crisis of the economic conditions and of the financial markets, significant changes were recorded in the market capitalisation of the Company's shares.
It should be remembered that, as already reported in this Report, the percentages envisaged in the by-laws as to the exercise of the rights protecting minority shareholders, in particular the ownership of 1% of the voting share capital required for the submission of lists of candidates for the position of Director or Statutory Auditor of the Company (sections 18.4 and 28.3 of the Company's by-laws), are actually corresponding to (and, in the course of the 2012 financial year, were lower than) the minimum share identified by CONSOB.
The abovementioned Bylaws provisions also set down, as previously illustrated, specific procedures aimed at ensuring, within the described "list voting" mechanism, the appointment of Directors and Statutory Auditors drawn from minority lists.

15. CHANGES OCCURRED FROM THE CLOSING OF THE RELEVANT FINANCIAL YEAR

Following the judicial measures that involved Giuseppe Orsi on 12 February 2013, the Company Board of Directors' meeting – which was held on 13 February 2013 – resolved, in order to ensure the full functioning and continuity of the company's operations, to also grant the Director-Chief Operating Officer, Alessandro Pansa, the authority and powers that had been previously granted to the Chief Executive Officer Orsi, for the single management of the Company and of the Group.
Therefore, starting from 13 February 2013, Pansa also holds the position of Chief Executive Officer and Chief Operating Officer.
At the same meeting, the Board of Directors also resolved to appoint the Admiral Guido Venturoni (senior Director and Lead Independent Director) as Vice-Chairman.
On 15 February 2013, Giuseppe Orsi resigned from the office of Director and, accordingly, from the office of Chairman of the Board of Directors.

At the meeting held on 21 February 2013, the Board of Directors, after having acknowledged the resignation of Orsi, deemed it appropriate not to proceed with the co-option pursuant to article 2386 of the Italian Civil Code and section 18.5 of the Company's Bylaws and to refer the decision as to the related replacement to the Shareholders' Meeting.
Furthermore, the Board of Directors had previously resolved (in the meeting held on 13 February 2013), following the resignation of the Director Franco Bonferroni on 21 September 2012, not to proceed with the appointment by co-option of a new Director pursuant to article 2386 of the Italian Civil Code and to refer the decision as to the related replacement to a special Shareholders' Meeting.
On 15 April 2013 the Ordinary Shareholders' Meeting, which had been called to resolve on the new members of the Board of Directors, resolved to refer any decision as to the replacement of the outgoing Directors to the Shareholders' Meeting being called for the approval of the 2012 financial statements.
The same Shareholders' Meeting also confirmed the appointment of Ivanhoe Lo Bello as Director, as resolved by the Board of Directors on 16 May 2012, pursuant to article 2386 of the Italian Civil Code, following the resignation of Prof. Marco Iansiti on 11 May 2012.

16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (article 123-*bis*, paragraph 2, letter a), of the TUF)

The Company's Board of Directors adopted some important decisions aimed at giving a further boost to the ongoing reorganisation process, ensuring the coordination of operations and strengthening control activities. In particular, specific measures were adopted with the objective of continuing the consolidation of the system of control over the Group's activities and strengthening the direction and coordination functions towards the operating Companies.
In particular, the main actions implemented by the Company to strengthen the Group's Corporate Governance included the setup of the following additional Committees with respect to those identified by the Code: a Management Committee (chaired by the Chief Executive Officer and Chief Operating Officer and made up of the Managers responsible for the Organisational Units of Internal Audit, External Relations and Communication, Human Resources, Strategies, Business Development and Innovation, as well as by the CFO and by the Group General Counsel; a Group Management Committee (made up of the Chief Executive Officers of the main subsidiaries, as well as, for Finmeccanica Spa, by the CFO and by the two Managers responsible for the organisational units of Human Resource and Strategies, Business Development and Innovation); a "Committee of Corporate Bodies" (coordinated by the Group General Counsel and made up of the Managers responsible for

the Organisational Units of “External Relations and Communication”, “Human Resources”, “Strategies, Business Development and Innovation”, as well as, limited to the appointments to the Boards of Statutory Auditors, of the CFO); finally, a new Committee, whose setup was resolved by the Board of Directors on 15 April 2013, made up exclusively of external professionals.

For a more detailed illustration of the duties of the aforesaid Committees, as well as of the additional actions taken in the first months of the current 2013 financial year (at the end of the board’s meetings held on 21 February 2013, 7 March 2013 and 15 April 2013), reference is made to paragraph 10 above, within the framework of the measures adopted as to the improvement and implementation of the internal control and risk management system.

TABLE 1: INFORMATION ON SHAREHOLDER STRUCTURE

Significant stakes in the share capital

SHAREHOLDERS	Ownership % of the ordinary capital and voting capital
Ministry of the Economy and Finance	**30,204**
Tradewinds Global Investors, LLC (1)	**4,976**
Deutsche Bank Trust Company Americas (2)	**3,600**
Grantham, Mayo, Van Otterloo & Co. LLC (3)	**2,045**
Libyan Investment Authority (Arab Bkg Corp / Libyan Inves, Man) (4)	**2,010**

(1) Notice pursuant to Art. 120 of the Consolidated Law on Financial Intermediation: an equity investment held by way of "Discretionary Asset Management”.
(2) Intermediary’s notice for the payment of dividends for the 2010 financial year.
(3) Notice pursuant to Art. 120 of the Consolidated Law on Financial Intermediation: an equity investment held by way of “Non-Discretionary Asset Management”.
(4) Notice of 8 April 2013 from the Arab Banking Corporation (depositary of the equity investment), which confirmed that the Libyan Investment Authority holds the equity investment already specified by Euroclear Bank (as an intermediary participating in the Monte Titoli system) in the name of "Arab Bkg Corp / Libyan Inves, Man" on the occasion of the payment of dividends for the 2010 financial year.

<u>TABLE 2</u>: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors (triennium 2011-2013) appointed by the Shareholders’ Meeting on 4 May 2011, as integrated on 1 December 2011, 16 May 2012 and 13 February 2013								Control and Risk Committee		Remuneration Committee		Strategy Committee	
Position	Members	Executive	Non-executive	Independent Corp. Gov. Code	Independent Cons. Law on Fin. Intermed.	Attendance BoD meetings*	Other positions **	Comp.	Atten-dance ***	Comp.	Atten-dance ***	Comp.	Atten-dance ***
Vice-Chairman	Guido VENTURONI (°)		X	X	X	13/13	=	X	10/11				
Chief Executive Officer and Chief Operating Officer	Alessandro PANSA (°°)	X		==	==	13/13	1						
Director	Carlo BALDOCCI (°°°)		(°°°)	(°°°)	(°°°)	12/13	=					X	3/3
Director	Paolo CANTARELLA ***		X	X	X	11/13	=	X	10/11			X	3/3
Director	Giovanni CATANZARO		X	X	X	12/13	=	X	11/11				
Director	Dario GALLI		X	X	X	13/13	=			X	4/4	X	3/3
Director	Ivanhoe LO BELLO(°°°°)		X	X	X	7/7	=					X (°°°°°)	2/2
Director	Silvia MERLO ***		X	X	X	12/13	3	X	10/11				
Director	Francesco PARLATO		X	==	==	13/13	=			X	3/4	X	3/3
Director	Christian STREIFF ***		X	X	X	11/13	3			X	2/4		

Number of meetings held during 2012:	BoD: 13	Control and Risk Committee: 11	Remuneration Committee: 4	Strategy Committee: 3	Appointments Committee (°°°°°°)
***Quorum* for presentation of lists for the appointment of the BoD: 1% of share capital with voting rights at Ordinary Shareholders’ Meetings**					

NOTES

* All absences from BoD or Committees meetings are excused.

** This column contains the number of positions as Director or Auditor held by the persons serving in other companies listed on regulated markets, in Italy and abroad, and in finance houses, banks, insurance companies or major companies. The positions are described in full in the Report.

*** Asterisk indicates a Director appointed from a minority list.

(°) Appointed Vice Chairman by the BoD of 13 February 2013.

(°°) Chief Operating Officer from 4 May 2011, Director- Chief Operating Officer from 1 December 2011, appointed Chief Executive Officer and Chief Operating Officer by the BoD of 13 February 2013.

(°°°) Carlo Baldocci was appointed as a Director without voting rights by Ministerial Decree of 27 April 2011, pursuant to Art. 5.1. ter, letter d), of the by-laws, with effect starting from the date of appointment of the current BoD by the Shareholders’ Meeting.

(°°°°) Director from 16 May 2012.

(°°°°°) Member of the Committee from 14 June 2012.

(°°°°°°) Reference is made to paragraph 6.

TABLE 3: OUTGOING DIRECTORS IN 2012 AND THE FIRST QUARTER OF 2013

Outgoing Directors							Control and Risk Committee (formerly Internal Audit Committee)		Remuneration Committee		Strategy Committee	
Position	Members	Executive	Non-executive	Independent Corp. Gov. Code	Independent Cons. Law on Fin. Intermed	Attendance BoD meetings **	Comp.	Atten-ance **	Comp.	Atten-dance **	Comp.	Atten-dance **
Chairman and Chief Executive Officer	Giuseppe ORSI (°)	X		==	==	13/13					X (°)	3/3
Director	Franco BONFERRONI (°°)		X	X	X	10/10			X (°°)	4/4		
Director	Marco IANSITI * (°°°)		X	X	X	4/5					X (°°°)	0/1

NOTES

* Asterisk indicates a Director appointed from a minority list.
** All absences from BoD or Committees meetings are excused.
(°) Outgoing Director on 15 February 2013.
(°°) Outgoing Director on 21 September 2012.
(°°°) Outgoing Director on 11 May 2012.

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors (three-year period 2012-2014) appointed by the Shareholders' Meeting of 16 May 2012				
Position	Members	Independent (Corp. Gov. Code)	Attendance at BoSA Meetings (**)	Number of other positions held (***)
Chairman	Riccardo Raul BAUER *	X	12/12	=
Regular Auditor	Niccolò ABRIANI *	X	11/12	=
Regular Auditor	Maurilio FRATINO	X	33/35	1
Regular Auditor	Silvano MONTALDO	X	33/35	=
Regular Auditor	Eugenio PINTO	X	12/12	=
Alternate Auditor	Stefano FIORINI *	--	--	=
Alternate Auditor	Vincenzo LIMONE	--	--	..
Number of meetings held during 2012: 35				
***Quorum* for presentation of lists for the appointment of the current Board of Statutory Auditors: 1% of share capital with voting rights at Ordinary Shareholders' Meetings**				

NOTES

* Asterisk indicates an Auditor appointed from a minority list.

** All absences from Board of Statutory Auditors' meetings are excused.

*** This column indicates the positions as auditor (Art. 144-*terdecies*, para. 1, Issuers' Regulations) held in other issuers. The full list of governing and control positions (Art. 144-*terdecies*, para. 2, Issuers' Regulations) is published by Consob on its website pursuant to Art. 144-*quinquiesdecies* Issuers' Regulations.

TABLE 5: OUTGOING AUDITORS IN 2012

Outgoing auditors in 2012				
Position	Members	Independent (Corp. Gov. Code)	Attendance at BoSA Meetings (**)	
Chairman	Luigi GASPARI *	X	23/23	
Regular Auditor	Giorgio CUMIN	X	22/23	
Regular Auditor	Antonio TAMBORRINO	X	20/23	
Alternate Auditor	Maurizio DATTILO *	==	--	
Alternate Auditor	Piero SANTONI	==	--	

NOTES

* Asterisk indicates an Auditor appointed from a minority list.

** All absences from Board of Statutory Auditors' meetings are excused.

OUTLOOK

Finmeccanica's function as industrial holding company, exercising direction and control, creates a strict correlation between Finmeccanica and the business outlook of the Group companies.
In particular, it is noted that at 31 December 2012, the Finmeccanica Group's results were higher than those of the corresponding period of 2011, except for the business trend, and were substantially in line with the forecasts contained in the Group's budget.
Initiatives undertaken to different extents by the various group companies during 2011 enabled the Group to improve its efficiency by drawing up and rolling out in-depth and detailed plans to improve competitiveness and to reorganise each company. These plans cover all critical business areas, including production processes (streamlining of facilities, product/component standardisation, lean manufacturing), purchases (streamlining of suppliers and make or buy policies), engineering (lean engineering, streamlining of investments), workforce (streamlining the indirect to direct ratio), controllable costs, overheads and administrative expense (streamlining of personnel and IT systems and the corporate structure).
Guidance and monitoring undertaken during the 2012 financial year by the parent confirm that the steps are being rolled out as scheduled in terms of physical progress and that the trend of financial statements figures is consistent with the quantitative targets in terms of overall benefits for 2012 as well as for 2013 (note, the objectives for 2013 equal to €mil. 440). As early as this reporting period, the results were especially significant in the Aerospace and Defence segments, while the *vehicles* line of the Transportation business segment is encountering difficulties in pursuing the objectives of the reorganisation plan, mainly due to production issues. At 31 December 2012, in financial and economic terms, the effects of such benefits were slightly higher than the budget forecasts and equal to about €mil. 280.

As to the analysis of the trend in the current economic crisis and the possible effects on the Group companies that are expected in 2013, it should be noted that:

- the world economy will still be characterized by a low growth rate in industrialized countries and emerging markets;
- the slowdown in domestic demand and trade will also affect the most consolidated economies; in this situation, the growth of the United States of America, Japan and of the countries of the European Monetary Union has been significantly lower than expected and it will also be limited in the short-term period;
- in recent years, the US Defence sector has recorded a significant decrease in spending power, equal to about 5% (CAGR 2009 – 2012) however, it still represents more than 45% of the total spending, while the European Defence sector has recorded a progressive decrease in expenses;

- in the next ten years, growth trends are expected to be confirmed in the cost of Defence investments of about 2% in the Asia Pacific area and in the Middle East, as is stability, in real terms, in the United States of America (after being affected by the effect arising from the start of the sequestration process) and in Western countries;
- finally, the Security demand is expected to show steady growth of about 5% p.a. due to persistent asymmetric / terrorist threats exacerbated by the emergence of problems of network security (Cyber) and the integrity of national critical infrastructures (electricity, transportation, etc.).

Consequently, the situation described so far will cause a drop in the Group's revenue volumes in 2013, specifically in the Defence Electronics segment in the three "domestic" markets, but to a large extent in the US market, also following the recent restrictive measures triggered by the sequestration. In the continuous search for improving their profitability, the Group companies will have also to face higher competition and pressure on prices.

Undoubtedly, strengthening the efficiency-improvement and reorganization measures that have been implemented so far will be useful; but this will be also accompanied by the adoption of new "structural" measures aimed at improving industrial structures. However, the latter will require a medium-term implementation time frame.

Among the main initiatives, note the following:

- in the Aeronautics sector: the consolidation of the "3R" plan, which will make the expected volume growth solid from an industrial perspective; the actions aimed at reducing product costs through the optimization of the Engineering and Manufacturing (e.g. should cost, design to cost, make or buy) and Procurement (e.g. global sourcing, vendor management and partnership) processes; the assessment of the business sustainability and the related strategic choices concerning some proprietary products;
- in the Defence and Security Electronics segment, more specifically at SELEX ES: the implementation of the integration plan aimed at streamlining the product portfolio, through the integration of technology skills and the focus on strategic businesses; the reduction in purchase costs, both direct and indirect, through the already started Procurement initiative; the elimination of overlaps and redundancies generated from the combination of the 3 companies; the rationalisation of sites; the optimization of engineering and production activities, assuming an increased efficiency and the simultaneous insourcing of external activities. In the US DRS group, additional actions are already being implemented, which are aimed at updating production and staff resources, so as to ensure adequate profitability levels, despite the abovementioned restrictive measures;

- in the Energy and Transporation segments, the actions undertaken on the engineering and procurement processes aimed at achieving greater standardisation and at optimising the manufacturing and management of sub-supplies. In respct of the *vehicles* line of the Transportation segment, the efficiency measures on production are functional to ensuring a more efficient management of contracts, even though they were not as successful as it would be hoped in solving the industrial critical issues still marking some orders in portfolio.

More generally, in addition to what has been already pointed out, structural actions of industrial improvement will be started at all Group Companies, based on the priorities and requirements analysed. In short, these initiatives will be aimed at: streamlining the product portfolio, reducing product costs, reviewing SG&A and limiting controllable costs, streamlining investments (consolidation of production facilities, activation of excellence centres) and, finally, outsourcing non-core activities.

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

These measures will indirectly affect Finmeccanica Spa through the results and the cash generation of the subsidiaries.

REPORT OF THE BOARD OF DIRECTORS ON THE FIRST ITEM ON THE AGENDA

Separate Financial Statements at 31 December 2012; presentation of the Consolidated Financial Statements at 31 December 2012; Report of the Board of Directors, Report of the Board of Statutory Auditors and Independent Auditors' Report; Resolutions related thereto

Dear Shareholders,

the 2012 separate financial statements, which we submit for your approval, close with a loss of Euro 700,041,525.36 that we propose covering, together with the 2011 loss carried forward of Euro 1,375,550,757.22, through the use of available reserves as indicated below:

- Euro 1,375,550,757.22 through the use of the retained earnings reserve;
- Euro 585,330,999.34 through the use of the entire share premium reserve;
- Euro 114,710,526.02 through the use of the merger surplus reserve.

In light of the foregoing, we submit the following proposed resolution for your approval:
the Ordinary Shareholders' Meeting of "FINMECCANICA - Società per azioni":

- considering the Report of the Board of Directors;
- considering the Report of the Board of Statutory Auditors;
- having examined the financial statements at 31 December 2012;
- having acknowledged the report of KPMG SpA;

resolves

- to approve the Directors' Report on operations and the financial statements at 31 December 2012;
- to approve the proposal posed by the Board of Directors of covering the 2011 loss of Euro 1,375,550,757.22 by using the retained earnings reserve;
- to approve the proposal posed by the Board of Directors of covering the 2012 loss of Euro 700,041,525.36 through the use of the entire share premium reserve for Euro 585,330,999.34 and the merger surplus for Euro 114,710,526.02."

For the Board of Directors
The Chief Executive Officer and Chief Operating Officer
(Alessandro Pansa)

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

ACCOUNTING STATEMENTS AND NOTES TO THE SEPARATE FINANCIAL STATEMENTS

SEPARATE INCOME STATEMENT

Euro	*Note*	***2012***	***of which with related parties***	***2011***	***of which with related parties***
Revenue	*28*	74,015,801	*74,015,801*	73,826,368	*73,826,368*
Other operating income	*29*	25,012,161	*11,647,292*	35,354,339	*22,519,330*
Purchases	*30*	(347,633)		(326,401)	
Services	*30*	(89,601,776)	*(42,917,659)*	(117,469,784)	*(51,108,487)*
Personnel expense	*31*	(49,000,755)		(69,381,426)	
Amortisation, depreciation and impairment losses	*32*	(9,585,632)		(11,250,960)	
Other operating expenses	*29*	(20,917,774)	*(630,153)*	(32,138,230)	*(1,172,265)*
EBIT		(70,425,608)		(121,386,094)	
Financial income	*33*	1,214,721,805	*98,287,012*	1,978,218,086	*107,475,846*
Financial expense	*33*	(1,881,382,586)	*(205,130,781)*	(3,227,517,891)	*(211,688,602)*
Profit (Loss) before taxes and the effects of discontinued operations		**(737,086,389)**		**(1,370,685,899)**	
Income taxes	*34*	37,044,864		(4,864,858)	
(Loss) profit from discontinued operations		-		-	
Net Profit/(Loss)		**(700,041,525)**		**(1,375,550,757)**	

STATEMENT OF COMPREHENSIVE INCOME

Euro	*2012*	*2011*
Loss for the year	(700,041,525)	(1,375,550,757)
Other comprehensive income (expense)		
- Available-for-sale financial assets:		
. sale of shares and securities	*(165,354)*	*-*
. fair value gains (losses)	*347,441*	*(182,087)*
- Actuarial gains (losses) on defined-benefit plans:	(464,096)	485,702
Other comprehensive income (expense)	(282,009)	303,615
Total comprehensive income (expense) for the year	**(700,323,534)**	**(1,375,247,142)**

STATEMENT OF FINANCIAL POSITION

Euro	*Note*	**31 Dec. 2012**	***of which with related parties***	**31 Dec. 2011**	***of which with related parties***
ASSETS					
Non-current assets					
Intangible assets	*9*	3,272,978		2,814,914	
Property, plant and equipment	*10*	55,663,851		56,564,128	
Investment property	*11*	101,276,479		101,770,325	
Equity investments	*12*	7,633,390,345		8,337,552,626	
Receivables and other non-current assets	*14*	536,216,356	*248,772,043*	303,730,529	*294,393,350*
Deferred tax assets	*34*	438,240,637		128,409,228	
		8,768,060,646		**8,930,841,750**	
Current assets					
Trade receivables	*15*	79,572,556	*68,708,092*	65,034,528	*56,061,699*
Income tax receivables	*16*	88,799,082		114,769,385	
Loans and receivables	*15*	2,405,888,551	*2,405,848,783*	2,572,147,450	*2,572,107,681*
Derivatives	*25*	27,983,783		57,189,617	
Other current assets	*17*	206,981,409	*52,892,353*	173,139,845	*17,821,817*
Cash and cash equivalents	*18*	1,219,486,341		695,373,357	
		4,028,711,722		**3,677,654,182**	
Non-current assets held for sale		-		-	
TOTAL ASSETS		**12,796,772,368**		**12,608,495,932**	
EQUITY					
Equity and Liabilities					
Share capital		2,524,859,141		2,524,859,141	
Other reserves		1,705,892,002		2,406,215,536	
Total Equity	*19*	**4,230,751,143**		**4,931,074,677**	
Non-current liabilities					
Loans and borrowings	*20*	3,097,417,657	*2,184,612,296*	3,348,559,787	*2,404,521,648*
Employee benefit obligations	*22*	4,493,371		4,660,311	
Provisions for risks and charges	*21*	57,270,293		55,346,293	
Deferred tax liabilities	*34*	32,936,850		14,617,850	
Other non-current liabilities	*23*	109,664,422		114,939,464	
		3,301,782,593		**3,538,123,705**	
Current liabilities					
Trade payables	*24*	56,013,882	*24,114,211*	55,310,951	*23,836,465*
Loans and borrowings	*20*	4,125,494,735	*4,054,560,568*	2,761,747,624	*2,683,641,105*
Income tax payables	*16*	4,153,652			
Provisions for risks and charges	*21*	262,562,442		924,150,072	
Derivatives	*25*	12,779,610		3,345,264	
Other current liabilities	*23*	803,234,311	*764,235,384*	394,743,639	*344,849,719*
		5,264,238,632		**4,139,297,550**	
Liabilities associated with assets held for sale					
TOTAL LIABILITIES		**8,566,021,225**		**7,677,421,255**	
TOTAL LIABILITIES AND EQUITY		**12,796,772,772,368**		**12,608,495,932**	

STATEMENT OF CASH FLOWS

Euro	*Note*	**2012**	***of which with related parties***	**2011**	***of which with related parties***
Cash flows from operating activities:					
Gross cash flows from operating activities	*35*	(55,240,077)		(94,154,271)	
Changes in working capital		(14,911,579)	*(12,368,647)*	(15,355,408)	*(3,247,757)*
Changes in other assets and liabilities and provisions for risks and charges		43,438,560	*67,351,598*	134,340,136	*116,994,545*
Net interest paid		(164,646,683)	*(108,760,398)*	(87,616,844)	*(101,728,936)*
Income taxes paid		95,622,010		(6,895,172)	
Cash flows generated (used) from/in operating activities	(a)	**(95,737,769)**		**(69,681,559)**	
Cash flows from investing activities:					
Sale (acquisition) of equity investments	*12*	(1,209,035,083)		546,546,040	
Investments in property, plant and equipment and intangible assets		(7,569,675)		(4,958,388)	
Sales of property, plant and equipment and intangible assets					
Dividends received		614,386,998		398,035,386	
Other investing activities		(114,075,282)	*13,550,700*	121,907,475	*123,290,005*
Cash flows generated (used) from/in investing activities	(b)	**(716,293,042)**		**1,061,530,513**	
Cash flows from financing activities:					
Share capital increases and contributions from shareholders					
Repayment of EIB loan	*20*	(36,796,537)			
Purchase of treasury shares				(1,008,518)	
Dividends paid to shareholders				(236,752,251)	
Net change in loans and borrowings and loans and receivables		1,360,642,432	*1,690,590,018*	(1,320,335,178)	*(1,273,429,668)*
Cash flows generated (used) from/in financing activities	(c)	**1,323,845,895**		**(1,558,095,947)**	
Net increase (decrease) in cash and cash equivalents	*d=(a+b+c)*	511,815,084		(566,246,993)	
Exchange rate difference on cash and equivalents	(e)	12,297,900		(7,482,877)	
Cash and cash equivalents at 1 January	*(f)*	695,373,357		1,269,103,227	
Cash and cash equivalents at 31 December	*g=(d+e+f)*	**1,219,486,341**		**695,373,357**	

STATEMENT OF CHANGES IN EQUITY

Euro	Share capital	Retained earnings	Reserve for available-for-sale assets	Cash flow hedge reserve	Reserve for stock-option/ stock-grant plans	Actuarial reserve	Total equity
1 January 2011	2,516,766,682	4,006,728,042	-	41,555,570	532,611	4,054,056	6,569,636,961
Comprehensive income (expense) for the year:							
Profit (loss) for the year	-	(1,375,550,757)	-	-	-	-	(1,375,550,757)
Other comprehensive income (expense)	-	-	(182,087)	-	485,702	-	303,615
Total comprehensive income (expense)	-	(1,375,550,757)	(182,087)	-	485,702	-	(1,375,247,142)
Transactions with owners of the parent, recognised directly in equity:							
Dividends resolved	-	(237,041,662)	-	-	-	-	(237,041,662)
Repurchase of treasury shares, less shares sold	8,092,458	-	-	-	-	-	8,092,458
Stock option/stock grant plans:							
- service cost	-	-	-	-	-	-	-
- stock grants assigned	-	1,771,225	-	(1,771,225)	-	-	-
- stock options assigned	-	4,198,896	-	(39,784,345)	-	-	(35,585,449)
Other changes		1,219,511					1,219,511
Total transactions with owners of the parent, recognised directly in equity	**8,092,458**	**(229,852,030)**	**-**	**(41,555,570)-**	**-**	**-**	**(263,315,142)**
31 December 2011	2,524,859,140	2,401,325,255	(182,087)	-	1,018,313	4,054,056	4,931,074,677

Euro	Share capital	Retained earnings	Reserve for available-for-sale assets	Cash flow hedge reserve	Reserve for stock-option/ stock-grant plans	Actuarial reserve	Total equity
1 January 2012	2,524,859,140	2,401,325,255	(182,087)	-	1,018,313	4,054,056	4,931,074,677
Comprehensive income (expense) for the year:							
Profit (loss) for the year	-	(700,041,525)	-	-	-	-	(700,041,525)
Other comprehensive income (expense)	-	-	182,087	-	-	(464,096)	(282,009)
Total comprehensive income (expense)	-	(700,041,525)	182,087	-	-	(464,096)	(700,323,534)
Transactions with owners of the parent, recognised directly in equity:							
Dividends resolved	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-
Repurchase of treasury shares, less shares sold	-	-	-	-	-	-	-
Stock option/stock grant plans	-	-	-	-	-	-	-
-service cost	-	-	-	-	-	-	-
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-	-	-
31 December 2012	2,524,859,140	1,701,283,730	-	-	554,217	4,054,056	4,230,751,143

For the Board of Directors
The Chief Executive Officer and Chief Operating Officer
(Alessandro Pansa)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. GENERAL INFORMATION

Finmeccanica Spa, formed in 1897, is today a holding company that guides and controls industrial and strategic operations. It also, directly and through equity investments, engages in manufacturing, system and plant development, research and training in technologically advanced industries, particularly in the fields of aeronautics, helicopters, defence and security electronics and systems, space, transportation and energy.

Finmeccanica is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB).

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

In application of EC Regulation 1606/2002 of 19 July 2002 and of Legislative Decree 38 of 28 February 2005, the financial statements of 2012 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission pursuant to EC Regulation 1606/2002, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee-IFRIC) issued by the International Accounting Standard Board (IASB) and in force at the year-end.

The general principle used in preparing these separate financial statements is the historical cost method, except for those items that, in accordance with IFRS, are obligatory recognised at fair value, as indicated in the valuation criteria of each item.
The separate financial statements are composed of the separate income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes to the financial statements.

Among the options permitted by IAS 1, the Company has chosen to present its balance sheet by separating current and non-current items and its income statement by the nature of the costs. Instead, the statement of cash flows was prepared using the indirect method.
The international financial reporting standards (IFRS) used for preparing these separate financial statements are the same that were used in the preparation of the separate financial statements at 31 December 2011 except for what indicated below (Note 5).

All figures concerning the comments are shown in thousands of euros unless otherwise indicated.

Preparation of the separate financial statements required management to make certain estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4.

The Board of Directors of 23 April 2013 resolved to submit to shareholders the draft financial statements at 31 December 2012 and convened the Ordinary Shareholders' Meeting for the approval thereof for XX and XX XX 2013 on first and second call, respectively. The Board also convened the Extraordinary Shareholders' Meeting for XX and XX XX 2013 on first, second and third call, respectively. The publication of the separate financial statements is scheduled 23 April 2013.

The separate financial statements are subject to a statutory audit by KPMG SpA.

3. ACCOUNTING POLICIES ADOPTED

3.1 Currency translation

3.1.1 Identification of the functional currency

The present separate financial statements have been prepared in euros, which is the functional currency of Finmeccanica Spa.

3.1.2 Translation of items denominated in a foreign currency

Items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc.) or non-monetary (advances to suppliers of goods and services, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the income statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction, except in situations where there is a persistent unfavourable trend in the exchange rate concerned. If this is the case, exchange differences are recognised in the income statement.

3.2 Intangible assets

Intangible assets are non-monetary items without physical form, but which can be clearly identified and generate future economic benefits for the company. They are carried at purchase and/or production cost, including directly related expenses allocated to them when preparing the asset for operations and net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any impairments of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life. In the period in which the intangible asset is recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset.

3.2.1 *Concessions, licences and trademarks*

This category includes: trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalised after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights.
The range of useful life is between 3 and 10 years.

3.3 *Property, plant and equipment*

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the site to its original condition.
Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset. Any public grants related to property, plant and equipment are recognised as a direct deduction from the asset to which they refer.
The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset itself.
In the period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is ready for use.

The estimated useful lives adopted by the Company for the various asset classes are as follows:

	Years
Land	Indefinite useful life
Buildings	33.3
Light constructions	10
Non-automated general and specific systems	10
Non-automated operating machines	10
Specific system and automated operating machines	5.7 – 6.5
Purification plants of water, gas emissions, etc, through chemical reagents	6.7
Transport motor vehicles	5
Sundry and small equipment	4
Furniture and ordinary office machines	8.3
Electronic office machines	5
Cars, motor vehicles and similar	4

The estimated useful life and the residual value are revised at least at each year-end. Depreciation ends when the asset is sold or reclassified as asset held for sale.
In the event the asset to be depreciated is composed of distinct elements with useful lives that are significatively different from those of the other constituent parts, each individual part that makes up the asset is depreciated separately, in application of the component approach to depreciation.

The gains and losses from the sale of assets or groups of assets are calculated by comparing the sales price with the related net book value.

3.4 Investment property

Properties held to earn rentals or for capital appreciation are carried under "Investment property"; they are valued at purchase or construction cost plus any related charges, net accumulated depreciation and impairment, if any. The estimated useful lives adopted by the Company for the various investment property classes are the same that have been adopted for property, plant and equipment.

3.5 Impairment of intangible assets and property, plant and equipment

Assets with indefinite useful lives are not depreciated or amortised, but are rather subject to impairment tests at least once a year to ascertain the recoverability of their book value.
For assets that are depreciated or amortised, an assessment is made to determine whether there is any indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess being recognised in the income statement.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use calculated on the basis of a model of discounted cash flows. The discount rate encompasses the risks peculiar to the asset which have not been considered in the expected cash flows.
Assets which do not generate independent cash flows are tested as cash-generating units.
If the reasons for such write-downs should cease to obtain, the asset's book value is restored within the limits of the book value that would have resulted if no loss was recognised due to previous years' loss of value. The write-back is also taken to the income statement. Under no circumstances, however, is the value of goodwill that has been written down restored to its previous level.

3.6 Equity investments

Equity investments are recognised at their purchase or incorporation cost. In case of any impairment losses their recoverability is verified through the comparison between their carrying amount and the higher of their value in use that is determined by discounting prospective cash flows, where applicable, of the equity investment and the assumed sales value which is determined on the basis of recent transactions or market multiples. The portion of losses exceeding the carrying amount is recognised in a specific provision under liabilities to the exent that the Company states the existence of legal or implicit obligations to cover such losses, which are in any case within the limits of the book equity.

3.7 Receivables and financial assets

The Company classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- financial assets held to maturity;
- financial assets available for sale.

Management classifies assets at the time they are first recognised.

3.7.1 Financial assets at fair value through profit or loss

This category includes financial assets acquired for the purpose of short-term trading transactions or those that are so designated by management, as well as derivatives, which are discussed in the next section. The fair value of these instruments is determined with reference to their end-of-period bid price. For unlisted instruments, the fair value is calculated using commonly adopted valuation techniques. Changes in the fair value of instruments in this category are recognised immediately in the income statement.

The classification of assets as current or non-current reflects management expectations regarding their trading. Current assets include those that are planned to be used within 12 months or those designated as held for trading purposes.

3.7.2 Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially measured at fair value and subsequently at their amortised cost using the effective interest method. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset: the cumulative loss, calculated through impairment test, is removed from equity and recognised in the income statement. If the reasons for the write-down should cease to obtain, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised. Loans and receivables are posted under current assets except for the portion falling due beyond 12 months, which is carried under non-current assets.

3.7.3 Financial assets available for sale

This category encompasses non-derivative financial assets specifically designated as available for sale or not classified in any of the previous items. They are recognised at fair value, which is calculated with reference to their market price at the reporting date or using financial valuation techniques and models. Changes in value are recognised in a specific equity item ("Reserve for assets available for sale"). The reserve is taken to the income statement only when the financial asset is effectively sold or, in cases of a loss of value, when it becomes evident that the impairment in value already recognised in equity is unrecoverable. Classification as current or non-current depends on the intentions of management and the effective marketability of the security itself. Assets that are expected to be sold within 12 months are carried under current assets.

Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset; reductions in value previously recognised in equity are reversed to profit or loss. If the reasons for the write-down should cease to obtain, the value of the asset is restored.

3.8 Derivatives

Derivatives are still regarded as assets held for trading and stated at fair value through profit or loss unless they are deemed eligible for hedge accounting and effective in offsetting the risk in respect of underlying assets, liabilities or commitments undertaken by the Company.

In particular, Finmeccanica uses derivatives as part of its hedging strategies to offset the risk of changes in the fair value of assets or liabilities on its balance sheet or the risk associated with contractual commitments (fair value hedges) and the risk of changes in expected cash flows in contractually defined or highly probable operations (cash-flow hedges). For details regarding the methodology for recognising hedges of the exchange rate risk on long-term contracts, see Note 25 and 36.

The effectiveness of hedges is documented both at the start of the operation and periodically thereafter (at least every time an annual or interim report is published) and measured by comparing changes in the fair value of the hedging instrument against changes in the hedged item ("dollar offset ratio"). For more complex instruments, the measurement involves statistical analysis based on the variation of the risk.

3.8.1 Fair Value Hedge

Changes in the fair value of derivatives that have been designated and qualify as fair value hedges are recognised in profit or loss, similarly to the treatment of changes in the fair value of the hedged assets or liabilities that are attributable to the risk that has been covered with the hedge.

3.8.2 Cash Flow Hedge

Changes in the fair value of derivatives that have been designated and qualify as cash-flow hedges are recognised – with reference to the "effective" component of the hedge only, in the statement of comprehensive income through a specific equity reserve ("cash-flow hedge reserve"), which is subsequently recognised in the income statement when the underlying transaction affects profit or loss. Changes in fair value attributable to the non-effective component are immediately recognised in the income statement for the period. If the occurrence of the underlying operation ceases to be highly probable, the relevant portion of the cash-flow hedge reserve is immediately recognised in the income statement. If the derivative is sold or ceases to function as an effective hedge against the risk for which it was originated, the relevant portion of the "cash-flow hedge reserve" is kept recognised until the underlying contract shows its effect.

3.8.3 Fair value measurement

The fair value of instruments quoted on public markets is determined with reference to the bid price for the instrument in question at the reference date. The fair value of unquoted instruments is determined with financial valuation techniques. Specifically, the fair value of interest rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is determined on the basis of the market exchange rate at the reference date and the expected rate differentials among the currencies involved.

Financial assets and liabilities valued at fair value are classified in the three hierarchical levels described below, on the basis of the materiality of inputs used in the fair value measurement. In particular:

- Level 1: financial assets and liabilities whose fair value is determined on the basis of the unchanged quoted prices in an active market for identical assets and liabilities;
- Level 2: financial assets and liabilities whose fair value is determined on the basis of inputs other than the quoted prices as in Level 1, that are directly or indirectly observable;
- Level 3: financial assets and liabilities whose fair value is determined on the basis of inputs which are not taken from market observable data.

3.9 Cash and cash equivalents

The item includes cash, deposits with banks or other institutions providing current account services, post office accounts and other cash equivalents, as well as investments maturing in less than three months from the date of acquisition. Cash and cash equivalents are recognised at their fair value, which normally coincides with their nominal value.

3.10 Shareholders' equity

3.10.1 Share capital

Share capital consists of the capital subscribed and paid up by the Company. Costs directly associated with the issue of shares are recognised as a decrease in share capital when they are directly attributable to capital operations, net of the deferred tax effect.

3.10.2 Treasury shares

Treasury stock is recognised as a decrease in the share capital. Gains or losses realised in the acquisition, sale, issue or cancellation of treasury stock are recognised directly in shareholders' equity.

3.10.3 Retained earnings (losses carried forward)

The item includes those portions of the earnings or losses for the year and past years that were neither distributed nor allocated to a reserve (in the case of earnings) or covered (in the case of losses). The item also includes equity released from other reserves, as well as the effects of recognised changes in accounting standards or material errors.

3.10.4 Other reserves

The item includes, *inter alia*, the fair value reserve for items recognised at fair value with a balancing item in shareholders' equity and the cash flow hedge reserve as to the "effective" portion of a hedge.

3.11 Payables and other liabilities

Payables and other financial liabilities are initially recognised in the financial statements at fair value net of transaction costs. They are subsequently valued at their amortised cost using the effective interest rate method (see Note 3.19).
Payables and other liabilities are defined as current liabilities unless the Company has the contractual right to settle its debts at least 12 months after the date of the annual financial statements.

3.12 Taxation

The Company adopts the tax consolidation mechanism for the purposes of the IRES (corporate income tax) application. Therefore, current and deferred taxes of subsidiaries participating in the tax consolidation mechanism are recognised by the parent company, the sole party having a legal relationship with the tax authority, with a contra-entry in the receivables and payables from/to subsidiaries.
The company tax burden is made up of current and deferred taxes. If these taxes are related to income and expense recognised in equity in the statement of comprehensive income, a balancing entry is recorded under the same item.
Current taxes are calculated in accordance with the existing fiscal legislation in force at the balance sheet date. Any risks connected with a different interpretation of the positive and negative components of income, together with ongoing disputes with the tax authorities are regularly assessed, at least on a quarterly basis, in order to adjust the provisions made.
Deferred tax assets and liabilities are calculated based on temporary differences arising between the value of assets and liabilities included in the company's accounts and the value assigned to that asset/liability for tax purposes, as well as on fiscal losses to the extent that the recoverability of such asset is deemed probable on the basis of a prudent valuation of the future tax bases. Deferred tax assets and liabilities are calculated by applying the tax rate that is expected to be in force at the time the temporary differences will be reversed. The estimation is made based on tax laws in effect or substantially in effect at the reporting date. Deferred tax assets are recognised to the extent that it is probable the company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.
Deferred tax assets and liabilities recognised in the balance sheet include deferred taxes of the companies participating in the consolidated tax mechanism.

3.13 Employee benefits

3.13.1 Post-employment benefit plans

The Company uses several types of pension and supplementary benefit plans, which can be classified as follows:

- *defined-contribution plans* in which the company pays fixed amounts to a distinct entity (e.g. a fund) but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay the benefits accrued by employees during their period of employment with the company. The company recognises the contributions to the plan only when employees rendered their services to the company specifically in exchange for these contributions;
- *defined-benefit plans* in which the company undertakes to provide agreed benefits for current and former employees and incur the actuarial and investment risks associated with the plan. The cost of the plan is therefore not determined by the amount of the contributions payable in the financial period but, rather, is redetermined with reference to demographic and statistical assumptions and wage trends. The methodology used is the projected unit credit method. The staff severance pay (T.F.R.) accrued at 31 December 2006 falls within the scope of these plans. These plans are recognised according to the so-called "equity option" approach. According to this option the Company recognises a liability for the same amount arising from the actuarial estimation, and recognises actuarial gains and losses in the period in which they occur in the statement of comprehensive income through a special equity reserve (in the "reserve for actuarial gains (losses) to equity").

3.13.2 Other long-term benefits and post-employment benefits

The Company grants employees with other benefits (such as seniority bonuses after a given period of service with the company) that, in some cases, continue to be provided after retirement (for example, medical care). These receive the same accounting treatment as defined-benefit plans, using the projected unit credit method. However for "other long-term benefits" net actuarial gains and losses are both recognised to profit or loss immediately and in full as they occur.

3.13.3 Benefits payable for the termination of employment and incentive plans

Termination benefits are recognised as liabilities and expenses when the enterprise is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits payable to employees for the termination of employment do not bring any future economic benefit to the enterprise and are therefore recognised immediately as expenses.

3.13.4 Equity compensation benefits

In case the Company uses stock-option and stock-grant plans to compensate the senior management, the theoretical benefit attributable to the recipients is charged to the income statement in the financial periods for which the plan is operative with a contra-item in an equity reserve. The benefit is quantified by measuring at the assignment date the fair value of the assigned instrument using financial valuation techniques that take account of market conditions and, at the date of each annual report, an updated estimate of the number of instruments expected to be distributed.

3.14 Provisions for risks and charges

Provisions for risks and charges are recognised when, at the reporting date, the entity has a present obligation (legal or constructive) to other parties as a result of a past event, and it is probable that, in order to settle the obligation, whose amount can be reliably estimated, an outflow of resources will be required.
The amount accrued reflects the best current estimate of the cost of fulfilling the obligation. The interest rate used to determine the present value of the liability reflects current market rates and includes the additional effects relating to the specific risk associated with each liability. Changes in the estimates are recognised in the income statement of the year in which the change occurs.
Risks for which the emergence of a liability is merely a possibility are reported in the section in the notes on commitments and risks and no provision is recognised.

3.15 Leasing

3.15.1 Leasing contracts in which the Company is the lessor

At the date on which a lease is first recognised, the value of the leased asset is eliminated from the balance sheet and a receivable equal to the net investment in the lease is recognised. The net investment is the sum of the minimum payments plus the residual unguaranteed value discounted at the interest rate implicit in the lease contract. Subsequently, finance income is recognised in the income statement for the duration of the contract in an amount providing a constant periodic rate of return on the lessor's net investment.
The unsecured residual value is reviewed periodically for possible impairment.

3.15.2 Operating leases contracts

Receipts and payments in respect of contracts qualifying as operating leases are recognised in the income statement over the duration of the contract on a straight-line basis.

3.16 Revenue

Revenue is recognised at the fair value of the amount received and receivable, inclusive of volume discounts and reductions.
Revenue generated from the sale of goods is recognised when the enterprise has transferred to the buyer substantially all of the significant risks and rewards of ownership of the goods, which, in many cases, will coincide with the transfer of title or possession to the buyer; and when the value of the revenues can be reliably determined.
Revenues from services are recognised on a percentage-of-completion method when they can be reliably estimated.

3.17 Government grants

Once formal authorisation for their assignment has been issued, grants are recognised on an accruals basis in direct correlation with the costs incurred. Specifically, set-up grants are taken to the income statement in direct relation to the depreciation of the relevant goods or projects, and are recognised as a direct reduction in the value of the depreciation expense. In balance sheet grants are recognised as a direct reduction of the related assets, for the amount not yet recognised to profit or loss.

3.18 Costs

Costs are recorded in accordance with the accruals and matching principles.

3.19 Financial income and expenses

Interest is recognised on an accruals basis using the effective interest rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions, etc.) that make up a given operation.
Financial expenses attributable to the acquisition, construction or production of certain assets taking a substantial period of time to get ready for their intended use or sale (qualifying assets) are capitalised together with the related asset.

3.20 Dividends

Dividends are recognised in the income statement as soon as shareholders obtain the right to receive payment, which is normally when the shareholders’ meeting approves the distribution of dividends.

Dividends distributed to Finmeccanica Spa shareholders are reported as a change in the shareholders' equity and are recognised as liabilities for the period in which their distribution is approved by the shareholders' meeting.

3.21 New IFRSs and IFRIC interpretations

At the date of preparation of this report, the European Commission has endorsed certain standards and interpretations that are not compulsory which will be applied by the Company in the following financial periods.
The main amendments and potential effects for the Company are summarised below:

IFRS - IFRIC Interpretation		**Effects on the Company**
IAS 1 *Amendment*	Presentation of financial statements	The amendments to this standard require to group differently items recognised in the statement of comprehensive income according to whether they can be or not subsequently reclassified in the separate income statement. The Company will apply this standard from 1 January 2013.
IAS 19 *Amendment*	Employee benefits	The amendment eliminates the option to apply the corridor method. Therefore, all the actuarial gains and losses will be immediately recognised in the statement of comprehensive income. Moreover, past-service costs have to be immediately recognised. Finally, interest cost, less the expected return on plan assets, will be replaced by a net interest cost calculated by applying the interest rate on the net liability. The Company did not apply the corridor method and no impact is therefore expected from this change. On the contrary, the effects deriving from the other changes are being analysed. The Company will apply this standard as from 1 January 2013.
IFRS 7 *Amendment*	Financial instruments - Disclosures	The standard requires disclosure on the effects or potential effects due to the offsetting of financial assets and financial liabilities on the financial situation. No significant effects are expected for the Company. The Company will apply this standard as from 1 January 2013.
IFRS 13	Fair value measurement	This standard aims at eliminating the complexity and the risk of inconsistencies in the fair value measurement to which reference will be made in the application of other IFRSs. No significant effects are expected for the Company. The Company will apply this standard as from 1 January 2013.

IAS 12 *Amendment*	Income taxes	This standard introduces an exception to the current method of valuation of deferred tax assets and liabilities relating to investment property valued at fair value. No significant effects are forecast for the Company. The Company will apply this standard as from 1 January 2014.
IAS 27 *Revised*	Separate financial statements	This standard was revised, at the same time of the approval of IFRS10, by restricting its scope of application solely to the separate financial statements. Considering the nature of the amendment, no significant effects are expected for the Company. The Company will apply this standard from 1 January 2014.
IAS 28 *Revised*	Investments in associates and joint ventures	This standard was revised and now sets out new requirements for the application of the equity method. No effect for the Company is foreseen. The Company will apply this standard as from 1 January 2014.
IAS 32 *Amendment*	Financial instruments - Presentation	The standard clarifies the cases in which it is possible to offset financial assets and liabilities as provided for in IAS 32. No significant effects are expected for the Company. The Company will apply this standard as from 1 January 2014.
IFRS 12	Disclosure on interests in other entities	This standard requires to show in the notes to the financial statements all the interests in other entities, including associates, joint ventures and special purpose vehicles. No significant effects are foreseen for the Company. The Company will apply this standard as from 1 January 2014.

There are a number of standards or amendments to existing principles issued by the IASB or new interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way.

Among these, we note:

- *IFRS 9 Financial Instruments* - by this standard the IASB intends to amend significantly the treatment of financial instruments. This standard, in its final version, will replace IAS 39. At present, the IASB has modified the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39 and has published a document on the principles for the measurement of the amortised cost of financial instruments and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable. The current version of IFRS 9 will be applicable, subject to the endorsement by the European Union, as from 1 January 2015;
- The 2009-2011 improvement process that envisages the improvement of some standards, among which there are: IFRS 1 (*First time adoption of IFRS*), IAS 1 (*Presentation of financial*

statements), IAS 16 (*Property, plant and equipment*), IAS 32 (*Financial instruments - presentation*) and IAS 34 (*Interim financial reporting*).

4. SIGNIFICANT ISSUES

4.1 Transactions between entities under common control

The IFRSs do not govern the accounting treatment of transactions between entities under common control, either from the point of view of the purchaser/assignee or from that of the seller/assignor. Considering this, Finmeccanica recognises such transactions in accordance with the best Italian practices, recognising directly in equity any gain on the transfer or sale of its subsidiaries

4.2 Derivative transactions

In order to hedge its assets and the exposure of its liabilities against fluctuations in the interest rates, Finmeccanica Spa is party to a number of derivative transactions, including structured derivatives. These transactions are mainly recognised at fair value in the income statement, since, although they substantively hedge the underlying positions, they do not qualify for hedge accounting due to their very nature or because their effectiveness cannot be mathematically demonstrated. As a result, fluctuations in fair value are immediately reflected in the income statement. The impact of this recognition method on the year's results is described in Note 25.

4.3 Provisions for risks

The Group's operations regard industries and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity. In case the management deems that following the dispute a disbursement of funds is probable, whose amount can be reliably estimated, such amount, which is discounted to take into account the time horizon during which the disbursement will occur, is included in the amount of the risk provisions. The developments of these disputes are particularly hard to estimate and require significant estimates by the management. Those disputes for which liabilities are deemed only possible but not probable are reported in the specific informative section on commitments and risks. No provision is made against these disputes.

4.4 Impairment of assets

The Company assets are tested for impairment at least annually if their lives are indefinite, or more often if there are indications of impairment. Similarly, impairment tests are conducted on all the assets showing signs of impairment, even if the amortisation already commenced.

Impairment tests are generally conducted using the discounted cash flow method: however, this method is highly sensitive to the assumptions contained in the estimate of future cash flows and interest rates applied.

For these valuations, the Company uses plans that have been approved by corporate bodies and financial parameters that are in line with those resulting from the current performance of reference markets.

5. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

As from 1 January 2012 Finmeccanica adopted IFRS 7 *Financial instruments: disclosures - Amendment*.

The standard sets out disclosures to provide for transferred financial assets that are not derecognised or for any continuing involvement in a transferred asset. This change has solely effects on disclosures to provide on the separate financial statements.

6. SIGNIFICANT NON-RECURRING EVENTS OR TRANSACTIONS

No significant transactions occurred in 2012.

In relation to financial year 2011 it is noted that formation of the Ansaldo Energia joint venture was completed during the year, through the sale of the entire share capital of Ansaldo Energia SpA to the joint venture Ansaldo Energia Holding. This transaction brought to a net receipt of €mil. 525 and the recognition of a net gain of €mil. 1,014.(

7. SIGNIFICANT POST-BALANCE SHEET EVENTS

On 12 February 2013, a warrant for remand in custody was issued against the former Chairman and Chief Executive Officer of Finmeccanica in the context of the criminal proceedings related to the supply of 12 helicopters to the Indian government by AugustaWestland International Ltd.. Following such event, the Finmeccanica Board of Directors, which convened the day after, resolved to assign Mr Alessandro Pansa, the incumbent Chief Operating Officer, also the duties and powers previously held by Mr Orsi (who resigned and stepped down on 15 February 2013). These events, the actions taken by the Group, as well as their effects are described in detail in the "Corporate Governance Report and Shareholder Structure" and in Note 21 below.

8. SEGMENT INFORMATION

At the reporting date, the Company's ordinary operations exclusively consist in the direction, control and support to the Group companies.

9. INTANGIBLE ASSETS

	Goodwill	Development costs	Non-recurring costs	Patent rights and similar	Concessions, licences and trademarks	Other	Total
1 January 2011							
Cost	-	-	-	-	10,097	3,684	13,781
Amortisation and impairment losses	-	-	-	-	(7,645)	(2,518)	(10,163)
Carrying amount	-	-	-	-	2,452	1,166	3,618
Investments	-	-	-	-	1,016	715	1,731
Sales	-	-	-	-	-	-	-
Amortisation	-	-	-	-	(1,597)	(937)	(2,534)
Increases for business combinations	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	41	(41)	-
Other changes	-	-	-	-	-	-	-
31 December 2011 broken down as follows:	-	-	-	-	1,912	903	2,815
Cost	-	-	-	-	11,154	4,358	15,512
Amortisation and impairment losses	-	-	-	-	(9,242)	(3,455)	(12,697)
Carrying amount	-	-	-	-	1,912	903	2,815
Investments	-	-	-	-	2,233	472	2,705
Sales	-	-	-	-	-	-	-
Amortisation	-	-	-	-	(1,584)	(663)	(2,247)
Increases for business combinations	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
31 December broken down as follows:	-	-	-	-	2,561	712	3,273
Cost	-	-	-	-	13,387	4,830	18,217
Amortisation and impairment losses	-	-	-	-	(10,826)	(4,118)	(14,944)
Carrying amount	-	-	-	-	2,561	712	3,273

The item “Concessions, licences and trademarks” includes licenses for the use of software, amounting to €thou. 573 (€thou. 779 at 31 December 2011) and trademarks, for €thou. 1,988 (€thou. 1,133 at 31 December 2011).

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other	Total
1 January 2011					
Cost	93,540	6,388	424	15,118	115,470
Revaluations	-	-	-	-	-
Depreciation and impairment losses	(44,236)	(4,621)	(354)	(8,958)	(58,169)
Carrying amount	49,304	1,767	70	6,160	57,301
Investments	-	90	28	3,010	3,128
Sales	-	(4)	-	(4)	(8)
Depreciation	(2,238)	(242)	(31)	(925)	(3,436)
Increases from business combinations	-	-	-	-	-
Reclassification of cost	-	-	-	(421)	(421)
Reclassification of accumulated depreciation	-	-	-	-	-
Other changes	-	-	-	-	-
31 December 2011 broken down as follows:	47,066	1,611	67	7,820	56,564
Cost	93,540	6,473	452	17,695	118,160
Revaluations	-	-	-	-	-
Depreciation and impairment losses	(46,474)	(4,862)	(385)	(9,875)	(61,596)
Carrying amount	47,066	1,611	67	7,820	56,564
Investments	4	337	8	2,819	3,168
Sales	-	-	-	(14)	(14)
Depreciation	(2,238)	(268)	(30)	(858)	(3,394)
Increases from business combinations	-	-	-	-	-
Reclassification of cost	-	11	-	(671)	(660)
Reclassification of accumulated depreciation	-	-	-	-	-
Other changes	-	-	-	-	-
31 December 2012 broken down as follows:	44,832	1,691	45	9,096	55,664
Cost	93,544	6,821	460	19,824	120,649
Revaluations	-	-	-	-	-
Depreciation and impairment losses	(48,712)	(5,130)	(415)	(10,728)	(64,985)
Carrying amount	44,832	1,691	45	9,096	55,664

“Property, plant and equipment” fell by a total of €thou. 900. Investments, amounting to €thou. 3,168, consist mainly of costs incurred in building (a process still underway) a new factory in La Spezia (€thou. 1,459) and for extraordinary maintenance works.

11. INVESTMENT PROPERTY

	Land and buildings	**Other assets**	**Total**
1 January 2011			
Cost	149,473	32,567	182,040
Depreciation and impairment losses	(49,068)	(29,311)	(78,379)
Carrying amount	100,405	3,256	103,661
Investments	361	1,108	1,469
Depreciation	(3,193)	(588)	(3,781)
Reclassification of cost	31	106	137
Reclassification of accumulated depreciation	-	284	284
31 December 2011 broken down as follows:	97,604	4,166	101,770
Cost	149,865	33,781	183,646
Depreciation and impairment losses	(52,261)	(29,615)	(81,876)
Carrying amount	97,604	4,166	101,770
Investments	531	2,259	2,790
Depreciation	(3,199)	(745)	(3,944)
Reclassification of cost	196	464	660
31 December 2012 broken down as follows:	95,132	6,144	101,276
Cost	150,592	36,140	186,732
Depreciation and impairment losses	(55,460)	(29,996)	(85,456)
Carrying amount	95,132	6,144	101,276

This item sets out the value of assets that Finmeccanica has essentially leased to its subsidiaries. The lease agreements generally require the company to pay structural extraordinary maintenance costs.

The value of the item fell by a total of €thou. 494. The net change refers for €thou. 2,790 to investments made during the year, €thou. 660 reclassified from property, plant and equipment and €thou. 3,944 in depreciation.

More specifically, investments relate to extraordinary work performed on buildings (€thou. 531) and redevelopment of the plants located at the Genoa and Naples industrial sites (€thou. 2,254).

In the interests of full disclosure, it should be noted that this item does not include buildings and plants owned by Finmeccanica that are used by subsidiary AgustaWestland SpA, with which there is a lease agreement classified as a finance lease under IAS 17 (Note 13). Therefore, the book value of these assets is not included in this section, but rather in the section on transactions with related parties.

12. EQUITY INVESTMENTS

	31 December 2012	*31 December 2011*
Opening balance	8,337,553	9,593,027
Acquisitions/subscriptions and capital increases	2,437,564	372,312
Impairment losses	(1,097,385)	(1,570,182)
Sales/spin-offs	(2,044,342)	(30,617)
Other changes	-	(26,987)
Closing balance	7,633,390	8,337,553

“Equity investments” decreased by €thou. 704,163. A detailed description the changes that occurred and other required information are found separately in Appendices no. 1 and 2 to these Notes.

IThe carrying amount of equity investments is subject to impairment testing to determine any loss in value. This is done on the equity investments held directly and considered together with their investee companies, comparing the carrying amount with the greater of the value in use of the CGU and the amount recoverable by sale. In practice, Finmeccanica has established an operational hierarchy between calculating the fair value net transaction costs and value in use, where the value in use is estimated first, and then only after, if it is lower than the carrying value, is the fair value net of transaction costs determined. The only exception is the Ansaldo STS CGU, where this hierarchy is inverted to take account of the existence of a stock market price that can be used for reference, and greater emphasis is placed on market capitalisation rather than on the carrying value of the Group’s net assets. In particular, the value in use is measured by the unlevered discounting of the cash flows applied on the cash flows resulting from the Group’s five-year business plans approved by management and are projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value) using growth rates (“g” rate) no greater than those forecast for the market in which the given CGU operates (2% in 2012). The cash flows used were those generated by business activities, in their current conditions and without including the effects of future business restructurings, not yet approved, or future investments for improving future performance, before financial expense and taxes, and include investments in capital assets and monetary changes in working capital, while excluding cash flows from financial management, extraordinary events or the payment of dividends. Cash flows denominated in foreign currencies are translated at the exchange rate prevailing at the close of the period. The related underlying macro-economic assumptions were made on the basis of external information sources, where available, while the profitability and growth estimates used in the plans were calculated by management based on past experience and expected developments in the Group's markets.

These cash flows are discounted on a weighted-average cost of capital (WACC) basis calculated using the Capital Asset Pricing Model method. The following factors were taken into account in calculating WACCs:

- the risk-free rate, calculated using the gross yield of government bonds of the geographic market of the CGU at 31 December 2012 (for Italy the gross 10-year yield was used);
- the market premium, calculated using a 5% value to which an additional risk premium is added, only for the Defence and Security Electronics sector, to take account of the difficulties that characterise both the reference markets and, as regards SELEX ES, the success of the integration process;
- the sector beta, determined using data pertaining to our major competitors in each sector;
- the marginal cost of the Group's debt, net of taxes;
- the debt/equity ratio, determined using data pertaining to our major competitors in each sector.

The main changes during the year were:

- the capital contributions to SELEX ES Spa (€thou. 1,999,000), to Bredamenarinibus Spa (€thou. 13,600) and to Finmeccanica do Brasil Ltda (€thou. 400) ;
- the sale to SELEX ES SpA of the companies SELEX Galileo Spa (€thou. 364,996), SELEX Galileo Ltd (€thou. 1,176,765), SELEX Elsag SpA (€thou. 242,902) and SELEX Sistemi Integrati SpA (€thou. 259,676), with no P&L effects;
- the capital replenishment of Alenia Aermacchi (€thou. 378,351), of AnsaldoBreda Spa (€thou. 40,614) and BredaMenarinibus SpA (€thou. 2,600).

Impairment mainly refers to:

- €thou. 927,000 for Meccanica Holdings USA, the parent company of DRS, as a result of the decline in the US defence budget and of the risks deriving from the beginning of the sequestration process. The latter envisages linear cuts across different items of the public budget, in particular in the Defence sector, unless otherwise agreed by the Congress;

- €thou. 113,000 for SELEX ES, due to theDefence budget cuts of the main national markets;
- €thou. 40,614 for AnsaldoBreda, as a result of problems which continue to affect this business segment, in addition to €thou. 119,386 allocated to the provisions for risks on equity investments.

For a more detailed treatment of these matters, please refer to the section covering the performance by division in the Report on Operations.

Finally, below is presented a comparison of the book value and the average market price of the listed shares of Ansaldo STS SpA and Eurotech SpA in December 2012:

		Stock Exchange value		Book value			
	Number of shares held	Unit amount €	Total amount €thou.	Unit amount €	Total amount €thou.	Difference Unit amount €	Difference Total. €thou.
Ansaldo STS SpA	56,091,757	6,859	384,716	0.781	43,783	6.078	340,932
Eurotech SpA	3,936,461	1,089	4,289	1.469	5,782	(0.38)	(1,493)

13. FINANCIAL TRANSACTIONS WITH RELATED PARTIES

In general, commercial relations with related parties are carried out at arm's length, as is settlement of interest-bearing receivables and payables when not governed by specific contractual conditions. Below are the amounts:

€ thousand **RECEIVABLES AT 31 Dec. 2012**	**Non-current loans and receivables**	**Other non-current receivables**	**Current loans and receivables**	**Trade receivables**	**Receivables from consolidated tax mechanism**	**Other current receivables**	**Total**
Subsidiaries							
SELEX Elsag SpA			1,080,080	5,398	2,743	950	1,089,171
SELEX Sistemi Integrati SpA			392,818	1,899		22	394,739
AgustaWestland NV			311,693	481			312,174
Finmeccanica Finance SA			237,997	1,086			239,083
Finmeccanica Group Real Estate SpA	179,200		27,194	2			206,396
AnsaldoBreda SpA			153,296	3,122			156,418
AgustaWestland SpA	69,499		3,330	9,090	20,839		102,758
Bredamenarinibus SpA			85,887	68		107	86,062
SELEX Galileo SpA			42,116	4,298	4,513	3,235	54,162
Whitehead Sistemi Subacquei SpA (*)			29,839	576	1,362		31,777
Alenia Aermacchi SpA (**)				11,985	1,117	1	13,103
Finmeccanica Group Services SpA		42		27		6,171	6,240
So.Ge.Pa.-Società Generale di Partecipazione SpA (in liq.)					3,839		3,839
AgustaWestland Ltd				3,689			3,689
Selex Galileo Ltd				2,910			2,910
Trimprobe SpA (in liq.)			2,416				2,416
Drs Technologies Inc			19	2,310			2,329
Oto Melara SpA				1,788			1,788
Sirio Panel SpA				20	1,741		1,761
Elsacom NV			1,554				1,554
Larimart SpA					120	700	820
Finmeccanica UK Ltd			603	10			613
Fata SpA				556			556
Sistemi Software Integrati SpA			300			88	388
Fata Logistic Systems SpA					373		373
SELEX Electronic Systems SpA				361			361
Ansaldo STS SpA				281			281
Finmeccanica do Brasil Ltda						250	250
Other companies with unit amount lower than €250 thousand			270	163	115	68	616
Associates							
Orizzonte Sistemi Navali SpA			14	169		91	274
Other companies with unit amount lower than €250 thousand				11			11
Joint Ventures							
Ansaldo Energia SpA (***)			17,776	15,495	2,756		36,027
Telespazio SpA			13,430	728		316	14,474
Thales Alenia Space Italia SpA		28	4.134	566			4,728
E-Geos SpA				13	1,224		1,237
Superjet International SpA			2	479			481
Thales Alenia Space France SAS				256			256
Other companies with unit amount lower than €250 thousand				268			268

€ thousand RECEIVABLES AT 31 Dec. 2012	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Consortiums							
Consorzio Creo			884				884
Other consortiums with unit amount lower than €250 thousand				1		5	6
Other related concerns							
Horizon SAS				254			254
Other companies with unit amount lower than €250 thousand		3	197	348		147	695
Total	**248,699**	**73**	**2,405,849**	**68,708**	**40,742**	**12,151**	**2,776,222**
% against total for the year	**46,38**	**0.01**	**100.00**	**86.35**	**19.69**	**5.87**	

(*) Whitehead Alenia Sistemi Subacquei SpA at 31 Dec. 2011

(**) on 1 January 2012, Alenia Aermacchi S.p.A. was merged into Alenia Aeronautica S.p.A. and the latter simultaneously changed its name to Alenia Aermacchi S.p.A.

(***) on 30 June 2012 Ansaldo Energia Holding SpA was merged into Ansaldo Energia SpA

In addition to the abovementioned receivables, we highlight the instruments in portfolio issued by BVC Investment (Note 14) whose value at 31 December 2012 was equal to €th. 282,475.

€ thousand PAYABLES AT 31 Dec. 2012	Non-current loans and borrowings	Other non-current payables	Current loans and borro-wings	Trade payables	Payables from the consolidated tax mechanism	Other current payables	Total	Guarantees
Subsidiaries								
Finmeccanica Finance SA	2,184,612		1,556,678				3,741,290	3,676,599
Alenia Aermacchi SpA (*)			924,470	2,831	175,216	45,648	1,148,165	2,300,081
AgustaWestland NV			572,212				572,212	
SELEX Galileo Ltd			284,594			3,499	288,093	26,751
SELEX Elsag SpA			147,697	4,238	8,080	31,116	191,131	353,080
AnsaldoBreda SpA				30	170,327	50,959	221,316	3,051,983
Ansaldo STS SpA			120,533	431		196	121,160	1,339,181
Oto Melara SpA			76,171	43	17,673	13,765	107,652	159,339
AgustaWestland SpA				434		50,277	50,711	2,986,642
Finmeccanica Group Services SpA			32,733	6,771	1,284	959	41,747	176
Meccanica Holdings USA Inc			41,432				41,432	985,296
SELEX Sistemi Integrati SpA			4,066	196	48,147	18,141	70,550	468,694
SELEX Electronic Systems SpA			27,085		752	802	28,639	
Finmeccanica Group Real Estate SpA			16,016	68	2,862	2,744	21,690	1,013
Fata SpA			10,624	223	1,280	7,345	19,472	535,573
So.Ge.Pa.-Società Generale di Partecipazione SpA (in liq.)			11,686	28	856	1,363	13,933	13,794
SELEX Galileo SpA				243		10,565	10,808	92,514
SELEX Service Management SpA				94	3,703	6,893	10,690	58,289
Bredamenarinibus SpA					8,835	1,403	10,238	27,256
Elsacom SpA (in liq.)			3,820		103	97	4,020	154
Finmeccanica North America Inc				2,917			2,917	
Finmeccanica UK Ltd				1,905		512	2,417	

€ thousand PAYABLES AT 31 Dec. 2012	Non-current loans and borrowings	Other non-current payables	Current loans and borro-wings	Trade payable s	Payables from the consolidate d tax mechanism	Other current payables	Total	Guarantees
Sirio Panel SpA				1		2,382	2,383	6,878
Whitehead Sistemi Subacquei SpA (**)				100		1,998	2,098	129,566
Electron Italia Srl				8	1,121	678	1,807	3,031
E-Security Srl				21	1,289	61	1,371	
Finmeccanica do Brasil Ltda				546			546	
Cyberlabs Srl (***)				486			486	
AgustaWestland Australia PTY Ltd				365			365	
Trimprobe in liq					300	17	317	178
Sesm Scrl				300			300	3,650
Larimart SpA						285	285	
AgustaWestland Ltd						75	75	98,886
Drs Technologies Inc								25,541
AgustaWestland Philadelphia Co								91,625
SELEX Systems Integration Ltd								25,243
SELEX Elsag Ltd								14,973
SELEX Systems Integration Gmbh								4,822
PZL-Swidnik (****)								5,417
SELEX Systems Integration Inc								4,400
Alenia Aermacchi North America Inc (*****)								22,738
Other companies with unit amount lower than €250 thousand					197	536	733	
Associates								
Orizzonte sistemi Navali spa				25			25	12,250
Other companies with unit amount lower than €250 thousand				18			18	
Joint Ventures								
Thales Alenia Space SAS			224,738				224,738	
Ansaldo Energia SpA (******)				220		27,911	28,131	2,450,052
Superjet International SpA				10	18,751	3,403	22,164	5,009
Telespazio SpA				491	14,104	2,391	16,986	219,011
Ansaldo Nucleare SpA				179	39	2,383	2,601	3,171
Thales Alenia Space Italia SpA				191		274	465	1,552
E-Geos SpA						327	327	
Mbda Italia SpA			6	47			53	87,089
Ansaldo Thomassen BV								4,989
Consortiums								
Other consortiums with unit amount lower than €250 thousand				17			17	
Other related concerns								
Fincantieri SpA				505		312	817	
Other companies with unit amount lower than €250 thousand				132			132	
Total	**2,184,612**		**4,054,561**	**24,114**	**474,919**	**289,317**	**7,027,523**	**19,296,486**
% against total for the year	**70.53**		**98.28**	**43.05**	**59.13**	**36.02**		**99.70**

(*) on 1 January 2012, Alenia Aermacchi S.p.A. was merged into Alenia Aeronautica S.p.A. and the latter simultaneously changed its name to Alenia Aermacchi S.p.A.

(**) Whitehead Alenia Sistemi Subacquei SpA at 31 Dec. 2011

(***) SELEX Elsag Cyberlabs Srl at 31 Dec. 2011

(****) PZL Inwest SP. Z O.O at 31 Dec. 2011

(*****) Alenia North America Inc at 31 Dec. 2011

(******) on 30 June 2012 Ansaldo Energia Holding SpA was merged into Ansaldo Energia SpA.

€ thousand

RECEIVABLES AT 31 Dec. 2011

	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Subsidiaries							
SELEX Elsag SpA	77		717,136	4,760	1,586	950	724,509
AnsaldoBreda SpA			431,451	1,711			433,162
SELEX Sistemi Integrati SpA			315,500	2,528		22	318,050
AgustaWestland NV			267,420	189			267,609
Finmeccanica Group Real Estate SpA	218,352		27,194	107			245,653
SELEX Service Management SpA			184,664				184,664
SELEX Galileo SpA			107,025	2,882	827	12	110,746
AgustaWestland SpA (**)	72,829		3,232	8,014			84,075
BredaMenarinibus SpA			78,165	120		107	78,392
Drs Technologies Inc			46,385	1,887			48,272
Whitehead Alenia Sist. Subacquei SpA			39,908	439			40,347
Elsacom NV			8,217				8,217
Alenia Aeronautica SpA				6,637			6,637
AgustaWestland Ltd (***)				3,636			3,636
SELEX Galileo Ltd				2,989			2,989
Finmeccanica Finance SA			2,303	14			2,317
Trimprobe SpA (in liq.)			2,255				2,255
Sirio Panel SpA				27	1,884		1,911
Oto Melara SpA				1,398			1,398
Finmeccanica UK Ltd			1,318				1,318
Finmeccanica Group Services SpA		42		422	853		1,317
Finmeccanica North America Inc			1,251	36			1,287
Fata Logistic Systems SpA				9	1,232		1,241
Sistemi Software Integrati SpA (****)	292		300		487	121	1,200
Alenia Aermacchi SpA			3	99	889		991
Ansaldo STS SpA				476		70	546
Fata SpA				502			502
Larimart SpA						388	388
Finmeccanica do Brasil Ltda						251	251
Other companies with unit amount lower than €250 thousand			59	157	237	289	742
Associates							
Other companies with unit amount lower than €250 thousand			28	178		91	297
Joint Ventures							
Ansaldo Energia Holding SpA (*)			280,148				280,148
Telespazio SpA			50,000	708		17	50,725
Ansaldo Energia SpA				13,642	6,935		20,577
Thales Alenia Space Italia SpA	2,770	28	7,341	367			10,506
Ansaldo Nucleare SpA				683	184		867
MBDA Italia SpA				337			337
Other companies with unit amount lower than €250 thousand			2	505	237		744

€ thousand

	Non-	Other	Current	Trade	Receivables from	Other	Total

RECEIVABLES AT 31 Dec. 2011	current loans and receivables	non-current receivables	loans and receivables	receivables	consolidated tax mechanism	current receivables	
Consortiums							
Consorzio Creo			606				606
Other consortiums with unit amount lower than €250 thousand				1		5	6
Other related concerns							
Horizon SAS				254			254
Other companies with unit amount lower than €250 thousand		3	197	348		148	696
Total	**294,320**	**73**	**2,572,108**	**56,062**	**15,351**	**2,471**	**2,940,385**
% against total for the year	***96.90***	***5.33***	***100.00***	***86.20***	***9.12***	***1.47***	

(*) Ansaldo Electric Drives SpA at 31 Dec. 2010
(**) Agusta SpA at 31 Dec. 2010
(***) Westland Helicopter Ltd at 31 Dec. 2010
(****) Space Software Italia SpA at 31 Dec. 2010

€ thousand PAYABLES AT 31 Dec. 2011	Non-current loans and borrowings	Other non-current payables	Current loans and borrowings	Trade payables	Payables from the consolidated tax mechanism	Other current payables	Total	Guaran-tees
Subsidiaries								
Finmeccanica Finance SA	2,404,522		702,611				3,107,133	3,332,947
AgustaWestland NV			422,603				422,603	
Alenia Aeronautica SpA			337,813	1,570	48,030	9,250	396,663	1,974,287
SELEX Galileo Ltd			309,196	19		1,162	310,377	24,168
SELEX Elsag SpA			95,563	2,944	16,993	14,923	130,423	347,089
AnsaldoBreda SpA				457	55,000	35,412	90,869	3,323,006
Oto Melara SpA			73,375	316	3,913	3,892	81,496	165,146
Meccanica Holdings USA Inc			80,605				80,605	1,004,714
Fata SpA			37,288	490	1,141	4,448	43,367	588,051
Finmeccanica Group Services SpA			34,059	5,389		448	39,896	176
Finmeccanica Group Real Estate SpA			32,051	46	2,422	1,515	36,034	935
SELEX Sistemi Integrati SpA			6,792	271	16,025	4,242	27,330	539,322
So.Ge.Pa.-Società Generale di Partecipazione SpA (in liq.)			17,731	195	1,786	1,220	20,932	18,317
AgustaWestland SpA (**)				186	1,615	17,064	18,865	3,053,086
SELEX Service Management SpA				56	2,919	9,904	12,879	61,128
Whitehead Alenia Sistemi Subacquei SpA				62	3,533	1,152	4,747	141,612
BredaMenarinibus SpA					3,575	852	4,427	22,835
Elsacom SpA (in liq.)			3,861	56	370	113	4,400	154
Finmeccanica North America Inc				4,198			4,198	
SELEX Galileo SpA				273		3,916	4,189	91,389
Amtec SpA					3,873		3,873	2,002
Finmeccanica UK Ltd				3,860			3,860	
Alenia S.I.A. SpA				71		3,371	3,442	8,032

€ thousand	Non-	Other	Current	Trade	Payables	Other	Total	Guaran-

PAYABLES AT 31 Dec. 2011	current loans and borrowings	non-current payables	loans and borro-wings	payables	from the consolidated tax mechanism	current payables		tees
Ansaldo STS SpA			2,531	368	143	51	3,093	1,375,824
Seicos SpA			1,547		670	537	2,754	863
Alenia Aermacchi SpA						2,406	2,406	162,562
Sirio Panel SpA				1		2,214	2,215	7,212
SELEX Electronic Systems SpA (*****)			1,001	19			1,020	
Electron Italia Srl				8	654	229	891	4,216
Sesm Scrl				336			336	34
E-Security Srl					299		299	
AgustaWestland Ltd (***)						225	225	43,392
Sistemi e Telematica SpA								
Drs Technologies Inc								24,525
AgustaWestland Philadelphia Co (****)								89,373
SELEX Systems Integration Ltd								21,978
SELEX Elsag Ltd								6,939
SELEX Systems Integration Gmbh								6,695
AgustaWestland International Ltd								3,399
SELEX Systems Integration Inc								5,536
Alenia North America Inc								23,186
PZL Inwest SP. Z O.O								876
Other companies with unit amount lower than €250 thousand				279	537	30	846	176
Associates								
Orizzonte sistemi Navali spa				25			25	12,250
Other companies with unit amount lower than €250 thousand				18			18	
Joint Ventures								
Ansaldo Energia SpA			309,329	242		14,648	324,219	2,829,454
Thales Alenia Space SAS			197,067				197,067	
Telespazio SpA			18,398	896	19,805	226	39,325	208,313
Superjet International SpA				8	13,025	2,178	15,211	3,992
Ansaldo Energia Holdings SpA (*)					7,301	1,402	8,703	100,172
Ansaldo Nucleare SpA				179		3,574	3,753	4,144
Thales Alenia Space Italia SpA				220		274	494	1,603
Mbda Italia SpA			206	47			253	95,703
Ansaldo Thomassen BV								11,030
Other companies with unit amount lower than €250 thousand			14		32		46	
Consortiums								
Other consortiums with unit amount lower than €250 thousand				24			24	
Other related concerns								
Fincantieri SpA				505		311	816	
Other companies with unit amount lower than €250 thousand				202			202	
Total	**2,404,522**		**2,683,641**	**23,836**	**203,661**	**141,189**	**5,456,849**	**19,741,843**
% against total for the year	***71,81***		***97.17***	***43.09***	***51.59***	***35.77***		***100***

(*) Ansaldo Electric Drives SpA at 31 Dec. 2010
(**) Agusta SpA at 31 Dec. 2010
(***) Westland Helicopter Ltd at 31 Dec. 2010
(****) Agusta Aerospace Corporation at 31 Dec. 2010
(*****) Finmeccanica Consulting Srl at 31 Dec. 2010

As regards the most important transactions we note:

- non-current loans and receivables of €thou. 179,200 from the subsidiary Finmeccanica Group Real Estate SpA (FGRE), deriving from the process of concentrating the Group's real estate assets that was completed during 2011;

- the non-current loans and receivables from AgustaWestland SpA of €thou. 69,499 (€thou. 72,829 at 31 December 2011) that refer to the lease agreement, recognised as a finance lease and recorded as a receivable accordingly, for the industrial complex owned by Finmeccanica (Note 11);

- the non-current borrowings from Finmeccanica Finance SA (€thou. 2,184,612, compared with €thou. 2,404,522 at 31 December 2011) for the loans it has granted in amounts and with maturities in line with the bond debt assumed by the subsidiary. The current portion of these loans amounts to €thou. 132,742. During 2012 a new loan was issued in the amount of €thou. 600,000, with maturity December 2017 (Note 20);

- current loans and borrowings (€thou. 4,054,561, compared with €thou. 2,683,641 at 31 December 2011) reflect the method adopted by Finmeccanica for centralising the Group treasury resources and show, by their high amount, the net cash inflows realised by the Group companies during the year, particularly during the final quarter (Note 18). These loans and borrowings also include the balancing entry for cash surpluses that a number of Group companies pay to Finmeccanica outside the cash pooling system as its share, directly or through Finmeccanica Finance, under treasury agreements signed with the latter, the corresponding balancing entry of which is found under cash and cash equivalents. The balance also includes €thou. 1,006,281 owed to Finmeccanica Finance SA in relation to the loan maturing in December 2013. Similarly, loans and receivables (€thou. 2,405,849 compared with €thou. 2,572,108 at 31 December 2011) arise from financing activities conducted by Finmeccanica in favour of the Group companies, again as a result of this centralisation of treasury resources;

- other receivables(€thou. 40,742) and payables(€thou. 474,919) include those deriving from the IRES consolidated tax mechanism and from the Group VAT mechanism (€thou. 2,438 of receivables and €thou. 289,317 of payables). Such receivables and payables are recognised by the parent company, the sole party having a legal relationship with the tax authority, against payables and receivables recognised by the companies that adopt the national tax consolidation and the Group VAT. Receivables and payables recognised by the Company did not have any impact on the income statement since these items were offset with balancing tax items in the balance sheet. Moreover, payables include debts to the subsidiaries related to the request for refund, following the recognition of the deductibility of IRAP for IRES purposes (€thou. 76,647);

- trade receivables amounted to €thou. 68,708 (€thou. 56,062 at 31 December 2011), and include, specifically, amounts due for services rendered to and on behalf of Group companies, consistent with the Company's guidance and coordination function;

The changes during the year and the composition of assets by maturity, currency and geographical area are shown in Appendices nos. 3, 4, 5 and 6 to these Notes.

14. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 December 2012	***31 December 2011***
Third-party financing	1,534	2,106
Security deposits	432	372
Loans and receivables from related parties (Note 13)	248,699	294,320
Other receivables from related parties (Note 13)	73	73
Other receivables	36	925
Accrued financial income – non-current portion	2,967	5,934
BCV financial istruments	282,475	-
Receivables and other non-current assets	**536,216**	**303,730**

"Third-party financing" (€thou. 1,534) consists entirely of receivables from employees for medium/long-term loans. This decreased by €thou. 572 from the same period of 2011.

Loans and receivables from related parties, a breakdown of which is given in Note 13, decreased by €thou. 45,621 from 31 December 2011. They consist of receivables from the subsidiaries FGRE

(€thou. 179,200, €thou. 218,351 at 31 December 2011) and AgustaWestland SpA (€thou. 69,499, €thou. 72,829 at 31 December 2011).

The financial instruments issued by the investee BCV Investments S.A. (14.32 % owned) were purchased by the subsidiary Finmeccanica Finance S.A.. They were acquired at their book value during the year, within the scope of the transaction for the valuation of the assets indirectly held in Avio, a subsidiary of BVC, and subsequently valued at fair value as a result of the clauses for the early repayment and the forced conversion under these instruments. In particular, at 31 December 2012, following the agreement signed between General Electric and Avio S.p.A. for the sale of the assets of the aeronautic engines segment of the latter, the fair value of such instruments was adjusted to the value resulting from these binding agreements (Note 33). In this regard, it should be noted that the finalisation of the transaction is currently subject to antitrust and regulatory conditions precedent.

The changes during the year and the composition of assets by maturity, currency and geographical area are shown in Appendices nos. 3, 4, 5 and 6 to these Notes.

15. TRADE AND FINANCIAL RECEIVABLES

	31 December 2012		***31 December 2011***	
	Trade	Financial	Trade	Financial
Receivables	27,858	40	25,966	39
Provision for bad debts	(16,993)	-	(16,993)	-
Related party receivables (Note 13)	68,708	2,405,849	56,062	2,572,108
	79,573	2,405,889	65,035	2,572,147

The changes during the year and the composition of assets by maturity, currency and geographical area are shown in Appendices nos. 5 and 6 to these Notes.

The ageing of receivables together with an analysis of how the Company manages credit risk is reported under Note 36.

16. INCOME TAX RECEIVABLES AND PAYABLES

	31 December 2012		31 December 2011	
	Receivables	Payables	Receivables	Payables
For income taxes	88,799	4,154	114,769	-

Receivables mainly relate to IRES receivables under the consolidated tax mechanism for which a request for refund has been claimed (€thou. 68,717 against €thou. 91,843 at 31 December 2011).
As regards the change for the year, we note the sale of the IRES receivables under the 2011 consolidated tax mechanism for €thou. 93,885, the receivable recorded (€thou. 66,943) deriving from the request for IRES refund related to the deductibility of IRAP concering labour costs for the years 2007-2011 and the valuation of proceeds from the consolidated tax mechanism (€thou. 31,707) as well as the net decline of €thou. 37,649 as the difference between the asset and liability positions transferred by the companies participating in the consolidated tax mechanism.

The changes during the year and the composition of assets and liabilities by maturity, currency and geographical area are shown in Appendices nos. 4, 5, 6, 8, 9 and 10 to these Notes.

17. OTHER CURRENT ASSETS

	31 December 2012	31 December 2011
Prepayments – current portion	5,201	5,298
Other securities	55	4,873
Receivables for grants	268	268
Receivables from employees and social security institutions	2,790	2,616
Other tax receivables	142,412	138,205
Receivables from related parties (Note 13)	52,892	17,822
Other assets	3,363	4,058
	206,981	173,140

"Other tax receivables", amounting to €thou. 142,412 (€thou. 138,205 at 31 December 2011), mainly represent VAT receivables transferred from companies participating in the Group VAT mechanism.

The changes during the year and the composition of assets by maturity, currency and geographical area are shown in Appendices nos. 5 and 6 to these Notes.

18. CASH AND CASH EQUIVALENTS

	31 December 2012	*31 December 2011*
Cash and cash equivalents	44	49
Bank deposits	1,219,442	695,324
	1,219,486	695,373

The significant balance of "Cash and cash equivalents" at the end of the year was mainly the result of considerable net cash flows realised by the Group companies during the year, particularly during the final quarter, transferred to Finmeccanica in the context of the centralised management of treasury resources or cash funds outside the cash pooling system in accordance with specific treasury agreements

19. EQUITY

"Equity" at 31 December 2012 amounted to €thou. 4,230,751 (€thou. 4,931,075 at 31 December 2011), for a net decrease of €thou. 700,324 .

The composition of available and distributable equity is shown in Appendix no. 7 to these Notes.

Share capital

	Number of ordinary shares	Value €thousand	Treasury shares €thousand	Costs incurred €thousand	Total €thousand
Outstanding shares	578,150,395	2,543,862	-	-	2,543,862
Net costs incurred	-	-	-	(18,690)	(18,690)
Treasury shares	(32,450)	-	(313)	-	(313)
31 December 2011	578,117,945	2,543,862	(313)	(18,690)	2,524, 859
Shares subscribed in the year	-	-	-	-	-
31 December 2012	578,117,945	2,543,862	(313)	(18,690)	2,524, 859
Broken down as follows:					
Outstanding shares	578,150,395	2,543,862	-	-	2,543,862
Net costs incurred	-	-	-	(18,690)	(18,690)
Treasury shares	(32,450)	-	(313)	-	(313)
	578,117,945	2,543,862	(313)	(18,690)	2,524,859

The share capital, fully subscribed and paid-up, is divided into 578,150,395 ordinary shares with a par value of €4.40 each, including 32,450 treasury shares.
During 2012 there were no changes in the share capital.

At 31 December 2012, the Ministry for the Economy and Finance owned around 30.204% of the share capital, Deutsche Bank Trust Company Americas around 3.600% and Libyan Investment Authority (Arab Bkg Corp/Libyan Inves, Man) around 2.010% of the shares. Moreover, Tradewinds Global Investors LLC held around 4.976% of the shares on a discretional fund management basis and Grantham, Mayo, Van Otterloo & Co. LLC around 2.045% on a discretional fund management basis.

The movements in equity were as follows:

Retained earnings include the following reserves:

- the *legal reserve,* amounting to €thou. 214,283;
- the *share premium reserve,* amounting to €thou. 585,331;
- the *extraordinary reserve* amounting to €thou. 391,462;
- the *merger surplus reserve* equal to €thou. 379,766;
- the *reserve for treasury shares* amounting to €thou. *313*;
- the *retained earnings (losses carried forward)* reserves equal to €thou. 830,170.

The item *other reserves* (€thou. 4,055) refers to the reserve for unexercised options for expected dividends and capital increases and is unchanged from the previous year.

The *reserve for actuarial gains (losses) in equity* came to a positive €thou. 554 (positive €thou. 1,019 at 31 December 2011) and contains, as provided by IAS 19 (the so-called "equity option"), the recognition of the actuarial gains and losses relating to "Defined-benefit plans".
The loss for the year amounts to €thou. 700,042.

20. LOANS AND BORROWINGS

	31 December 2012			*31 December 2011*		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bonds	18,832	495,922	514,754	24,375	490,158	514,533
Bank loans and borrowings	51,275	416,884	468,159	52,462	453,880	506,342
Related party loans and borrowings (Note 13)	4,054,561	2,184,612	6,239,173	2,683,641	2,404,522	5,088,163
Other loans and borrowings	827	-	827	1,270	-	1,270
	4,125,495	3,097,418	7,222,913	2,761,748	3,348,560	6,110,308

A comparison of the changes in "loans and borrowings" for the two periods is shown below:

	31 December 2011	*New borrowings*	*Repayments*	*Other changes*	*31 December 2012*
Bonds	514,533	-	-	221	514,754
Bank loans and borrowings	506,342	-	38,183	-	468,159
Related party loans and borrowings (Note 13)	5,088,163	1,151,010	-	-	6,239,173
Other loans and borrowings	1,270	-	443	-	827
	6,110,308	1,151,010	38,626	221	7,222,913

	31 December 2010	*New borrowings*	*Repayments*	*Other changes*	*31 December 2011*
Bonds	514,317	-	-	216	514,533
Bank loans and borrowings	528,015	-	21,673	-	506,342
Related party loans and borrowings (Note 13)	5,539,539		451,376	-	5,088,163
Other loans and borrowings	2,768	-	1,498	-	1,270
	6,584,639	-	474,547	216	6,110,308

Bonds

"Bonds" refers to the 20-year bond issued in March 2005, for a nominal €thou. 500,000, placed entirely on the European institutional investor market. It offers an annual coupon of 4.875% and an effective interest rate of 4.964%.

Bank loans and borrowings

The item mainly includes the 12-year loan signed with the European Investment Bank (EIB) in 2009 (€thou. 468,147 compared to €thou. 506,342 at 31 December 2011) to finance development in the Aeronautics segment. As provided in the loan agreement, €thou. 300,000 of the loan was given at a fixed rate of 3.45% and for €thou. 200,000 at a floating rate equal to the 6 month Euribor plus a margin of 79.4 basis points.. The fixed-rate tranche will be repaid in 11 annual instalments with a fixed principal repayment component, while the floating-rate tranche will be repaid in 21 6-month instalments, also with a fixed principal repayment component.
During the year the first instalment of both tranches of the loan was repaid for a total of €thou. 36,797.

Related party loans and borrowings

The movement in these borrowings relate mainly to payables to Finmeccanica Finance SA for proceeds from the loans granted to Finmeccanica by the subsidiary in amounts and with expiries in line with the bond debt assumed by the subsidiary (Note 13).

New borrowings represent the balance of the changes in financing and current account transactions as well as the new borrowing from Finmeccanica Finance for €thou. 600,000 maturing in December 2017.

Other loans and borrowings

This item refers to payables to shareholders for dividends not yet received for €thou. 778 and to the payable to Data Management SpA for €thou. 42.

Exposure to changes in interest rates

	31 December 2012									
	Bank loans and borrowings		**Bonds***		**Related parties**		**Other**		**TOTAL**	
€mil.	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	**Floating**	**Fixed**
Within 1 year	20	31	-	19	3,038	1,017	-	-	**3,058**	**1,067**
2 to 5 years	76	109	-	-	-	1,198	-	-	**76**	**1,307**
Beyond 5 years	95	136	-	496	-	986	-	-	**95**	**1,618**
TOTAL	**191**	**276**	**-**	**515**	**3,038**	**3,201**	**-**	**-**	**3,229**	**3,992**

	31 December 2011									
	Bank loans and borrowings		**Bonds ***		**Related parties**		**Other**		**TOTAL**	
€mil.	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	**Floating**	**Fixed**
Within 1 year	12	31	-	24	2,499	185	-	-	**2,511**	**240**
2 to 5 years	76	109	-	-	-	1,496	-	-	**76**	**1,605**
Beyond 5 years	114	164	-	490	-	908		-	**114**	**1,562**
TOTAL	**202**	**304**	**-**	**514**	**2,499**	**2,589**	**-**	**-**	**2,701**	**3,407**

* These bond issues were transformed to floating rates through interest rate swaps, for a nominal value of €mil. 750 (€mil. 750 at 31 December 2011).

Financial debt

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

€thousand	***31 Dec. 2012***	*of which with related parties*	***31 Dec. 2011***	*of which with related parties*
Cash and cash equivalents	(44)		(49)	
Bank deposits	(1,219,442)		(695,324)	
Securities held for trading	-		-	
CASH AND CASH EQUIVALENTS	(1,219,486)		(695,373)	
CURRENT LOANS AND RECEIVABLES	(2,405,944)	*(2,405,849)*	(2,577,020)	*(2,572,108)*
Current bank loans and borrowings	51,275		52,462	
Current portion of non-current loans and borrowings	18,832		24,375	
Other current loans and borrowings	4,055,388	*4,054,561*	2,684,910	*2,683,641*
CURRENT FINANCIAL DEBT	4,125,495		2,761,747	
NET CURRENT FINANCIAL DEBT (FUNDS)	500,065		(510,646)	
Non-current bank loans and borrowings	416,884		453,880	
Bonds issued	495,922		490,158	
Other non-current loans and borrowings	2,184,612	*2,184,612*	2,404,522	*2,404,522*
NON-CURRENT FINANCIAL DEBT	3,097,418		3,348,560	
NET FINANCIAL DEBT	3,597,483		2,837,914	

21. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	Taxes	Risks and charges on equity investments	Guarantees given	Risks for GIE-ATR activities	Other risks and charges	Total
01 January 2011						
Current	4,345	22,202	-	67,676	14,444	108,667
Non-current	12,327	-	362	-	15,256	27,945
	16,672	22,202	362	67,676	29,700	136,612
Allocations	-	813,781	11,000	-	8,190	832,971
Uses	(11,200)	(8,374)	(132)	-	(1,041)	(20,747)
Reversals	-	(2.402)	-	-	(3,209)	(5,611)
Other changes	-	-	36,270	-	-	36,270
31 December 2011	5,472	825,207	47,500	67,676	33,640	979,495
Broken down as follows:						
Current	4,345	825,207	11,000	67,676	15,922	924,150
Non-current	1,127	-	36,500	-	17,718	55,345
	5,472	825,207	47,500	67,676	33,640	979,495
Allocations	2,960	152,968	2,676		5,466	164,070
Uses		(816,605)			(4,590)	(821,195)
Reversals					(2,538)	(2,538)
Other changes						0
31 December 2012	8,432	161,570	50,176	67,676	31,978	319,832
Broken down as follows:						
Current	7,305	161,570	11,000	67,676	15,011	262,562
Non-current	1,127	-	39,176	-	16,967	57,270
	8,432	161,570	50,176	67,676	31,978	319,832

Specifically:

- the “provision for taxes”, increased by €thou. 2,960 since it includes the accruals to cover the probable tax penalties in relation to previous years;
- the “provision for risks and charges on equity investments”, which includes amounts allocated to take account of impairment losses that exceed the carrying value of equity investments (Note 3.6), shows a decrease of €thou. 663,637 due mainly to uses of equity investments held in AnsaldoBreda SpA (€thou. 422,009), Alenia Aermacchi SpA (€thou. 384,072) and BredaMenarinibus SpA (€thou. 7,700) as a result of new provisions which

concerned AnsaldoBreda SpA (€thou. 119,386), Sogepa in liquidation (€thou. 14,695) and Bredamenarinibus (€thou. 18,887);

- the "provision for guarantees given" increased by €thou. 2,676 as a result of the adjustment to the provision to cover the guarantees made to the purchaser of the equity investment in Ansaldo Energia, with particular reference to the obligation to hold the purchaser harmless from any liability arising from the dispute in which Ansaldo Energia was found liable by the court of first instance;
- the "other provisions", down €thou. 1,663, and in particular include:
  - the "provision for pending litigation" in the amount of €thou. 10,307 (€thou. 10,326 at 31 December 2011);
  - the "provision for litigation with employees and former employees", amounting to €thou. 6,642 (€thou. 6,823 at 31 December 2011), showed a net decline due to uses (€thou. 181) made during the period;
  - the "provision for environmental reclamation", equal to €thou. 2,035 (€thou. 2,764 at 31 December 2011), formed to handle the costs of the initial stage of the reclamation of sites owned by Finmeccanica Spa.

With regard to the provisions for risks, it is underlined that 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.

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

Of particular note:

o the dispute in which Finmeccanica is defendant in relation to contractual commitments taken on at the time of the sale of the former subsidiary Finmilano S.p.A. to Banca di Roma (now Unicredit Group), arising from an assessment report issued to Finmilano S.p.A. by the Rome Direct Taxation Office, which disallowed the tax deductibility of the loss arising in 1987 from the factoring without recourse of a receivable subject to deferred collection for an amount lower than its nominal amount. Basically, the tax authorities considered this factoring to be a financing transaction and that the loss should be treated as borrowing costs and, therefore, it should not have been fully deducted in 1987 but deferred on a pro rata basis over the subsequent years as implicit interest. After the Supreme Court had allowed the petition filed by the tax authorities and referred the case to the trial judge, the latter again allowed the parent's appeal. However, the tax authorities filed another petition to the Supreme Court against the trial judge's decision. In 2009, for the second time, the Supreme Court quashed the trial judge's decision and referred the case to the second level court. The Rome Regional Tax Court resolved in favour of the tax authorities and the parent filed a new petition to the Supreme Court on 6 June 2012. The Company does not currently expect it will incur significant losses in this respect;

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

  Reid has reproposed the same claims for damages that it claimed before the Court of Texas, without, however, quantifying the amount of the alleged damage. Finmeccanica appeared before the Court on 29 June 2007, filing a motion to dismiss, asserting that the case was time-barred, the statute of limitation had run out and the Court of Delaware did not have jurisdiction. On 27 March 2008, the judge rejected the claim as the case was time-barred. The claimant appealed against this decision before the Supreme Court of Delaware, which issued a decision on 9 April 2009, granting the motion and referring the case to the Court of Chancery for a decision on the other objection raised by Finmeccanica concerning the lack of jurisdiction of the Court of Delaware. Therefore, the discovery phase commenced and is still ongoing. In this respect, after having made the decision reserved after the hearing held on 29 February 2012, the judged allowed the testimonial evidence requested by the counterparty, with an order of 25 May 2012. Witnesses are currently being examined;

- o G.M.R. SpA, as the sole shareholder of Firema Trasporti commenced legal proceedings against Finmeccanica and AnsaldoBreda before the Santa Maria Capua Vetere Court in 2011, requesting that the court admit the defendants' liability for having caused, with their conduct, Firema Trasporti's insolvency, ordering them to pay damages. According to the claimant, during the period in which Finmeccanica held an investment in Firema Trasporti (from 1993 to 2005), its management and coordination were carried out to the detriment of Firema Trasporti and in the sole interest of Finmeccanica group. Moreover, even after the sale of the investment by Finmeccanica, Firema Transporti was allegedly de facto subjected to an abuse of economic dependence from the Group in performing the various agreements existing with AnsaldoBreda. Finmeccanica and AnsaldoBreda appeared before the court requesting that the claims be dismissed as evidently unfounded and asserting, on a preliminary basis, a lack of jurisdiction of the Court appealed to.

The court, during the hearing held on 30 October 2012, set the hearing for 4 June 2013 to specify the conclusions relating to the objection raised on the lack of jurisdiction.

- on 4 March 2013, Mr. Pio Maria Deiana, on his own account and in his capacity as Director of Janua Dei S.r.l. and of Società Progetto Cina S.r.l., served a writ of summons on Finmeccanica to appear before the Court of Rome, in order to ask the Court to establish the invalidity of the settlement agreement signed in December 2000; by this agreement, the aforesaid companies and the then Ansaldo Industria (which was a subsidiary of Finmeccanica until 2004 and which is now cancelled from the Register of Companies) had settled, by way of conciliation, the proceedings brought by these Companies before the Court of Genoa in 1998, in order to ask the Court to establish breach of contracts on the part of Ansaldo Industria within agreements aimed at a commercial cooperation for the construction of a waste disposal and cogeneration plant in China, which then was not built.

  As stated by the plaintiffs in the writ of summons, the abovementioned settlement agreement was concluded based on unfair conditions, thus taking advantage of the distress of Mr. Deiana and of the economic dependence of the plaintiff companies with respect to Ansaldo Industria.

  The claim is submitted against Finmeccanica, making reference to a general liability of the same arising from the control exercised by it on Ansaldo Industria at the time of the events being disputed. The required damage, to be quantified in the course of the proceedings, is allegedly estimated at €mil. 2,700. Finmeccanica will appear before the Court and will ask it to reject the plaintiff's claims as they are fully unfounded as of fact and as of law. The date of the first hearing of the proceedings has been set at 25 July 2013.

Furthermore, 2012 saw, without any charges for Finmeccanica, the conclusion of the dispute initiated by Finmeccanica and by the then SELEX Elsag (now SELEX ES) before the Court of Rome in October 2010. The dispute was aimed at having the sellers' and former directors' liability established following some irregularities contested by the Tax revenue Agency against the then Datamat for years 2003 and 2004 and at obtaining the consequent compensation for any damage suffered, which has been set at an amount of between €mil. 24 and €mil. 37. In March 2012 SELEX

Elsag (now SELEX ES) reached an agreement with the Tax Authority and settled the contested irregularities by paying the lower amount of €mil 1.1. The proceedings have been continued because of some objections raised as to the amount of the reimbursement due to Finmeccanica which, in the opinion of the opposite party, should have been limited to 41% on the basis of a clause contained in the contract of sale of the Datamat shares. In December 2012, a settlement agreement was reached according to which the sellers acknowledged, in favour of Finmeccanica, 41% of the amount agreed on with the Tax Authority, as well as the amount of €thou. 180. Therefore, the proceedings will be abandoned.

Finally, the Corporate Governance Report and Shareholder Structure section contains more information on the investigations of Group companies conducted by judicial authorities during the year, as well as the investigations which have already started and partially been completed by Finmeccanica aiming at verifying inadequate behaviours, if any, and at setting out more effective processes for the governance system. With regard to the events above, considering that the legal proceedings are in an initial stage and on the basis of the information obtained and the analyses performed, the Directors did not make any specific provisions during 2012. Any negative developments that presently are neither foreseeable nor definable, deriving from internal examinations and investigations currently underway, will be appropriately valuated for possible provision. With reference to the effects of these events, it is noted that following the investigations underway before the Public Prosecutor's Office of Busto Arsizio on the supply contract for 12 helicopters signed between AgustaWestland International Ltd. and the Indian Ministry of Defence in 2010, which is described more in detail in the Corporate Governance Report and Shareholder Structure, the customer asked the company to provide clarifications about the alleged corrupt activities that would have been committed in breach of the provisions under the supply contract. In the letter, the Indian Government notified the suspension of payments and also put forward a possible cancellation of the contract, in the event that the company is not able to provide evidence aimed at excluding its involvement in the alleged corrupt conduct. The company promptly provided the Indian Authorities with said clarifications and held that its conduct fully complied with the contractual provisions and relevant legislation. However, it should be noted that at the end of February the Indian Central Bureau of Investigation (CBI) started investigations on this affair, which was to involve eleven individuals and four companies. With reference to this order, Finmeccanica Spa issued bank guarantees against advances received from its subsidiary (€mil. 250) to which €mil. 28 of performance bonds are added. Risks related to possible enforcements of the guarantees are directly related to the assessment of impacts, if any, arising from the threatened termination of the contract. To date, in the absence of specific objections that the customer could submit before the court, the company considers that its own claims are fully valid. Any analyses and assessments carried out will be updated after any future developments of the case.

22. EMPLOYEE BENEFIT OBLIGATIONS

The item includes only the severance pay provision in relation to the amount accrued till 2006 which is the year of its transformation into a defined contribution plan. Changes in severance pay provision are shown below:

	31 December 2012	***31 December 2011***
Opening balance	4,660	6,459
Interest expense	154	157
Actuarial losses (gains) through equity	464	(486)
Benefits paid	(785)	(1,470)
Closing balance	4,493	4,660

The amount recognised in the income statement was calculated as follows:

	31 December 2012	***31 December 2011***
	Severance pay provision	**Severance pay provision**
Interest expense (Note 33)	154	157
Total cost	154	157

It should be noted that the portion of the cost for the year relating to amounts transferred to complementary funds or to a treasury fund managed by INPS is recognised according to the rules for defined-contribution plans (Note 3.13.1 of the section on the applicable accounting standards), without any actuarial assessment.

The main actuarial assumptions used in the valuation of defined-benefit plans and of the portion of the severance pay provision that has maintained the nature of defined-benefit plan are as follows:

	Severance pay provision	
	31 December 2012	***31 December 2011***
Discount rate (annual)	2.11%-2.17%	3.9%-4.31%
Rate of salary increase	N/A	N/A
Rate of turnover	4.00%	4.00%

23. OTHER CURRENT AND NON-CURRENT LIABILITIES

	Non-current		Current	
	31 December 2012	*31 December 2011*	*31 December 2012*	*31 December 2011*
Employee obligations	1,936	1,527	13,969	18,766
Deferred income	107,728	113,412	6,043	6,203
Amounts due to social security institutions	-	-	11,441	14,072
Other tax payables	-	-	4,197	7,010
Other payables to related parties (Note 13)	-	-	764,235	344,850
Other payables	-	-	3,349	3,842
	109,664	114,939	803,234	394,744

The non-current portion of "Employee obligations" refers to the value of the seniority bonus calculated under IAS 19, while for the current portion, the payables relate to amounts accrued but not yet distributed, including early retirement incentives relating mainly to the reorganisation of the Company's management.

"Amounts due to social security institutions" include contributions owed to social security institutions on current compensation and on pre-pension and mobility charges for employees in past years.

"Deferred income" specifically includes subsequent years rentals already collected in past years in relation to the agreements for the sale of Ansaldo trademark to the Ansaldo Energia and Ansaldo STS SpA groups.

24. TRADE PAYABLES

	31 December 2012	*31 December 2011*
Trade payables	31,900	31,475
Trade payables to related parties (Note 13)	24,114	23,836
	56,014	55,311

25. DERIVATIVES

The table below provides detail on composition of derivative instruments.

	31 December 2012		*31 December 2011*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	1,365	8,897	22,586	-
Interest rate swaps	26,619	3,883	34,603	3,345
	27,984	12,780	57,189	3,345

"Forward instruments" correlate directly with the performance of deposits and loans made in pound sterling and US dollars that fall under the Group's financial centralisation. The instruments above are classified as fair value hedges; accordingly, the changes in fair value directly offset the realignment ofthe exchange rates applicable to loans and deposits.

The "interest rate swaps" with a total notional value of €thou. 1,150,000 were placed into effect to pursue the management objectives of hedging part of the bonds issued by Finmeccanica and the Group companies totalling €thou. 3,715,000. The impact on the income statement is described the section on Financial Risk Management (Note 36).

The table below provides the fair values of the various derivatives in the portfolio:

€ thousand		**Fair Value at 31 December 2012**	**Fair Value at 31 December 2011**
Assets			
Interest rate swap			
	Trading	26,619	34,603
Currency forward			
	Trading	709	696
	Fair value hedge	656	21,889
Liabilities		-	-
Interest rate swap			
	Trading	3,883	3,345
Currency forward/swap/option		-	-
	Fair value hedge	8,897	-

The portion of changes that had an earnings impact is illustrated in Note 33.
Details on the instruments outstanding are provided in Note 36.

26. GUARANTEES AND OTHER COMMITMENTS

Leasing

The Company is party to a number of operating leases as both lessor and lessee primarily for the purposes of acquiring the use of plant and equipment. The non-cancellable minimum future payments relating to operating lease contracts and commitments taken (as lessor) with respect to finance leases are as follows:

	Operat. Lease as lessee	**Operat. Lease as lessor**	**Finance lease as lessee**	**Finance lease as lessor**
Within 1 year	3,401	11,430	2,233	2,164
2 to 5 years	5,756	36,960	-	7,607
Beyond 5 years	502	24,978	-	10,809
	9,659	73,368	2,233	20,580

With regard to operating leases in which the Company is a lessee, commitments amounted to €thou. 186 (€thou. 57 at 31 December 2011) with respect to subsidiaries and to other parties (€thou. 9,473), mainly for the lease of office space.

For those leases in which the Company acts as lessor, commitments amounted to €thou. 72,511 (€thou. 63,279 at 31 December 2011) with respect to subsidiaries.

Finally €thou. 20,580 (€thou. 22,843 at 31 December 2011) relates to transactions arising from the contract with AgustaWstland SpA to lease the industrial complex owned by Finmeccanica, classified as a finance lease under IAS 17 (Note 13).

Guarantees

At 31 December 2012, the Group had the following outstanding guarantees:

	31 December 2012	***31 December 2011***
Guarantees in favour of related parties (Note 13)	19,296,486	19,741,843
Guarantees in favour of third parties	58,862	60,707
Unsecured guarantees given	19,355,348	19,802,550

In addition to the above commitments, the Company issued non-binding letters of patronage on behalf of subsidiaries and certain associates in support for their financial and commercial activities.

Specifically:

- for €thou. 6,752,504 (€thou. 7,103,849 at 31 December 2011) mainly consisting of counter guarantees given by Finmeccanica on behalf of Group companies to third parties, banks and insurance companies, in relation to the contractual commitments assumed by those companies. These refer to subsidiaries for €thou. 6,720,221 (€thou. 7,060,390 at 31 December 2011), to associates for €thou. 950 (€thou. 1,001 at 31 December 2011), and to other Group companies and third parties for €thou. 31,333 (€thou. 42,457 at 31 December 2011);

- for €thou. 6,796,365(€thou. 7,456,517 at 31 December 2011), essentially representing direct guarantees issued by Finmeccanica (Parent Company Guarantee) in favour of customers and co-suppliers on behalf of Group companies within the scope of their commercial operations. These refer to subsidiaries for €thou. 6,687,041 (€thou. 7,347,405 at 31 December 2011) and to other Group companies and third parties for €thou. 109,324 (€thou. 109,112 at 31 December 2011);

- for €thou. 5,439,077 (€thou. 4,777,350 at 31 December 2011), chiefly consisting of guarantees issued by Finmeccanica in favour of Group lenders (particularly with regard to bonds placed on the market by Finmeccanica Finance SA and Meccanica Holdings USA Inc., as explained in more detail in the Financial Transactions section of the Report on Operations), for financial payables already recognised in the companies' financial statements. These refer to subsidiaries for €thou. 5,420,931 (€thou. 4,759,206 at 31 December 2011), to associates for €thou. 12,852 (€thou. 12,852 at 31 December 2011), and to other Group companies and third parties for €thou. 5,294 (€thou. 5,294 at 31 December 2011);

- for €thou. 367,402 (€thou. 464,832 at 31 December 2011) relating to commitments by Finmeccanica to the Tax Authority primarily for reimbursements made by the latter to the Group. These entirely refer to subsidiaries.

27. TRANSACTIONS WITH RELATED PARTIES

The income statement transactions with Company's related parties for 2012 and 2011 are described below:

31 Dec. 2012	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery (2)	Financial income	Financial expense
€thousand						
Subsidiaries						
AgustaWestland Australia PTY Ltd			293			
AgustaWestland Ltd	7,100			44	90	
AgustaWestland NV				1,367	8,270	4,038
AgustaWestland SpA	13,323	2,199	399	1,441	6,818	
Alenia Aermacchi SpA (*)	12,585	24	1,349	5,030	2,871	1,997
Ansaldo STS SpA	1,606		613	537	2,337	154
AnsaldoBreda SpA	3,378	45	168	1,282	10,194	
Bredamenarinibus SpA				184	1,548	
Cyberlabs Srl (***)			604			
Drs Technologies Inc.				432	2,603	3
Fata SpA	1,092		439	91	428	48
Finmeccanica do Brasil Ltda			695			
Finmeccanica Finance SA	465		-2	1,098	166	195,345
Finmeccanica Group Real Estate SpA			2,862	14	5,422	51
Finmeccanica Group Services SpA		105	16,264	-3		43
Finmeccanica North America Inc			5,644	1		
Finmeccanica UK Ltd			9,492	10	13	
Meccanica Holdings USA Inc.				38	5,017	56
Oto Melara SpA	2,200		21	909	270	62
Selex Electronic Systems SpA			49	361	506	7
Selex Elsag SpA	5,676	2,910	2,811	2,936	26,215	727
SELEX Galileo Ltd	5,695		-5	354	42	1,279
SELEX Galileo SpA	3,977	94	135	2,446	1,950	7
SELEX Service Management SpA	29		92	-99	1,808	
SELEX Sistemi Integrati SpA	2,765	5,639	160	500	9,965	3
Whitehead Sistemi Subacquei SpA (**)	610		361	564	1,015	1
Other companies with unit amount lower than €250 thousand		30	189	41	430	27
Associates						
Other companies with unit amount lower than €250 thousand				1	18	
Joint ventures						
Ansaldo Energia SpA (****)	3,670	357	28	1,790	8,668	612
MBDA Italia SpA	8,966			65		
Superjet International SpA			2	367	7	
Telespazio SpA			361	1,104	1,526	
Thales Alenia Space France SAS	475					
Thales Alenia Space Italia SpA	194		45	720	62	
Thales Alenia Space SAS						671
Other companies with unit amount lower than €250 thousand	210	231	148	-2	17	
Consortiums						
Other consortiums with unit amount lower than €250 thousand			223		11	

31 Dec. 2012	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery (2)	Financial income	Financial expense
Other related parties						
Eni SpA		13	94			
Other companies with unit amount lower than €250 thousand			14			
	74,016	**11,647**	**43,548**	**23,623**	**98,287**	**205,131**
% against total for the year	**100.00**	**46.57**	**39.40**	**99.00**	**8.09**	**10.9**

(*) on 1 January 2012, Alenia Aermacchi S.p.A. was merged into Alenia Aeronautica S.p.A. and the latter simultaneously changed its name to Alenia Aermacchi S.p.A.

(**) Whitehead Alenia Sistemi Subacquei SpA at 31 Dec. 2011

(***) SELEX Elsag Cyberlabs srl at 31 Dec. 2012
(****) on 30 June 2012 Ansaldo Energia Holding SpA was merged into Ansaldo Energia SpA

(1) costs are indicated with + and recoveries with -
(2) recoveries are indicated with + and negative differences on recoveries with -

31 Dec. 2011 **€ thousand**	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery	Financial income	Financial expense
Subsidiaries						
AgustaWestland Ltd (***)	6,851			23	43	
AgustaWestland NV				1,365	5,032	1,916
AgustaWestland SpA (**)	12,710	2,196	174	1,918	6,268	
Alenia Aermacchi SpA			26	1,928	210	3
Alenia Aeronautica SpA	11,102	41	1,586	4,172	2,542	1,802
Ansaldo STS SpA	1,611		338	600	1,114	10
AnsaldoBreda SpA	3,012		438	1,101	22,649	
BredaMenarinibus SpA			-2	439	1,521	
Drs Technologies Inc.				707	2,681	
Fata SpA	828		442	112	325	130
Finmeccanica Finance SA	465	152		548	2,482	199,571
Finmeccanica do Brasil Ltda		235	839			
Finmeccanica Group Real Estate SpA	8		2,814	316	6,368	246
Finmeccanica Group Services SpA	18		23,898	796		291
Finmeccanica North America Inc		49	7,139	29		
Finmeccanica UK Ltd			7,457	1	11	1
Meccanica Holdings USA Inc.				38	4,826	76
Oto Melara SpA	2,165		302	353	273	276
SELEX Elsag SpA	6,141	2,761	3,432	2,044	21,733	585
SELEX Galileo Ltd	6,266		34	414	24	1,659
SELEX Galileo SpA	3,496		174	1,728	3,247	6
SELEX Service Management SpA	122		53	182	3,251	
SELEX Sistemi Integrati SpA	4,196	5,507	243	1,653	8,122	2
Whithead Alenia Sis.Subacquei SpA	419		377	514	1,122	1

31 Dec. 2011	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery	Financial income	Financial expense
Other companies with unit amount lower than €250 thousand	96		519	2	448	260
Associates						
Other companies with unit amount lower than €250 thousand				1	18	
Joint ventures						
Ansaldo Energia SpA	4,375	11,578	40	1,809	2,879	2,993
Ansaldo Energia Holding SpA (*)					8,024	
MBDA Italia SpA	8,714			1,204		3
Telespazio SpA			671	1,476	2,154	
Thales Alenia Space SAS						1,858
Thales Alenia Space Italia SpA	330		170	538	77	
Thales Alenia Space France SAS	670		111			
Other companies with unit amount lower than €250 thousand	231		170	240	26	
Consortiums						
Other consortiums with unit amount lower than €250 thousand			288		6	
Other related parties						
Eni SpA			498			
Other companies with unit amount lower than €250 thousand			50			
	73,826	**22,519**	**52,281**	**26,251**	**107,476**	**211,689**
% against total for the year	***100.00***	***63.70***	***34.95***	***98.73***	***5.43***	***6.56***

(*) Ansaldo Electric Drives SpA at 31 Dec. 2010
(**)Agusta SpA at 31 Dec. 2010
(***)Westland Helicopter Ltd at 31 Dec. 2010
(1) costs are indicated with + and recoveries with -

28. REVENUE

	2012	*2011*
Revenue from related parties (Note 27)	74,016	73,826
Total revenue	74,016	73,826

"Revenues" came to €thou. 74,016 (€thou. 73,826 in 2011) and refer solely to the fee Finmeccanica receives for the services provided to the Group companies (management fee) in accordance with the guidance and coordination it exercises, mainly in Italy.

29. OTHER OPERATING INCOME (EXPENSES)

	2012		2011	
	Income	Expenses	Income	Expenses
Operating grants	1,967	-	1,638	-
Gains/losses on sales of intangible asset, property, plant and equipment	3	-	-	-
Accruals/Reversal to provisions (Note 21)	2,539	(8,142)	2,000	(18,764)
Exchange rate difference on operating items	379	(521)	315	(198)
Receivables and payables in foreign currency adjusted to year-end exchange rate	209	(91)	140	(472)
Insurance reimbursements	150	-	13	-
Membership fees	-	(675)	-	(837)
Indirect taxes	-	(5,348)	-	(2,971)
Other operating income (expenses)	8,118	(5,511)	8,729	(7,724)
Other operating income (expenses) from related parties (Note 27)	11,647	(630)	22,519	(1,172)
	25,012	(20,918)	35,354	(32,138)

30. PURCHASES AND SERVICES

	2012	2011
Purchase of materials from third parties	348	326
Total purchases	**348**	**326**
Services rendered by third parties	39,921	59,716
Costs of rents and operating leases	5,442	5,367
Rental fees	1,321	1,279
Services rendered by related parties (Note 27)	42,918	51,108
Total services	**89,602**	**117,470**

"Services rendered by related parties" refers to services rendered by Group companies which chiefly include the management of the Company real assets and information technology and the organisation of activities and commercial events.

31. PERSONNEL EXPENSE

	2012	*2011*
Wages and salaries	44,613	66,541
Social Security contributions	11,625	12,113
Costs related to defined-contribution plans	782	1,739
Employee disputes for accruals/(reversals to provision)	-	(783)
Other net costs/(Cost recovery)	(8,019)	(10,229)
	49,001	69,381

The net decrease of €thou. 20,380 in personnel expense is mainly due to the decrease in the workforce and to the early retirement incentives included in 2011 purchases and personnel costs, following the reorganising process of the Company's management.

The average workforce at 31 December 2012 numbered 276, as compared with 299 in 2011. There were 275 employees at the end of 2012, down 23 from the 298 at 31 December 2011.

The average workforce and that at the end of the year breaks down as follows:

number	*2012*	*2011*	*Net changes*
Senior managers	84	98	(14)
Middle managers	87	82	5
Clerical employees	104	118	(14)
Manual labourers	-	-	-
Total	**275**	**298**	**(23)**

number	*2012*	*2011*	*Net changes*
Senior managers	88	100	(12)
Middle managers	77	80	(3)
Clerical employees	111	119	(8)
Manual labourers	-	-	-
Total	**276**	**299**	**(23)**

32. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	2012	*2011*
Amortisation and depreciation:		
• Intangible assets (Note 9)	2,247	2,534
• Property, plant and equipment and investment properties (Notes 10 and 11)	7,338	7,217
	9,585	9,751
Impairment		
• Operating receivables		1,500
Total amortisation, depreciation and impairment losses	9,585	11,251

33. FINANCIAL INCOME AND EXPENSE

	31 December 2012			*31 December 2011*		
	Income	Expense	Net	Income	Expense	Net
Dividends	614,387	-	614,387	398,035	-	398,035
Capital gain on sale of Ansaldo Energia	-	--	-	1,013,758	-	1,013,758
Income and expenses for equity investment and securities	237	-	237	-	-	-
Interest cost on defined-benefit plans (less expected returns on plan assets)	-	(154)	(154)	-	(157)	(157)
Interest and Commissions (including commissions and other costs on non-recourse items)	5,687	(88,186)	(82,499)	3,946	(56,067)	(52,121)
Premiums (paid) received on IRS	45,630	(30,067)	15,563	90,455	(31,321)	59,134
Premiums paid (received on forwards)	6,240	(161)	6,079	803	(3,176)	(2,373)
Exchange-rate differences	290,023	(288,000)	2,023	318,277	(319,628)	(1,351)
Fair value gains (losses) through profit or loss	154,112	(12,645)	141,467	17,732	(39,317)	(21,585)
Value adjustments of equity investments	-	(1,256,563)	(1,256,563)	-	(2,539,025)	(2,539,025)
Other financial income and expense	119	(476)	(357)	27,736	(27,138)	598
Financial income (expense) - related parties (Note 27)	98,287	(205,131)	(106,844)	107,476	(211,689)	(104,213)
	1,214,722	**(1,881,383)**	**(666,661)**	**1,978,218**	**(3,227,518)**	**(1,249,300)**

"Dividends" totalled €thou. 614,387 (€thou. 398,035 in 2011) and include dividends from subsidiaries for €thou. 174,920 (€thou. 342,398 in 2011), associates for €thou. 439,447 (€thou.

55,604 in 2011) mainly referable to AMSH BV, which holds the group equity investment in MBDA, after a part of the latter's equity capital was returned based on a shareholders agreement, and from others for €thou. 20 (€thou. 33 in 2011).

Value adjustments of equity investments mainly refer to Meccanica Holdings USA (€thou. 927,000), SELEX ES (€thou. 113,000) and AnsaldoBreda (€thou. 160,000) as described in detail in Note 12.

"Interest and commissions" consists of:

	31 December 2012			***31 December 2011***		
	Income	Expenses	Net	Income	Expenses	Net
Interest to/from banks	4,365	(27,639)	(23,274)	2,550	(20,632)	(18,082)
Interest from/to other than banks	205	-	205	202	(6)	196
Interest and other costs on bonds	-	(25,346)	(25,346)	-	(25,285)	(25,285)
Commissions (including commissions and other costs on non-recourse items)	1,117	(35,201)	(34,084)	1,194	(10,144)	(8,950)
	5,687	(88,186)	(82,499)	3,946	(56,067)	(52,121)

"Interest to banks" rose by €thou. 5,192 chiefly as a result of charges deriving from a higher use of the Revolving Credit Facility granted by a group of international and national banks in 2010 for a total amount of €thou. 2,400,000.

The increase in "Commissions" refers to costs incurred for the sale of tax receivables for a total amount of €thou. 24,109.

"Net premiums received on interest rate swaps (IRS)" (€thou. 15,563) were still affected positively by the low interest rates on transactions entered into to diversify exposure on fixed-rate borrowings, particularly the bonds issued by Finmeccanica Finance SA maturing in 2013. This item decreased in comparison with the prior year in which there was a gain of €mil. 36 deriving from of the early termination of interest rate swap positions totalling €mil. 250 for bonds maturing in 2025.

“Fair value results through profit or loss” are as follows:

	31 December 2012			*31 December 2011*		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Foreign-currency swaps / ineffective portion of hedging instruments	12	(4,123)	(4,111)	4,783	-	4,783
Interest rate swaps (Note 36)	-	(8,522)	(8,522)	-	(26,368)	(26,368)
FVTPLgain	154,100	-	154,100	-	-	-
Other equity derivatives	-	-	-	12,949	(12,949)	-
	154,112	(12,645)	141,467	17,732	(39,317)	(21,585)

The FVTP&L gain refers to the measurement at fair value of the financial instruments in BCV Investments S.A., a 14.32% owned Luxembourg company. As reported in Note 14, BVC is the parent company of the Avio Group, whose aircraft engines division is the object of a transfer which is currently subject to antitrust and regulatory conditions precedent. Therefore, the value of the instruments was adjusted on the basis of the sale price.

“Net expenses on foreign-currency swaps” (€thou. 4,111) includes the effects of derivative 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

Specifically, income and expenses on foreign-currency swaps include the effects of transactions between banks and subsidiaries and joint ventures requiring hedges for exchange-rate risk arising from their commercial activity, in addition to transactions involving derivatives formed by Finmeccanica to hedge its financial exposure, largely to intercompany payables and receivables in US dollars and pound sterling.

“Financial income (expense) from/to related parties” (Note 27) relates to interest on financial receivables and payables and commissions, mainly connected with the centralisation of the management of Group treasury resources within Finmeccanica. In carrying out its treasury management functions, the Company acts as the main counterparty, always at arm’s length, for the financial assets and liabilities of the subsidiaries within the scope of such centralization. Financial expenses include, *inter alia*, €thou. 195,345 (€thou. 199,571 in 2011) paid to Finmeccanica Finance SA for medium and long-term loans it has granted to Finmeccanica, in view of the collection activities performed by Finmeccanica Finance on the bond market.

34. INCOME TAXES

Income tax expense can be broken down as follows:

	2012	*2011*
Benefit under consolidated tax mechanism	31,707	2,763
Tax related to previous periods	(5,759)	(6,217)
Provisions for tax disputes	(2,961)	-
Deferred tax - net	14,060	(1,411)
	37,045	(4,865)

The income from the domestic consolidated tax mechanism arises from the partial exploitation of the tax losses of the year, generated by the consolidating company - transferred to the Group's consolidated tax - in an amount equal to the tax rate in effect, as stated in the consolidation agreement signed by the companies participating in the national consolidated tax mechanism.

The provision of €thou. 2,961 refers to tax penalties related to previous years.

As regards deferred taxes, the positive effect on the income statement of €thou. 14,060 (positive for €thou. 1,411 in 2011) derives from the reversal of the deferred corporate income tax assets for €thou. 2,075, from the reversal of the deferred regional tax assets on productive activities for €thou. 120 and the net deferred tax assets related to previous fiscal losses transferred to the Group's consolidated tax for €thou. 16,255. This positive effect reflects a prudent valuation of the expected future tax base for the consolidated tax mechanism.

Following is an analysis of the composition of the theoretical and effective tax rates for 2012 and 2011:

	2012	2011
Profit (loss) before income taxes	**(737,086)**	**(1,370,686)**
Deferred tax	14,060	(1,411)
Income	31,707	2,763
Accrual	(2,961)	-
Current taxes of previous years	(5,761)	(6,217)
Total tax	**37,045**	**(4,865)**
Tax rate	**(503)%**	**(0.35)%**
Theoretical tax	202,699	376,939
Permanent differences	(2,774)	(4,617)
Timing differences	22,611	(52,369)
Non-deductible residual interest expense	(10,514)	-
Total dividends from profit or loss	165,240	104,588
Revaluations of equity investments	-	661
Impairment of equity investments	(345,555)	(698,232)
Gains on equity investments	-	274,382
Net deferred tax assets	14,061	-
Tax provision	(2,960)	-
Previous years' tax	(5,761)	(6,217)
Total tax through profit or loss	**37,045**	**(4,865)**
Theoretical tax	**(27.50)%**	**27.50%**
Permanent differences not to reverse in subsequent years	0.38%	(0.34)%
Timing differences to reverse in subsequent years	(3.07)%	(3.82)%
Non-deductible residual interest expense	1.43%	-
Total dividends from profit or loss	(22.42)%	7.63%
Revaluations of equity investments	-	0.05%
Impairment of equity investments	46.88%	(50.94)%
Gains on equity investments	-	20.02%
Net deferred tax assets	(1.91)%	
Tax provision	0.40%	-
Current taxes of previous years	0.78%	(0.45)%
Total tax	**(5.03)%**	**(0.35)%**

The effective tax rate went from a negative 0.35 % in 2011 to a negative 5.03% in 2012.

The variance between the theoretical and effective tax rates in 2012 is mainly due to the positive impact of reduced taxation on dividends.

Deferred tax assets and liabilities reported in the balance sheet at 31 December 2012 essentially arise from transactions transferred by the Group companies participating in the consolidated taxation mechanism to Finmeccanica as the consolidating company:

	Balance sheet	
	Assets	**Liabilities**
Property, plant and equipment	296	55
Intangible assets	2,779	-
Severance and retirement benefits	903	2
Provision for risks and impairment	214,548	-
Stock grants	33	-
Grants	-	5,401
Tax losses	184,624	
Goodwill amortisation		23,282
Other	35,058	4,197
Total	**438,241**	**32,937**

35. CASH FLOW FROM OPERATING ACTIVITIES

	For the 12 months ended 31 December	
	2012	***2011***
Net profit (loss)	(700,042)	(1,375,551)
Amortisation, depreciation and impairment losses	9,586	11,251
Taxes	(37,045)	4,865
Provisions	5,603	15,981
Dividends	(614,387)	(398,035)
Net financial expense, less dividends	1,281,045	1,647,335
	(55,240)	(94,154)

The changes in other operating assets and liabilities are as follows:

	For the 12 months ended 31 December	
	2012	***2011***
Payment of PSP, of severance pay obligations and other defined benefit plans	(785)	(1,470)
Changes in provision for risks	(4,591)	(20,744)
Changes in other operating items	(20,210)	62,042
	(25,586)	39,828

36. FINANCIAL RISK MANAGEMENT

Finmeccanica Spa is exposed to financial risks associated with its operations, specifically related to these types of risks:

- *interest rate risks,* related to exposure to financial instruments;
- *exchange rate risks*, related to operations in currencies other than the reporting currency;
- *liquidity risks*, relating to the availability of financial resources and access to the credit market;
- *credit risks*, resulting from normal commercial transactions or financing activities.

The Company closely and specifically follows each of these financial risks, with the objective of promptly minimising them, even using hedging derivatives.

The sections below provide an analysis, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in reference parameters. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results of the reference periods and, by their own nature, they cannot be considered as indicators of the actual effects of future changes in reference parameters with different financial statements and market conditions, and cannot reflect the inter-relations and the complexity of reference markets.

Interest rate risk

Finmeccanica is exposed to the interest rate risk on its floating-rate debt instruments, primarily tied to the Euribor. The management of interest rate risk is consistent with the long-standing practice of reducing the risk of fluctuations in interest rates while seeking to minimise borrowing costs. To that regard and with reference to the financial debt at 31 December 2012 presented *pro forma* to take into account the bonds issued by Finmeccanica Finance SA, prior to interest rate transactions, the fixed-rate percentage amounted to around 55%, while and the floating-rate percentage is around 45%.

Interest rate transactions, as described below (totalling €mil. 1,150, of which €mil. 750 at a floating rate) shift the floating-rate percentage to 55%.

The switch to floating rates on components of the debt resulted in significant savings in borrowing costs in the last 4 years (cash inflows equal to €mil. 131)consistent with movements in market interest rates which have tended to drop since 2009 through the present.

In 2012, the interest rate curve continued to decrease, both in the short and in the medium-long term, thus substantially emphasising the narrowing of the spread between short- and long-term. Accordingly, while in previous years the Group's strategy was to take advantage of this trend by switching a portion of the indebtedness into floating-rate debt, at the current market conditions, this strategy would appear much more risky. In fact, generally, the best time to assess the conversion from fixed to floating rate coincides with the periods when the spread between long-term (fixed) rate and short-term (floating) rate is considerable, as the saving (positive carry) is substantial and the floating rate is high enough to allow reductions.

At 31 December 2012, the outstanding transactions were the following:

- *Interest rate swap fixed/floating/fixed rate for €mil. 200*, related to the Finmeccanica Finance issue due 2018 (totalling €mil. 500), which guarantees a fixed rate of 5.30% compared to the bond issue rate of 5.75%. Therefore, the average interest rate related to this issue is 5.57%;
- *Options for €mil. 200* (CAP and Knock out at 4.20% in relation to the 6-month euribor interest rate), originally purchased in order to partially cover the bond issue due 2025. Moreover, given the low cost of the transaction, it is currently deemed appropriate not to settle the transaction, in order to use it in the event of the Group's strategy providing for a return to the floating rate, or against an unfavourable floating-rate indebtedness;
- *Interest rate swap fixed/floating rate* for €mil. 750, related to the Finmeccanica Finance bond due 2013, for a nominal amount of €mil. 750 (which decreased from an original amount of €mil. 1,000, as a result of buy-back transactions completed in more than one tranche). The transaction enables to benefit from the low costs of floating rates with a saving of more than 2%.

The detail of the main derivative instruments in interest rate swaps (IRS) at 31 December 2012 are as follows:

€ thousand	Notional		Underlying	Fair Value 01.01.12	Changes			Fair Value 31.12.12
	2012	2011			Income	Expense	CFH Reserve	
IRS fixed/floating/fixed	200,000	200,000	Bond 2018	4,491	-	(264)	-	4,227
Options	200,000	200,000	Bond 2025	(3,345)	-	(538)	-	(3,883)
IRS fixed/floating	750,000	750,000	Bond 2013	30,112	-	(7,720)	-	22,392
Total notional	**1,150,000**	**1,150,000**		**31,258**	**-**	**(8,522)**	**-**	**22,736**

€ thousand	Notional		Underlying	Fair Value 01.01.11	Changes			Fair Value 31.12.11
	2011	2010			Income	Expense	CFH Reser ve	
IRS fixed/floating/fixed	200,000	200,000	Bond 2018	4,747	-	(256)	-	4,491
Options	200,000	250,000	Bond 2025	20,710	-	(24,055)	-	(3,345)
IRS fixed/floating	750,000	750,000	Bond 2013	32,168	-	(2,056)	-	30,112
Total notional	**1,150,000**	**1,200,000**		**57,625**	**-**	**(26,367)**	**-**	**31,258**

(a)

The table below shows the effects of the sensitivity analysis for 2012 and 2011 deriving from the 50-basis-point shift in the interest rate:

(€ thousand)	**31 Dec. 2012**		**31 Dec. 2011**	
	Effect of shift of interest rate curve		**Effect of shift of interest rate curve**	
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
Net result	1,064	(1,049)	(5,110)	3,796
Equity (*)	1,064	(1,049)	(5,110)	3,796

(*)Defined as sum of earnings and cash-flow hedge reserve

Exchange rate risk

Due to their commercial operations, the Group’s companies are exposed to the risk of fluctuations in the currencies in which their orders and costs are denominated (specifically, US dollar and, to a lesser extent, the pound sterling).

Exchange rate risk management for the Group is governed by the directive issued by Finmeccanica. The purpose of the directive is to standardise for all the companies the management criteria based on industrial-not speculative-strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency positions.

Finmeccanica acts as counterparty for the Group companies in transactions to hedge exchange rate risk and, therefore, in its dealings with the banks it serves basically as a "pass-through" for the Group companies. Moreover, the Company hedges risks arising from current intragroup financial payables and/or receivables denominated in currencies other than the euro.

The effectiveness of hedges is tested at least at each interim or year-end reporting date using mathematical and statistical methods. In the event that, due to its nature or following such tests, a derivative instrument held should be found to no longer be an effective hedge, the fair value of the instrument is immediately recognised through profit or loss. In the event the designation of the instrument as a hedge should continue to be supported by the tests of actual and future effectiveness, the cash-flow hedge accounting method of recognition is adopted (Note 4.2).

These transactions are mainly carried out with banks by Finmeccanica's Group Finance Department in the interest of the fully owned entities and then matched with the companies of the Group, which incur the relevant costs.

At 31 December 2012, Finmeccanica had outstanding foreign exchange transactions in the interest of other Group companies totalling €mil. 5,234 (notional amount) (a slight increase of about 1% over the year-earlier period):

€ thousand	**Notional 2012**		
	Sales	**Purchases**	**Total**
Swap and forward transactions	2,670,855	2,563,463	5,234,318

€ thousand	**Notional 2011**		
	Sales	**Purchases**	**Total**
Swap and forward transactions	2,865,284	2,340,375	5,205,658

Finally, as a result of the financial centralisation, the cash flows of the Group's foreign companies were recharged in several ways to Finmeccanica Spa through intercompany transactions mainly denominated in GBP and USD. For this type of risks, the income statement is hedged using mirror transactions of payables/receivables from banks in the currency of intercompany items or through specific exchange rate derivatives, classified as fair value hedges. As a result, even though the Group has no economic exposure, it is subject to balance sheet volatility directly impacting the amount of Group net debt, which is affected by the realigning payables/receivables in foreign currency from third parties or, similarly, by the cash effects deriving from the renewal of hedges.

The table below shows the expected due dates of receipts and payments related to derivative instruments broken down by main currencies:

	31 December 2012				31 December 2011			
	Receipts		Payments		Receipts		Payments	
Cash-flow and fair-value hedge transactions	Notional		Notional		Notional		Notional	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Within 1 year	915	15,032	41,432	985,603	47,399	11,882	80,604	858,913
2 to 3 years								
4 to 9 years				490,316				475,622
Total	**915**	**15,032**	**41,032**	**1,475,739**	**47,399**	**11,882**	**80,604**	**1,334,535**

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the pound sterling and the US dollar, assuming a +/-5% change in the euro/US dollar exchange rate and the euro/pound sterling exchange rate compared with the reference rates at 31 December 2012 (1.3194 and 0.8161, respectively) and at 31 December 2011 (1.2939 e 0.8353, respectively).

	2012				**2011**			
€ thousand	**Effect of change in the €/GBP rate**		**Effect of change in the €/USD rate**		**Effect of change in the €/GBP rate**		**Effect of change in the €/USD rate**	
	increase of 5%	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*
Net result	(1,041)	2,538	2,125	(2,348)	450	(591)	294	(286)
Equity	(1,041)	2,538	2,125	(2,348)	450	(591)	294	(286)

Liquidity risk

The Group is exposed to liquidity risk, i.e. the risk of not being able to efficiently finance its usual business and investment operations, as well as the requirements connected with the volatility of the relevant commercial markets and with the effects of the current reorganisation of the Group, specifically with regard to the financial outlays relating to efficiency-improvement processes and to activities linked to business contracts at risk of renegotiation. Furthermore, there is the risk of not being able to repay debts at the expiry dates.

In order to face the abovementioned risks, the Group has adopted a series of instruments aimed at optimizing the management of financial resources. In this regard, note the borrowing activity which was completed in previous years on bank and bond markets, with the last 5-year issue of the €mil. 600 bond by Finmeccanica Finance which was completed in December 2012, entirely backed by

Finmeccanica S.p.A. (in this regard, reference should be made to Financial Transactions section of the Report on Operations). As a result of this new issue, the average maturity of the bond debt is about 9 years.
Following said last transaction, at 31 December 2012 the EMTN (Euro Medium Term Program) program, out of which all the current bonds of Finmeccanica S.p.a. and Finmeccanica Finance S.A. were issued on the Euromarket, had been used for a total of about €mil 3,440, compared to its total amount of €mil. 3,800; the renewal of the program for an additional 1-year period is expected to start in the first half of 2013.
It should be noted that, in December 2013, the Group will be required to repay the residual amount of the bond issue of an original amount of €mil.1,000, which has already been reduced to €mil. 750 as a result of the buy-back transactions carried out in 2011 and 2012; these transactions have already been commented in detail in other sections of the document; furthermore, the refinancing of said residual amount has already been planned through the issue of a total amount of €mil. 600 in December 2012 (for a detailed description of the transaction, see the Financial Transactions section). Furthermore, in 2013 the second repayment of €mil. 46 is expected to be made of the principal portion of the EIB loan, which was signed and used by Finmeccanica in 2010 .

Furthermore, Finmeccanica, in order to finance its own ordinary and extraordinary operations, can use the cash and cash equivalents of €mil. 2,137 reported at 31 December 2012, as well as its credit line (Revolving Credit Facility) totalling €mil. 2,400, which was entered into in 2010 and which will expire in September 2015. In this regard, it should be noted that the measures taken in 2012 by the Agencies on the rating of the medium/long-term debt of Finmeccanica, caused the increase in the cost related to the use of said credit line, with a margin passed from an initial 0.75% to the current 1.47% on the Euribor for the period.At 31 December 2012, unconfirmed credit lines of €mil. 612 were available to the Group. At 31 December 2012 all credit lines described above were entirely unused.
Furthermore, it should be noted that the entry into force of the new business contracts is subject to the Group’s ability to issue, in favour of the customers, the necessary bank and insurance guarantees. To this end, at 31 December 2012 Finmeccanica had unconfirmed credit lines for an amount of about €mil. 2,054 at banks.

Credit risk

Finmeccanica Spa, given is special position as industrial holding company exercising guidance and control, is exposed to limited counterparty risk in its commercial dealings; vice versa it is exposed to considerable risk with respect to its financing and investing activities, as well as for the guarantees it issues, mainly on behalf of Group companies, for payables or commitments to non-Group parties

(Note 26). To that end, the Company has adopted a policy of prudently assessing financial counterparties.

At 31 December 2012, net trade receivables totalled €thou. 10,864 (€thou. 8,973 at 31 December 2011), of which €thou. 7,278 (€thou.6,717 at 31 December 2011) is past due by more than 12 months. Part of this amount is offset by a liability in relation to payable items or provisions for risks on any net excesses.

The table below summarises trade receivables at 31 December 2012 and 2011, claimed from third parties:

€thou.	**31 December 2012**	**31 December 2011**
Portion due	9,086	6,717
- of which: for more than 12 months	*7,278*	*6,717*
Portion not yet due	1,778	2,256
Total trade receivables	10,864	8,973

Both trade and financial receivables are impaired individually if they are significant. For receivables that are not impaired individually, impairment provisions are accrued on an aggregate basis, using historical series and statistical data.

Classification of financial assets and liabilities

The table below gives a breakdown of Company assets by type of recognition. Except for the financial instruments in BCV Investments S.A., the fair value is determined on the basis of measurement techniques which consider directly observable market inputs (the so-called "Level 2" as defined in IFRS 7). In particular, the inputs used for the fair value measurement are the foreign exchange rate and interest rate observable on the market (spot exchange rates and forwards), exclusively in relation to options, and the volatility of these inputs.

The fair value of the hybrid financial instruments in BCV Investments S.A., vice versa, was determined on the basis of the price in the binding takeover bid made in 2012 for a great part of the underlying business (the so-called "Level 3", as defined in IFRS 7).

Liabilities are all valued using the "amortised cost method".

€ thousand 31 Dec. 12	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Non-current receivables from related parties	-	248,772	-	-	248,772
Financial assets at fair value	282,475		-	-	282,475
Receivables	-	2,002	-	-	2,002
Current assets					
Current receivables from related parties	-	2,527,449	-		2,527,449
Trade receivables	-	10,864	-		10,864
Financial assets at fair value	-	-	-	55	55
Loans and receivables	-	40	-		40
Derivatives	27,894				27,894
Other assets	-	154,034	-		154,034
Cash and cash equivalents		1,219,486			1,219,486

€ thousand 31 Dec. 11	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Non-current receivables from related parties	-	294,393	-	-	294,393
Financial assets at fair value	-	-	-	-	-
Receivables	-	3,403	-	-	3,403
Current assets					
Current receivables from related parties	-	2,645,992	-		2,645,992
Trade receivables	-	8,973	-		8,973
Financial assets at fair value	-	-	-	4,873	4,873
Loans and receivables	-	40	-		40
Derivatives	57,190				57,190
Other assets	-	150,445	-		150,445
Cash and cash equivalents		695,373			695,373

37. REMUNERATION TO KEY MANAGEMENT PERSONNEL

Remuneration paid to persons who have power and responsibility over the planning, management and control of the Company, including executive and non-executive directors, is as follows:

	2012	*2011*
Compensation	4,908	12,426
Post-employment benefits		494
Other long-term benefits		-
Severance indemnity		14,569
Stock grants		717
Total	4,908	28,206

Remuneration paid to Directors, members of the Board of Statutory Auditors, the Chief Operating Officer and managers with strategic responsibility include fees and other compensation, pensions and other benefits owed as a result of holding their positions within the Company, any professional services provided and analogous positions held in subsidiaries, even if passed on to the Company.

Finmeccanica, in order to create an incentive and retention system for Group employees and collaborators, in past years implemented incentive plans providing for the granting, conditional to the achievement of planned corporate objective, of Finmeccanica shares (Performance Share Plan 2008-2010), which ended in 2011 with the assignment of the last tranche of the Company shares.

	2012 (no. of shares)	*2011 (no. of shares)*
Rights existing at 1 January	-	-
New rights assigned	-	611,700
Rights exercised during the year	-	611,700
Rights lapsed during the year	-	-
Rights existing at 31 December	-	-

APPENDICES

Appendix no. 1
EQUITY INVESTMENTS
(€ thousand)

%		31.12.2011 Cost	31.12.2011 Impairment	31.12.2011 Carrying amount	Transfers/ acquisitions of business units (a)	Acquis./ Subscriptions/ Payments of capital	Disposal (b)	Reclass. (c)	Stock grants	Financial revaluation impairment	Capital replanishment	Other changes (d)	31.12.2012 Cost	31.12.2012 Impairment	31.12.2012 Carrying amount
	Equity investments in subsidiaries														
100	AGUSTA WESTLAND NV	2,170,868	(1,778)	2,169,090									2,170,868	(1,778)	2,169,090
100	ALENIA AERMACCHI SpA (*)	541,622	(541,622)								378,351		541,622	(163,271)	378,351
54.55	ANSALDO ENERGIA HOLDINGS SpA (**)	272,750		272,750				(272,750)							
54.55	ANSALDO ENERGIA SpA (**)							272,750					272,750		272,750
40.07	ANSALDO STS SpA	43,783		43,783									43,783		43,783
100	ANSALDOBREDA SpA	508,946	(508,946)							(40,614)	40,614		508,946	(508,946)	0
100	BREDAMENARINIBUS SpA	29,765	(29,765)			6,800				(11,113)	4,313		36,565	(36,565)	
100	ELSACOM NV	65,817	(65,817)							(2,353)	4,083		65,817	(64,087)	1,730
100	FATA SpA	21,940		21,940									21,940		21,940
99.99	FINMECCANICA DO BRASIL LTDA	67		67		400							467		467
100	FINMECCANICA FINANCE SA	79,362		79,362									79,362		79,362
100	FINMECCANICA GROUP REAL ESTATE SpA	442,735		442,735									442,735		442,735
100	FINMECCANICA GROUP SERVICES SpA	53,819	(20,759)	33,060									53,819	(20,759)	33,060
100	FINMECCANICA NORTH AMERICA Inc	3,410		3,410									3,410		3,410
100	FINMECCANICA UK Ltd	2		2									2		2
100	MECCANICA HOLDINGS USA, Inc	2,389,416	(363,000)	2,026,416						(927,000)			2,389,416	(1,290,000)	1,099,416
100	OTO MELARA SpA	102,774		102,774									102,774		102,774
100	SELEX ELSAG SpA (***)	519,463	(276,561)	242,902			(242,902)								
100	SELEX ELECTRONICS SYSTEMS SpA (***)	1,000		1,000		1,999,000				(113,000)			2,000,000	(113,000)	1,887,000
100	SELEX GALILEO Ltd (***)	1,176,765		1,176,765			(1,176,765)								
100	SELEX GALILEO SpA (***)	459,996	(95,000)	364,996			(364,996)								
100	SELEX SISTEMI INTEGRATI SpA (***)	519,676	(260,000)	259,676			(259,676)								
100	SO.GE.PA.- Società Generale di Partecipazioni SpA (in Liq.)	3,000		3,000						(3,000)			3,000	(3,000)	
67	TELESPAZIO HOLDING Srl (****)	170,880		170,880				(170,880)							
67	TELESPAZIO SpA (****)							170,880					170,880		170,880
100	TRIMPROBE SpA (in Liq.)	1,576	(1,576)										1,576	(1,576)	
100	WHITHEAD SISTEMI SUBACQUEI SpA (*****)	24,731		24,731									24,731		24,731
		9,604,163	**(2,164,824)**	**7,439,339**		**2,006,200**	**(2,044,339)**			**(1,097,080)**	**427,361**		**8,934,463**	**(2,202,982)**	**6,731,481**

Appendix no. 1
EQUITY INVESTMENTS
(€ thousand)

%		31.12.2011 Cost	31.12.2011 Impairment	31.12.2011 Carrying amount	Transfers/ acquisitions of business units (a)	Acquis./ Subscriptions/ Payments of capital	Disposal (b)	Reclass. (c)	Stock grants	Financial revaluation impairment	Capital replanishment	Other changes (d)	31.12.2012 Cost	31.12.2012 Impairment	31.12.2012 Carrying amount
	Equity investments in associates														
50	AMSH BV	872,920	(392,146)	480,774									872,920	(392,146)	480,774
31.33	ELETTRONICA SpA	53,693	(46,462)	7,231									53,693	(46,462)	7,231
50	EUROSYSNAV SAS	20		20									20		20
11	EUROTECH SPA	18,150	(12,368)	5,782									18,150	(12,368)	5,782
30.98	IND. A. E M. R. PIAGGIO SpA (Amm.strd)	31,503	(31,503)										31,503	(31,503)	
25	LIBYAN ITALIAN ADVANCED TECH. Co.	2,000		2,000									2,000		2,000
30	NGL PRIME SpA	36		36									36		36
20.0001	SCUOLA ICT Srl (in liq.)	2		2								(2)			
33	THALES ALENIA SPACE SAS	546,000	(145,100)	400,900									546,000	(145,100)	400,900
		1,524,324	**(627,579)**	**896,745**								**(2)**	**1,524,322**	**(627,579)**	**896,743**
	Other companies														
10	ATITECH SpA	1,250	(839)	411									1,250	(839)	411
15	BCV MANAGEMENT SA					5							5		5
14.32	BCV INVESTMENTS SCA					3,900							3,900		3,900
16.67	CONS. CATRIN (in liq)	43	(43)												
5	CONSORZIO C.I.F.A.P.	5		5									5		5
40	CONS. CINS	10	(10)										10	(10)	
99	CONS. CREO	1,023	(512)	511						(234)	99		1,023	(647)	376
2.38	CONS. ENERGIA ROMA	1		1									1		1
7.69231	CONS. PISA RICERCHE S.c.r.l (in bankruptcy)	71		71						(71)			71	(71)	
14.29	CONS. ROMA RICERCHE	31		31									31		31
11.1111	DISTRETTO LIGURE DELLE TECN. MARINE S.c.r.l	120		120									120		120
3.7	EMITTENTI TITOLI SpA	200		200									200		200
18.94	EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (Liq.)	50		50									50		50
18.94	EUROPEAN SATELLITE NAVIGAT. IND. SA (in Liq.)	50		50									50		50
13.584	**ITP Srl . (in bankruptcy)**	**1,952**	**(1,952)**										1,952	(1,952)	
2.16	SOC. INFORMAZIONI ESP. TERMOIDR. SpA	112	(93)	19									112	(93)	19
		4,918	**(3,449)**	**1,469**		3,905				(305)	99		**8,780**	**(3,612)**	**5,168**
	TOTAL EQUITY INVESTMENTS	**11,133,405**	**(2,795,852)**	**8,337,553**		**2,010,105**	**(2,044,339)**			**(1,097,385)**	**427,460**	**(2)**	**10,467,565**	**(2,834,173)**	**7,633,392**

(*) On 1 January 2012 Alenia Aermacchi S.p.A. was merged into Alenia Aeronautica S.p.A. and the latter simultaneously changed its name to Alenia Aermacchi S.p.A.

(**) On 30 June 2012 Ansaldo Energia Holding SpA was merged into Ansaldo Energia SpA

(***) On 1 January 2012 the equity investments in Selex Elsag Spa, Selex Galileo SpA, Selex Galileo Ltd and Selex Sistemi Integrati SpA were transferred to the wholly-owned subsidiary Selex Electronic Systems SpA

(****) On 20 February 2012 Telespazio Holding Srl was merged into Telespazio SpA

(*****) Whitehead Alenia Sist.Subacquei SpA at 31 December 2011

	Parent companies	Subsidiaries	Associates	Joint ventures	Consortiums	Other companies
(a) Of which:						
Cost						
Impairment						
(b) Of which:						
Cost		(2,675,900)				(1,952)
Impairment		631,561				1,952
		(2,044,339)				
(c) Of which:						
Cost						
Impairment						
(d) Of which:						
Cost		(2)				
Impairment						
		(2)				

Appendix no. 2
LIST OF EQUITY INVESTMENTS
(€thousand)

Name	Office	Reporting date	Share capital (total)	Currency	Equity	Profit (loss)	Ownership	Net equity in financial statements	Carrying amount
Equity investments in subsidiaries									
AGUSTA WESTLAND NV	Amsterdam (Holland)	**31/12/2012**	80,000		1,352,523	141,251	100.00	1,352,523	**2,169,090**
ALENIA AERMACCHI SpA (*)	Venegono Superiore (Varese)	**31/12/2012**	250,000,000		409,969	102,744	100.00	409,969	**378,351**
ANSALDO ENERGIA SpA (**)	Genoa	**31/12/2012**	100,000,000		490,596	3,332	54.55	267,620	**272,750**
ANSALDO STS SpA	Genoa	**31/12/2012**	80,000,000		344,396	50,738	40.07	137,982	**43,783**
ANSALDOBREDA SpA	Naples	**31/12/2012**	55,839,139		(125,026)	(181,563)	100.00	(125,026)	-
BREDAMENARINIBUS SpA	Bologna	**31/12/2012**	1,300,000		(20,263)	(42,484)	100.00	(20,263)	-
ELSACOM NV	Amsterdam (Holland)	**31/12/2012**	4,537,802		1,730	(2,808)	100.00	1,730	**1,730**
FATA SpA	Pianezza - Turin	**31/12/2012**	20,000,000		14,321	(1,671)	100.00	14,321	**21,940**
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	**31/12/2012**	445,036		515	35	100.00	515	**467**
(EURO at 31.12.2012= brl 2.7036)			1,203,200	brl	1,393	95			
FINMECCANICA FINANCE SA	Luxembourg	**31/12/2012**	12,371,940		100,045	16,910	100.00	100,045	**79,362**
FINMECCANICA GROUP REAL ESTATE SpA	Rome	**31/12/2012**	49,945,983		503,455	(6,867)	100.00	503,455	**442,735**
FINMECCANICA GROUP SERVICES SpA	Rome	**31/12/2012**	21,000,000		32,686	2,502	100.00	32,686	**33,060**
FINMECCANICA NORTH AMERICA Inc	Delaware (USA)	**31/12/2012**	758		3,750	78	100.00	3,750	**3,410**
(EURO at 31.12.2012= $ 1.3194)			1,000	$	4,948	103			
FINMECCANICA UK Ltd	Yeovil (England)	**31/12/2012**	1,225		3,264	448	100.00	3,264	**2**
(EURO at 31.12.2012= gbp 0.8161)			1,000	gbp	2,664	366			
MECCANICA HOLDINGS USA, INC	Wilmington (USA)	**31/12/2012**	2,728,512,960		1,131,358	(858,601)	100.00	1,131,358	**1,099,416**
(EURO at 31.12.2012= $ 1.3194)			3,600,000,000	$	1,492,714	(1,132,838)			
OTO MELARA SpA	La Spezia	**31/12/2012**	92,307,722		145,900	27,416	100.00	145,900	**102,774**
SELEX ELECTRONICS SYSTEMS SpA (***)	Rome	**31/12/2012**	1,000,000		1,851,965	(148,052)	100.00	1,851,965	**1,887,000**
SO.GE.PA.- Società Generale di Partecipazioni SpA (in liq.)	Genoa	**31/12/2012**	1,000,000		(14,695)	(15,805)	100.00	(14,695)	-
TELESPAZIO SpA (****)	Rome	**31/12/2012**	50,000,000		206,756	3,229	67.00	138,527	**170,880**
TRIMPROBE SpA (in liq.)	Rome	**31/12/2012**	1,576,002		(2,203)	336	100.00	(2,203)	-
WHITHEAD SISTEMI SUBACQUEI SpA (*****)	Livorno	**31/12/2012**	21,346,000		28,206	6,295	100.00	28,206	**24,731**
									6,731,481

Appendix no. 2

LIST OF EQUITY INVESTMENTS

(€thousand)

Name	Office	Reporting date	Share capital (total)	Currency	Equity	Profit (loss)	Ownership	Net equity in financial statements	Carrying amount
Equity investments in associates									
AMSH BV	Amsterdam (Holland)	**31/12/2012**	36,296,316		787,728	125,477	50.00	393,864	**480,774**
ELETTRONICA SpA	Rome	**31/12/2012**	9,000,000		69,475	15,000	31.33	21,767	**7,231**
EUROSYSNAV SAS	Paris (France)	**31/12/2012**	40,000		5,906	(1,354)	50.00	2,953	**20**
EUROTECH SpA	Udine	**30/09/2012**	8,878,946		120,090	(2,290)	11.08	13,306	**5,782**
IND. A. E M. R. PIAGGIO SpA(Amm.strd)	Genoa	**n.a.**	103,567		n.d.	n.d.	30.98	n.d.	-
LIBYAN ITALIAN ADVANCED TECH. Co.	Tripoli (Libya)	**31/12/2011**	8,141,575		2,821	(2,251)	25.00	705	**2,000**
(EURO at 31.12.2012= lyd 1.666508)			13,568,000	lyd	4,702	(3,751)			
NGL PRIME SpA	Turin	**31/12/2012**	120,000		164	(37)	30.00	49	**36**
THALES ALENIA SPACE SAS (******)	Paris (France)	**31/12/2012**	979,240,000		1,968,416	81,725	33.00	649,577	**400,900**
									896,743
Consortiums									
CONSORZIO C.I.F.A.P.	Deruta- Perugia	**n.a.**	100,000		n.d.	n.d.	5.00	n.d.	**5**
CONS. CINS	Rome	**n.a.**	n.a.				40.00	n.d.	-
CONS. CREO	L'Aquila	**31/12/2012**	774,685		380	(395)	99.00	376	**376**
CONS. ROMA ENERGIA	Rome	**n.a.**	32,847		33	n.d.	2.38	1	**1**
CONS. ROMA RICERCHE	Rome	**31/12/2010**	209,114		209	0	12.50	26	**31**
CONS. PISA RICERCHE S.c.r.l (in Fall.)	Pisa	**n.a.**	1,061,613		n.d.	n.d.	7.69	n.d.	-
									413
Other companies									
ATITECH SpA	Capodichino - Naples	**31/12/2012**	6,500,000		5,080	428	10.00	508	**411**
BCV MANAGEMENT SA	Luxembourg	**31/12/2011**	36,470		37	(1)	15.00	6	**5**
BCV INVESTMENTS SCA	Luxembourg	**31/12/2011**	5,446,513		18,111	(2,138)	14.32	2,594	**3,900**
DISTRETTO LIGURE DELLE TECNOLOGIE MARINE S.c.r.l	La Spezia	**31/12/2011**	1,080,000		1,115	(29)	11.11	124	**120**
EMITTENTI TITOLI SpA	Milan	**31/12/2011**	4,264,000		6,314	959	3.70	234	**200**
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (in liq.)	Ottobrunn (Germany)	**31/12/2009**	264,000		0	30	18.94	0	**50**
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (in liq.)	Bruxelles (Belgium)	**31/12/2009**	264,000		(1,346)	3,489	18.94	(255)	**50**
ITP SRL (in bankruptcy)	Milan	**n.a.**	7,029,401		n.d.	n.d.	13.58	n.d.	-
SOC.INFORM ESPERIENZE TERMOID. SpA	Piacenza	**31/12/2012**	697,820		1,000	200	2.16	22	**19**
									4,755
TOTAL EQUITY INVESTMENTS									**7,633,392**

(*) On 1 January 2012 Alenia Aermacchi S.p.A. was merged into Alenia Aeronautica SpA and the latter simultaneously changed its name to Alenia Aermacchi SpA;

(**) On 30 June 2012 Ansaldo Energia Holding SpA was merged into Ansaldo Energia SpA;

(***) On 1 January 2012 the equity investments in SELEX Elsag SpA, SELEX Galileo SpA, SELEX Sistemi Integrati SpA and on 2 January 2012 SELEX Galileo Ltd were transferred to the wholly-owned subsidiary SELEX Electronic Systems SpA;

(****) On 20 February 2012 Telespazio Holding Srl was merged into Telespazio SpA ;

(*****) Whitehead Alenia Sist.Subacquei SpA at 31 December 2011;

(******) Net Equity value from consolidated financial statements.

Appendix no. 3
NON-CURRENT RECEIVABLES
€ thousand

	31 Dec. 2011								**31 Dec. 2012**		
	Residual nominal amount	Impairment	Book value	Disbursement	Reclassifications	Reimbursements	Other changes	Impairment (-) Reversal (+)	Residual nominal amount	Impairment	Book value
Receivables	3,403		3,403	60		1,461			2,002		2,002
- Receivables from subsidiaries											
AgustaWestland SpA	72,829		72,829		(3.330)				69,499		69,499
Sistemi Software Integrati SpA	292		292		(300)		8				
SELEX Elsag SpA	77		77		(80)		3				
Finmeccanica Group Services SpA	42		42						42		42
Finmeccanica Group Real Estate SpA	218,352		218,352		(25,600)	13,552			179,200		179,200
- Receivables from Joint Ventures											
Thales Alenia Space Italia SpA	2,798		2,798		(2,852)		82		28		28
- Other related parties											
Ferrovie dello Stato SpA	1		1						1		1
Poste Italiane SpA	2		2						2		2
Total receivables	**297,796**		**297,796**	**60**	**(32,162)**	**15,013**	**93**		**250,774**		**250,774**

Appendix no. 4

ASSETS BROKEN DOWN BY MATURITY

€ thousand

	31 Dec. 2012			**31 Dec. 2011**		
	Amounts due			**Amounts due**		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Receivables						
Loans and receivables	1,534		1,534	2.106		2.106
Non-current loans and receivables from related parties	197,443	51,256	248,699	235,436	58,884	294,320
Other receivables	468		468	1,297		1,297
Other non-current receivables from related parties	73		73	73		73
Other non-current assets	285,442		285,442	5,934		5,934
Total receivables non-current assets	484,960	51,256	536,216	244,846	58,884	303,730

Appendix no. 5
FOREIGN CURRENCY ASSETS
€ thousand

	31 Dec. 2012			31 Dec. 2011		
	In foreign currency	In Euro	Total	In foreign currency	In Euro	Total
Receivables						
Loans and receivables		1,534	1,534		2,106	2,106
Other receivables	251	217	468	206	1,091	1,297
Non-current loans andreceivables from related parties		248,699	248,699		294,320	294,320
Other non-current receivables from related parties		73	73		73	73
Other non-current assets		285,442	285,442		5,934	5,934
Total receivables and other non-recurring assets	251	535,965	536,216	206	303,524	303,730
Deferred tax assets		438,240	438,240		128,409	128,409
Total non-current assets	251	974,205	974,456	206	431,933	432,139
Loans and receivables		40	40		39	39
Loans and receivables from related parties	67	2,405,782	2,405,849	54,138	2,517,970	2,572.,08
	67	2,405,822	2,405,889	54,138	2,518,009	2,572,147
Trade receivables		10,865	10,865		8,973	8,973
Trade receivables from related parties	77	68,631	68,708	34	56,028	56,062
	77	79,496	79,573	34	65,001	65,035
Other assets	308	153,781	154,089	419	154,899	155,318
Other receivables from related parties	122	52,770	52,892	124	17,698	17,822
	430	206,551	206,981	543	172,597	173,140
Income tax receivables		88,799	88,799		114,769	114,769
Derivatives		27,984	27,984	21,889	35,301	57,190
Cash and cash equivalents	16,164	1,203,322	1,219,486	5,547	689,826	695,373
Total current assets	**16,738**	**4,011,974**	**4,028,712**	**82,151**	**3,595,503**	**3,677,654**

Appendix no. 6
ASSETS BY GEOGRAPHICAL AREA
€ thousand

	31 Dec. 2012					31 Dec. 2011				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Receivables										
Loans and receivables	1,534				1,534	2,106				2,106
Other receivables	207	10		251	468	1,085	11		201	1,297
Non-current loans and receivables from related parties	248,699				248,699	294,320				294,320
Other non-current receivables from related parties	73				73	73				73
Other non-current assets	2,967	282,475			285,442	5,934				5,934
Total receivables and other non-recurring assets	253,480	282,485		251	536,216	303,518	11		201	303,730
Deferred tax assets	438,240				438,240	128,409				128,409
Total non-current assets	691,720	282,485		251	974,456	431,927	11		201	432,139
Loans and receivables	40				40	39				39
Loans and receivables from related parties	1,853,515	552,047	287		2,405,849	2,244,955	279,457	47,696		2,572,108
	1,853,555	552,047	287		2,405,889	2,244,994	279,457	47,696		2,572,147
Trade receivables	10,135	284	86	360	10,865	8,251	276	86	360	8,973
Trade receivables from related parties	57,459	8,894	2,355		68,708	46,669	7,471	1,922		56,062
	67,594	9,178	2,441	360	79,573	54,920	7,747	2,008	360	65,035
Other assets	152,928	1,080	32	49	154,089	153,845	1,074	149	250	155,318
Other receivables from related parties	52,574	3	65	250	52,892	17,542	2	28	250	17,822
	205,502	1,083	97	299	206,981	171,387	1,076	177	500	173,140
Income tax receivables	88,799				88,799	114,769				114,769
Derivatives	27,984				27,984	57,190				57,190
Cash and cash equivalents	1,218,269	692	278	247	1,219,486	689,884	4,872	284	333	695,373
Total current assets	3,461,703	563,000	3,103	906	4,028,712	3,333,144	293,152	50,165	1,193	3,677,654

Appendix no. 7

AVAILABLE AND DISTRIBUTABLE RESERVES

€thousand

Nature/description	Amount	Possible use	Available portion
Share capital (*)	2,524,859		
Capital reserves:			
Share premium reserve (**)	585,331	A,B,C	585,331
Merger surplus	379,766	A,B,C	379,766
Treasury share reserve	313	B	
Revenue reserves:			
Legal reserve	214,283	B	
Extraordinary reserve	391,462	A,B,C	391,462
Reserve for unexercised rights	3,630	A,B,C	3,630
Reserve for prescribed dividends	425	A,B,C	425
Reserve for actuarial gains (losses) in equity	554	B	
Retained earnings	2,205,721	A,B,C	1,878,825
Losses carried forward	(1,375,551)		(1,375,551)
Total	**4,930,793**		**1,863,888**

Keys:

(*) less treasury shares for €thou. 313 and €thou. 18,690 for costs for capital increase

(**) €thou. 290,842 available for distribution to shareholders

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

Appendix no. 8

LIABILITIES BROKEN DOWN BY MATURITY

€ thousand

	31 Dec. 2012			**31 Dec. 2011**		
	Amounts due			**Amounts due**		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Other non-current liabilities	109,664		109,664	114,939		114,939
Other non-current payables to related parties						
	109,664		109,664	114,939		114,939
Non-current loans and borrowings	190,824	721,982	912,806	175,958	768,080	944,038
Non-current loans and borrowings from related parties	1,265,430	919,182	2,184,612	1,496,292	908,230	2,404,522
	1,456,254	1,641,164	3,097,418	1,672,250	1,676,310	3,348,560
Total non-current liabilities	**1,565,918**	**1,641,164**	**3,207,082**	**1,787,189**	**1,676,310**	**3,463,499**

Appendix no. 9
FOREIGN CURRENCY LIABILITIES
€ thousand

	31 Dec. 2012			31 Dec. 2011		
	In foreign currency	In Euro	Total	In foreign currency	In Euro	Total
Non-current loans and borrowings		912,806	912,806		944,038	944,038
Non-current loans and borrowings from related parties	490,136	1,694,476	2,184,612	440,878	1,963,644	2,404,522
	490,136	2,607,282	3,097,418	440,878	2,907,682	3,348,560
Other non-current liabilities		109,664	109,664		114,939	114,939
Other non-current payables to related parties						
		109,664	109,664		114,939	114,939
Deferred tax liabilities		32,937	32,937		14,618	14,618
Total non-current liabilities	490,136	2,749,883	3,240,019	440,878	3,037,239	3,478,117
Loans and borrowings	7	70,927	70,934	2	78,105	78,107
Loans and borrowings from related parties	1,027,035	3,027,526	4,054,561	974,261	1,709,380	2,683,641
	1,027,042	3,098,453	4,125,495	974,263	1,787,485	2,761,748
Trade payables	1,463	30,437	31,900	2,963	28,512	31,475
Trade payables to related parties	5,201	18,913	24,114	7,105	16,731	23,836
	6,664	49,350	56,014	10,068	45,243	55,311
Other liabilities	570	38,429	38,999	232	49,662	49,894
Other payables to related parties		764,235	764,235		344,850	344,850
	570	802,664	803,234	232	394,512	394,744
Income tax payables		4,154	4,154			
Derivatives		12,779	12.,79		3,345	3,345
Total current liabilities	**1,034,276**	**3,967,400**	**5,001,676**	**984,563**	**2,230,585**	**3,215,148**

Appendix no. 10

LIABILITIES BY GEOGRAPHICAL AREA

€ thousand

	31 Dec. 2012					31 Dec. 2011				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Non-current loans and borrowings	495,922	416,884			912,806	490,158	453,880			944,038
Non-current loans and borrowings from related parties		2,184,612			2,184,612		2,404,522			2,404,522
	495,922	2,601,496			3,097,418	490,158	2,858,402			3,348,560
Other non-current liabilities	109,664				109,664	114,939				114,939
Other non-current payables to related parties										
	109,664				109,664	114,939				114,939
Deferred tax liabilities	32,937				32,937	14,618				14,618
Total non-current liabilities	638,523	2,601,496			3,240,019	619,715	2,858,402			3,478,117
Loans and Borrowings	19,663	51,271			70,934	78,105	2			78,107
Loans and Borrowings from related parties	1,374,908	2,638,221	41,432		4,054,561		1,631,477	80,604		2,683,641
	1,457,319	2,759,475	41,432		4,125,495	1,049,665	1,631,479	80,604		2,761,748
Trade payables	29,534	1,439	743	184	31,900	27,612	1,487	1,886	490	31,475
Trade payables to related parties	18,381	1,905	2,917	911	24,114	15,521	3,909	4,198	208	23,836
	47,915	3,344	3,660	1,095	5,014	43,133	5,396	6,084	698	55,311
Other liabilities	38,771			228	38,999	49,662			232	49,894
Other payables to related parties	764.184	51			764,235	344,625	225			344,850
	802,955	51		228	803,234	394,287	225		232	394,744
Income tax payables	4,154				4,154					
Derivatives	12,779				12,779	3,345				3,345
Total current liabilities	**2,262,374**	**2,692,887**	**45,092**	**1,323**	**5,001,676**	**1,490,430**	**1,637,100**	**86,688**	**930**	**3,215,148**

Appendix no. 11
INFORMATION UNDER ARTICLE 149 *duodecies* OF ISSUERS' REGULATIONS OF CONSOB
€thousand

The table below shows the fees paid to the independent auditors KPMG S.p.A.:

Type of assignment	Independent auditors appointed/other entities	Fees recognised in the year for the carrying out of the assignment
Auditing services	KPMG S.p.A.	461
Services for issue of certification	KPMG S.p.A.	810
Total fees		**1,271**

For the Board of Directors
Chief Executive Officer and Chief Operating Officer
(Alessandro Pansa)

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/98 AS AMENDED

1. The undersigned Alessandro Pansa Chief Executive Officer and Chief Operating Officer, and Gian Piero Cutillo as the Manager in charge of financial reportingfor Finmeccanica Spa, certify, in accordance with Art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the separate financial statements at 31 December 2012.

   In this respect it is noted that:
2. no significant matters arose.

3. It is also certified that:

3.1 the separate financial statements:

   a. were prepared in accordance with International Fianncial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b. correspond to the entries in the books and accounting records;

   c. were prepared in accordance with Article 154-*ter* of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer;

3.2 the report on operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer, together with a description of the main risks and uncertainties it is exposed to.

This statement also is made pursuant to and for the purposes of Art. 154-*bis*, paragraph 2, of Legislative Decree 58 of 24 February 1998.

Rome, 23 April 2013

Chief Executive Officer and Chief Operating Officer (Alessandro Pansa)	Manager in charge of financial reporting (Gian Piero Cutillo)

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

During the year ended 31 December 2012, the Board of Statutory Auditors performed, both before and after the appointment of the majority of its members occurred on 16 May 2012, all the control and oversight activities envisaged by the relevant laws and regulations.

1. The Board of Statutory Auditors took part in all the meetings of the Board of Directors (13 meetings during 2012), during which we were given information about all activities and transactions carried out by the Company and its subsidiaries having the most significant impact on performance and financial position. Based on the information we received, we can report that the resolutions and transactions thus carried out were in compliance with the laws and bylaws, with no indication of any potential conflicts of interest with the Company, and were not manifestly imprudent, in conflict with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets.
2. Moreover, the Board of Statutory Auditors took part in all the meetings of the Control and Risks Committee (11 meetings during 2012) and attended all the meetings of the Remuneration Committee (4 meetings during 2012) through the Chairman of the Board or his representative.
3. For a detailed discussion of the most significant transactions in 2012, please see the Report on Operations, which represent the required first step towards initiating important, and rather challenging, business relaunch plans. These transactions were performed and are moving forward in a particularly difficult market environment, especially in those geographical areas that have, up until now, been the main operational and commercial arenas for the Finmeccanica Group. Furthermore, the pressure being put on defence and security budgets in the Group's main markets and remarkably in the USA, entailed significant

impairments on the goodwill and on the equity investments recorded in the financial statements. The Reports on Operations describe in detail the impairments reported and the related impact on the separate and consolidated financial statements of Finmeccanica Spa at 31 December 2012.

4. The Board of Statutory Auditors paid special attention to the intercompany and related-party transactions in order to verify the correct application of the regulations on this kind of transactions which are specifically aimed at safeguarding the interest of the minorities.

   The Board of Statutory Auditors could promptly verify the implementation of the related procedure, where applicable, which sees the Control and Risk Committee acting also as the Committee for Transactions with Related Parties. In certain cases the Control and Risk Committee has also appointed independent advisors assisting the committee with the decisions under its sphere of competence. The Directors provide a description, to which reference is made, in the Reports on Operations and in the Explanatory Notes, including the effects on the income statement and balance sheet items concerned.

5. During the year, the Board met 35 times also in the aftermath of the events, having sometimes a penal relevance, which regarded the Parent Company, some of its subsidiaries and their Top Management. The Board performed checks and gathered information from the heads of the various corporate functions. With regard to the management and accounting system and whether it accurately represents operations, the Board obtained the required information from the corporate structures and through the independent auditor, and we were thus able to confirm the continued commitment to expanding and improving the overall adequacy of the systems in place.

6. During 2012 the Board of Directors answered, on a timely basis, the queries posed by Consob (the Italian Security Regulator) and carried out the necessary analyses and, if necessary, involved the competent bodies of the subsidiaries making the Board of Statutory Auditors of listed companies exercise the powers

under article 151 of the Consolidated Law on Financial Intermediation. The Board also attended the hearings held by Consob.

7. The Board continued in 2012 to meet and exchange information with the Boards of Statutory Auditors of the main Finmeccanica Group companies (13 meetings during 2012). The Board has verified that the Group parent company and the other Group companies have exchanged and continue to exchange timely information and that the instructions given to the subsidiaries pursuant to Art. 114(2) of the Consolidated Law on Financial Intermediation are appropriate.

   These checks were also aimed at obtaining information on and assessments of the management and control systems of their respective companies (included the application of the instructions issued by the parent company Finmeccanica) and on general corporate performance. In this regard the Boards of Statutory Auditors of the subsidiaries found no critical issues worth noting. All the Boards of Statutory Auditors involved had favourable opinions concerning the adequate function of their companies' organisational, management and control systems. Also in 2012, as in the prior year, during these meetings the board members univocally and unanimously pointed out the adequacy and efficiency of the internal control systems and that there was no systematic or significant infringement of the procedures.

   Specific meetings were also held with the Boards of Statutory Auditors of the subsidiaries which suffered the most significant losses for the Group in order to acquire exceptions or remarks, if any, raised by the Board of Statutory Auditors of by the Independent Auditors; the Boards of Statutory Auditors heard did not report any exceptions or remarks.

   In fulfilling its duties, the Board promoted meetings aimed at obtaining useful information about the main judicial proceedings that involved the Finmeccanica Group. In this respect, the Board informs that they have collaborated with the judicial authorities as far as the Board was concerned and provided information and the findings of the analyses performed regarding AgustaWestland – India case.

With reference to that, the Board of Statutory Auditors together with the Control and Risk Committee met the directors of certain companies, in order to obtain a direct description of the facts and a valuation of the internal control systems in place. Moreover, the Board required, through the internal audit unit of the Parent Company, specific analyses and reports on the internal control functions of the companies involved, also through the support, if necessary, of independent experts. In particular, specific meetings between the Boards of Statutory Auditors of AgustaWestland S.p.A. and Selex Sistemi Integrati S.p.A. allowed to learning about the actions undertaken by each administrative and control body to face the critical issues in an adequate and timely manner.

8. With particular reference the supply of helicopters to the Indian Government by the subsidiary AgustaWestland, during 2012 the Board carried out a number of activities minuted in 10 reports which entailed:

   A. a request for information in accordance with article 151 of the Consolidated Law on Financial Intermediation to AgustaWestland S.p.A. and to its parent company AgustaWestland N.V.;
   B. specific meetings with the Board of Statutory Auditors of AgustaWestland S.p.A.;
   C. joint meetings with the Control and Risk Committee and with the top managers involved;
   D. a request to the Internal Audit unit to conduct a specific audit aimed at verifying the authenticity of the press news;
   E. analysis of the audit report and two specific requests with the objective of (i) verifying if the services had been actually rendered and (ii) assessing the fairness of the price paid for the repurchase of the helicopters previously sold by Westland on the Indian market;
   F. examination of a preliminary report drafted by an independent expert (a UK law practice) a request for new analyses;
   G. examination of a second report prepared by another independent expert for the purpose of completing the requested audit;

H. another meeting with the Board of Statutory Auditors of AgustaWestland S.p.A. dealing, among other things, with the adequacy of the internal control system of this company;

I. a request, in agreement with the Control and Risk Committee, for a valuation by an independent third-party on the fairness of the price paid by AgustaWestland and on the actual rendering of services in favour of this company.

9. In the Corporate Governance Report and Shareholder Structure section of the Report on Operations, in describing the internal control system and its operation, the Directors provide, *inter alia,* information on developments in the judicial authority's investigations involving certain companies of the Finmeccanica Group and several important Group executives. That Report sets out brief descriptions of those investigations of which the Company is aware and describes the various measures undertaken by Finmeccanica Spa and by the subsidiaries involved. Finally, we have considered the conclusions reached by the Directors in confirming the appropriateness and effectiveness of the organisational, administrative and accounting structure of the Company and its major subsidiaries through strong actions to improve and implement the internal control systems.
10. The independent auditors, in performing their duties and in application of the accounting standards in force, did not report any exceptions as such to impair their opinion on the financial statements.
11. The Corporate Governance Report and Shareholder Structure describes numerous, qualified initiatives planned by the Group parent company to improve the Group's internal regulatory framework, in light of recent experiences, with the aim of adapting it to the best practices as demanded by the role the Finmeccanica Group plays internationally.
12. The Board of Statutory Auditors reports that, vis-à-vis the several investigations of the Judicial Authority disputing the conduct, considered significant from a penal point of view, of the Group top management which led to last February

preventive detention of the former Chairman and Chief Executive Officer of Finmeccanica S.p.A., the Finmeccanica Group showed a strong reaction by adopting measures with a significant impact on the internal organisation that the Board has, according to the case, promoted, supported or shared.

In particular:

A. During the meeting held on 21 February 2013, the Company's Board of Directors approved the project to centralise the Group's Internal Audit activities at the Holding Company. This project, to which the Board has given its contribution together with the Control and Risk Committee, will entail the strengthening of the internal audit under different perspectives: strengthening the organisational structure designed to pool the different professional profiles within the Group; adopting the bottom-up method for the audit plans in order to keep the top management proactively involved in the definition of the mentioned plans; identifying the Board of Directors and the Control and Risk Committee as pivot bodies of the internal control system; enhancing and redefining the audit information flows in order to achieve a stronger and harmonised involvement of the parties concerned (internal auditors, managers, boards of directors and boards of statutory auditors of the companies concerned etc.), setting-up, in addition to the typical «horizontal» information flows across the company being audited, adequate «vertical» information flows towards the Boards of Statutory Auditors of the Group medium-size companies and of the Parent Company; setting criteria designed to define the eligibility and ineligibility requirements for the internal auditors as well as the method to appoint the head of the Internal Audit function.

   The project is expected to be completed during 2013. In the Board's opinion, the project makes the Internal Audit function an integral part of an orderly business model, for which this function works, of a Group operating in the high technology internationally.

B. 21 February 2013 saw the establishment of a Management Committee made up of the Managers responsible for the Organisational Units of Internal Audit, External Relations and Communication, Human Resources, Strategies, Business Development and Innovation, as well as by the CFO and by the Group General Counsel. This Committee is responsible for the direction and coordination of the Group’s governance activities.

C. It was also decided to have recourse to independent experts to perform in-depth analyses as to the adequacy, execution and efficacy of the contracts entered into in the last three years to acquire intangible assets.

D. On 7 March 2013, the new Organisational Unit named Risk Management was established under the responsibility of the Chief Financial Officer in charge of improving the management of operating and financial risks.

E. 12 March 2013 saw the establishment of a specific function within the Internal Audit unit responsible for strengthening the trade compliance activities.

F. The functions in charge of the verification and improvement of the procedures continued their activity to comply with Law no. 262 of 2005 concerning the “Provisions for the protection of savings and regulation of financial markets” and subsequent amendments, with particular reference to the management of fraud risks.

G. In order to restore a climate of confidence in the way the Group operates, during the meeting of 15 April 2013, the Board of Directors established and appointed a Committee made up of renowned experts tasked with the duty of formulating recommendations about the behavioural principles and criteria to adhere to in order to comply, broadly speaking, with the international best practices on the “business ethics”.

The Board of Statutory Auditors, taking also into account the abovementioned actions, believes that the internal control system can be deemed appropriate and reliable overall, although it requires to pay special attention not to miss the improvement opportunities deriving from the practical experience and to take account of the systematic adaptation to the changes to the business model of the Finmeccanica Group.

13. The Board also points out that the Group closely monitors the development of each individual case and, in the context of the criminal proceedings, evaluates whether the conditions exist to appear as an aggrieved party and, once the papers of the case may be accessed, it will assess if there are the legal and financial conditions to initiate actions against directors and/or claim damages. The Board of Statutory Auditors asked to be kept abreast of the developments and considers shareable the guidelines adopted by the Group inasmuch as they are clear, safeguarding and properly prudent.
14. The Board points out that the Control and Risk Committee acted in accordance with the provisions of the Company's Corporate Governance Code which has been long applied by your Company.

    The collaboration with the Committee was fruitful and allowed, *inter alia*, to coordinate the activities of both bodies avoiding duplications that would make performing controls less efficient.
15. With regard to the provisions of Art. 36 of Consob Resolution no. 16191 of 29 October 2007 relating to the accounting information systems of the subsidiaries of material significance, formed and governed by the laws of non-European Union Member States, we found that the Internal Audit department selected and verified that all the companies chosen had an appropriate management and accounting system, as well as met the additional conditions of Art. 36 of the Consob Resolution 16191/2007.
16. During the year, the Board received a complaint pursuant to Art. 2408 of the Italian Civil Code in relation to an alleged lack of information about the queries posed in writing by a minority shareholder at the time of the shareholders' meeting convened to approve the 2011 financial statements. The analyses and checks we performed did not reveal any improper behaviour. To the best of our

knowledge, the Company answered all the queries posed in an accurate and timely fashion.

17. The Company complies with the Corporate Governance Code for Listed Companies. The annual Report on Corporate Governance and Shareholder Structure provides a description of the corporate governance system and the decisions made.
18. The Board of Statutory Auditors has verified that the criteria and procedures adopted by the Board of Directors to determine whether directors meet the requirements for independence have been properly applied and that the members of the Board of Statutory Auditors also meet these same requirements.
19. The Company has adopted an Organisational, Management and Control Model as per Legislative Degree 231/2001 consistent with the principles of said decree and based on the guidelines prepared by the representative industry association. The Finmeccanica Board of Directors, in its meetings of 31 July 2012 and 15 April 2013, updated the Model, which incorporates the changes in regulations, as illustrated in the Report on Corporate Governance and Shareholder Structure in paragraph 10.4.

    In the early months of 2013 a new structure and composition was set up and a new Surveillance Body has been appointed.
20. The Board oversees the legal auditing of the accounts by periodically meeting with those responsible for this work, until 16 May 2012 PricewaterhouseCoopers SpA and then KPMG S.p.A., for an explanation of the quarterly reviews performed and their results, their auditing strategy and fundamental issues that emerged during the course of their work. No critical or anomalous matters with significant effects on the auditors' opinion on the separate and consolidated financial statements of Finmeccanica Spa were reported during these meetings.

    The independent auditor also issued reports pursuant to Arts. 14 and 16 of Legislative Decree no. 39 of 27 January 2010 for the separate and consolidated financial statements at 31 December 2012. These are unqualified reports, which contain one paragraph of emphasis in relation to the ongoing judicial proceedings against the parent company Finmeccanica, certain subsidiaries as well as former top managers of the Group.

21. With regard to the engagements assigned to the independent auditor, reference is made to Appendix 11 to the separate financial statements and to note 41 of the explanatory notes to the consolidated financial statements. The independent auditor has confirmed the purposes for such tasks and has issued the statement required by Art. 17 of Legislative Decree no. 39/2010. Considering the statement made and the tasks required of the independent auditor and its network of companies, the Board does not believe that there are any critical issues concerning the independence of KPMG S.p.A..
22. In compliance with the recommendations in document no. 4 of 3 March 2010 jointly issued by the Bank of Italy-CONSOB-ISVAP, the impairment testing procedure regulated by IAS 36 was approved by the Board of Directors. The independent auditor confirmed that it performed the audit procedures related to the correct application of IAS 36 without identifying any exceptions which may affect their opinion on the financial statements.
23. The results for 2012 reveal a loss of €700,041,525. The Board of Directors has examined the composition of and the factors contributing to this loss in detail in the Report on Operations and accompanying Notes.
24. Therefore, based on the foregoing and within the scope of our duties, the Board of Statutory Auditors finds no reason to oppose the proposed approval of the separate financial statements at 31 December 2012 or to the proposal of the Board of Directors to cover the 2012 loss by using the “share premium reserve” and the “merger surplus”.

Rome, 30 April 2013

THE BOARD OF STATUTORY AUDITORS

Riccardo Raul Bauer (Chairman)

Niccolò Abriani

Maurilio Fratino

Silvano Montaldo

Eugenio Pinto

REPORT OF THE INDIPENDENT AUDITORS ON THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Finmeccanica S.p.a.

1 We have audited the separate financial statements of Finmeccanica S.p.a. as at and for the year ended 31 December 2012, comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report of other auditors dated 20 April 2012 for their opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Finmeccanica S.p.a. as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Finmeccanica S.p.a. as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

4 Without qualifying our opinion, we draw attention to the disclosures provided by the company's directors in the notes to the separate financial statements and in the corporate governance report and shareholder structure included in the report on operations, to which reference is made, with regards to the judicial investigations involving Finmeccanica S.p.a. and certain subsidiaries, as well as some former directors and managers of these companies.

5 The directors of Finmeccanica S.p.a. are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and its specific section on corporate governance and shareholder structure, to the extent of the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the separate financial statements of Finmeccanica S.p.a. as at and for the year ended 31 December 2012.

Rome, 30 April 2013

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director of Audit