



## **FINMECCANICA – Società per azioni**

*(incorporated as a società per azioni under the laws of Italy, registered with Camera di Commercio Industria Artigianato Agricoltura, with registration number 00401990585)*

**as Issuer  
and in respect of Notes  
issued by Finmeccanica Finance S.A., as Guarantor**

## **FINMECCANICA FINANCE S.A.**

*(incorporated as a société anonyme under the laws of Luxembourg registered with The Luxembourg Registry of Commerce and Companies with register number R.C.S. Luxembourg B70.876)*

**as Issuer  
EUR 3,800,000,000  
Euro Medium Term Note Programme**

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the “CSSF”), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg, for approval of this prospectus as (i) a base prospectus for Notes issued by Finmeccanica – Società per azioni (“**Finmeccanica**” or “**Finmeccanica S.p.A.**”) and (ii) a base prospectus for Notes issued by Finmeccanica Finance S.A. (“**Finmeccanica Finance**”) (together, the “**Prospectus**”) issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months after the date hereof.

Application has been made to the Luxembourg Stock Exchange for non-equity securities (“**Notes**”) issued under the Euro Medium Term Note Programme (the “**Programme**”) described in this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on its regulated market which is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments during the period of twelve months after the date hereof. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.

**Notes issued under this Programme will be subject to a minimum denomination of EUR 50,000 (or its equivalent in another currency on the relevant Issue Date).**

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**Arranger  
BofA Merrill Lynch  
Dealers**

**Banca IMI  
BNP PARIBAS  
Citi  
Crédit Agricole CIB  
Deutsche Bank  
Mediobanca S.p.A  
MPS Capital Services Banca per le Imprese S.p.A.  
Société Générale Corporate & Investment Banking  
UniCredit Bank**

**Barclays Capital  
BofA Merrill Lynch  
Commerzbank  
Credit Suisse  
HSBC  
Mizuho International plc  
Natixis  
UBS Investment Bank**

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## IMPORTANT NOTICES

Each of Finmeccanica Finance and Finmeccanica (each an “**Issuer**” and together the “**Issuers**”) and Finmeccanica as guarantor in respect of Notes issued by Finmeccanica Finance (in such capacity, the “**Guarantor**”) accepts responsibility for the information contained in this Prospectus. Each of the Issuers and the Guarantor declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

This Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes which is the subject of Final Terms, should be read and construed together with the relevant Final Terms.

Each of the Issuers and the Guarantor has confirmed to the Dealers named under “*Subscription and Sale*” below that this Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuers or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers, the Guarantor or any Dealer.

To the fullest extent permitted by law, none of the Dealers accepts any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by a Dealer or on its behalf in connection with the Issuers or the Guarantor or the issue and offering of the Notes. Each Dealer accordingly disclaims all and any liability whether arising in tort or in contract (or otherwise) which it might otherwise have in respect of this Prospectus or any such statement.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of either of the Issuers or the Guarantor since the date thereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuers, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

The Notes issued by Finmeccanica will constitute “obbligazioni” pursuant to Article 2410, and the Articles that follow such Article, of the Italian Civil Code, which relate to the issuance of “obbligazioni” by corporations in Italy.

Neither this Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuers, the Guarantor, the Dealers or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed EUR 3,800,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes ). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

In this Prospectus, unless otherwise specified, references to “**Member State**” are references to a Member State of the European Economic Area, references to “**EUR**”, “**€**” or “**euro**” are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to “**U.S.\$**”, “**U.S. Dollar**”, “**USD**” or “**\$**” each means the lawful currency of the United States of America, references to the “**Pre-Merger Finmeccanica Finance**” shall mean to the entity named Finmeccanica Finance S.A. prior to its merger (the “**Merger**”) by incorporation pursuant to Luxembourg Law into Aeromeccanica S.A. and references to “**Finmeccanica Finance**” and Finmeccanica Finance S.A. shall mean the Merged Finmeccanica Finance (as defined below).

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

**The Stabilising Manager, named in the relevant Final Terms, shall comply with all relevant laws, regulations and directives. References in the next paragraph to “this issue” are to each Series in relation to which a Stabilising Manager is appointed.**

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilisation must be conducted by the Stabilising Manager(s) or persons acting on behalf of the Stabilising Manager(s) in accordance with all applicable laws and rules.**

The Issuers and the Guarantor have undertaken, in connection with the admission of any Tranche of Notes to the official list of the Luxembourg Stock Exchange and to trading on its regulated market and/or the admission to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system, that if at any time there shall occur any significant new factor which is not reflected in this Prospectus or any supplements thereto and/or there shall be any material mistake or inaccuracy relating to the information included in this Prospectus or any supplements thereto, in each case, which is capable of affecting the assessment of the Notes, the Issuers and the Guarantor will prepare or procure the preparation of and publish a supplement to this Prospectus or, as the case may be, publish a new Prospectus, for use in connection with any subsequent issue by the relevant Issuer of Notes to be listed on the Luxembourg Stock

Exchange and admitted to trading on its regulated market and/or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system. If the terms of the Programme are modified or amended in a manner which would make the Prospectus inaccurate or misleading, a new Prospectus or supplement to the Prospectus will be prepared.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is qualified in its entirety by the remainder of this Prospectus. Words and expressions defined in “Forms of the Notes” or “Terms and Conditions of the Notes” below shall have the same meanings in this overview of key features of the Programme.*

Issuers:	Finmeccanica – Società per azioni Finmeccanica Finance S.A.
Guarantor:	Finmeccanica – Società per azioni (in respect of Notes issued by Finmeccanica Finance)
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuers and the Guarantor to fulfil their respective obligations under the Notes are discussed under “Risk Factors” below.
Arranger:	Merrill Lynch International
Dealers:	Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Mediobanca-Banca di Credito Finanziario S.p.A., Merrill Lynch International, Mizuho International plc, MPS Capital Services Banca per le Imprese S.p.A., Natixis, Société Générale, UBS Limited and UniCredit Bank AG and any other Dealer appointed from time to time by the Issuers and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	Société Générale Bank & Trust in respect of Notes governed by English law
Luxembourg Listing Agent:	Dexia Banque Internationale à Luxembourg, <i>société anonyme</i>
Listing and Admission to trading:	Each Series may be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on its regulated market and/or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and the relevant Dealer and specified in the relevant Final Terms. Notes issued under the Programme which are to be listed and admitted to trading on a regulated market situated or operating within a Member State or which are to be offered to the public in one or more Member States (where the terms “ <b>regulated market</b> ” and “ <b>offer to the public</b> ” are within the meaning of any measures implementing the Prospectus Directive in any relevant Member State) may not carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuers or by any entity belonging to the Issuers’ group. Subject thereto, Notes may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.
Specified Denominations:	No Notes may be issued under the Programme which have a minimum denomination of less than EUR 50,000 (or equivalent in another currency) at their issue date. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Clearing Systems:	Euroclear and/or Clearstream, Luxembourg (in respect of Notes governed by English law) and Monte Titoli (in respect of Notes governed by Italian law), in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Programme Amount:	Up to EUR 3,800,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding and guaranteed at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Final Terms:	Each Tranche will be the subject of a set of Final Terms which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Prospectus and must be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented and/or amended by the relevant Final Terms.
Forms of Notes Governed by English Law:	Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not issued in new global note form (a “ <b>Classic Global Note</b> ” or “ <b>CGN</b> ”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is issued in new global note form (a “ <b>New Global Note</b> ” or “ <b>NGN</b> ”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.
Forms of Notes Governed by Italian Law:	Notes governed by Italian Law will be issued in dematerialised form and held on behalf of the Noteholders until redemption or cancellation thereof by Monte Titoli for the account of the relevant Monte Titoli Account Holders (as defined below). The Notes will at all times be in the book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of the Italian Legislative Decrees No. 58 of 24 February 1998, as amended

and No. 213 of 24 June 1998 as amended and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008. No physical document of title will be issued in respect of the Notes.

Each Tranche of Notes governed by Italian law issued by Finmeccanica Finance will be the subject of a guarantee governed by Italian law (the “**Italian Guarantee**”) to be entered into by the Guarantor.

The obligations of the Guarantor under any outstanding Italian Guarantee and the Deed of Guarantee cannot exceed the overall amount of EUR 3,800,000,000.

Currencies: Notes may be denominated in euro, or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes: Notes will be issued on an unsubordinated basis.

Status of the Guarantee: Notes issued by Finmeccanica Finance will be unconditionally and irrevocably guaranteed by the Guarantor, on an unsubordinated basis.

Issue Price: Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities: Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Redemption: Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Tax Redemption:	Except as described in “ <i>Optional Redemption</i> ” above, early redemption will only be permitted for tax reasons as described in Condition 10(b) ( <i>Redemption and Purchase – Redemption for tax reasons</i> ).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 ( <i>Negative Pledge</i> ).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 13 ( <i>Events of Default</i> ).
Taxation:	All payments in respect of Notes will be made free and clear of withholding or deduction for taxes of Luxembourg, or the Republic of Italy, as the case may be, unless the withholding or deduction is required by law. In that event, the relevant Issuer or, as the case may be, the Guarantor will (save as provided in Condition 12 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.
Governing Law:	English law or Italian law, as specified in the relevant Final Terms.
Enforcement of Notes in Global Form:	In the case of Global Notes governed by English law, individual investors’ rights against the relevant Issuer will be governed by a Deed of Covenant dated 13 May 2009, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, the Republic of Italy, Japan, The Netherlands and France, see “ <i>Subscription and Sale</i> ” below.

## RISK FACTORS

*Prospective investors should read the entire Prospectus. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should consider, among other things, the following:*

### **Risk Relating To The Notes**

#### ***General.***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor’s financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

#### ***There is no active trading market for the Notes.***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuers and the Guarantor. Although application has been made for the Notes issued under the Programme to be listed on the Luxembourg Stock Exchange and admitted to trading on its regulated market, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

#### ***Market Volatility.***

In addition, holders of Notes should be aware that, in view of the prevailing and widely reported global credit market conditions (which continue at the date hereof), the secondary market for Notes and instruments of this kind may be illiquid. The Issuers cannot predict when these circumstances will change.

***Interest rate risks.***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

***Credit Risk.***

Holders of the Notes issued under the Programme take a credit risk on the Issuer. A holder's ability to receive payment under the Notes or Coupons are dependant on the Issuer's ability to fulfil its payment obligations, which in turn is dependant upon the development of the Issuer's business.

***The Notes may be redeemed prior to maturity.***

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that an Issuer or (in the case of Notes issued by Finmeccanica Finance) the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or Luxembourg or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the relevant Issuer's option in certain other circumstances such Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above and may in fact decrease below the price at which they can be redeemed. This also may be true prior to any redemption period.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer and/or (in the case of Notes issued by Finmeccanica Finance) the Guarantor.***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary, or as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes the relevant Issuer or (in the case of Notes issued by Finmeccanica Finance) the Guarantor will discharge its payment obligations under the Notes by making payments to the common depositary or, as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuers and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the relevant Issuer or (in the case of Notes issued by Finmeccanica Finance) the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

***An investment in Notes linked to an index, exchange rate, securities etc. entails significant risks not associated with a similar investment in fixed or floating rate debt securities.***

An investment in Notes the terms of which provide that the principal, premium, if any, and/or interest payable and/or securities deliverable, is linked to one or more currencies or composite currencies (including exchange rates and swap indices between currencies or composite currencies), commodities, securities, basket of securities or securities indices, interest rates or other indices (together, the “**indices**”), either directly or inversely (the “**indexed Notes**”), entails significant risks that are not associated with investments in a conventional fixed rate or floating rate debt security.

These risks include the possibility that an index or indices may be subject to significant changes, that the resulting interest rate will be less than that payable on a conventional fixed or floating rate debt security issued by the relevant Issuer at the same time, that the repayment of principal and/or premium, if any, and/or delivery of securities can occur at times other than that expected by the investor, that, in certain circumstances, the Notes may cease to bear interest and that prospective investors, could lose all or a substantial portion of their investment, if any, payable on the maturity date. These risks depend on a number of interrelated factors, including economic, financial and political events, over which the relevant Issuer has no control.

Additionally, if the formula used to determine the amount of principal, premium, if any, and/or interest payable and/or securities deliverable with respect to such Notes contains a multiplier or leverage factor, the effect of any change in the applicable index or indices will be magnified. In recent years, values of certain indices have been highly volatile; such volatility in the past is not necessarily indicative, however, of fluctuations that may occur in the future.

An investment in equity-linked Notes may bear similar market risks to a direct equity investment and investors should take advice accordingly.

In the case of credit-linked Notes (whether cash or physically settled), holders may receive in lieu of any payment of principal, certain securities of the reference entities which may have a market value substantially less than that of the initial investment of such holder. Prospective investors should note that they may be required to take delivery of these securities and should ensure that they have the capacity to receive such obligations on purchasing the Notes.

The secondary market, if any, for indexed Notes will be affected by a number of factors independent of the relevant Issuer’s or the Guarantor’s creditworthiness, including the complexity and volatility of the index or indices, the creditworthiness of the specified entity or entities, the fluctuation of exchange rates, the method of calculating the principal, premium, if any, and/or interest in respect of indexed Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such Notes, the amount of other debt securities linked to such index or indices and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of indexed Notes.

In addition, certain Notes may be designed for specific investment objectives or strategies and, therefore, may have a more limited secondary market and experience more price volatility than conventional debt securities. Prospective investors may not be able to sell such Notes readily or at prices that will enable them to realise their anticipated yield. Prospective investors should not purchase such Notes unless they understand and are able to bear the risks that such Notes may not be readily saleable, that the value of such Notes will fluctuate over time and that such fluctuations may be significant.

Finally, the relevant Issuer’s and/or the Guarantor’s credit ratings may not reflect the potential impact of the various risks that could affect the market value of the Notes. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks an investment in the Notes may entail and the suitability of the Notes in light of their particular circumstances.

#### ***Taxation.***

Potential investors of Notes should consult their own tax advisers as to which countries’ tax laws could be relevant to acquiring, holding and disposing Notes and receiving payments of interest, principal and/or other amounts or delivery of securities under the Notes and the consequences of such actions under the tax laws of those countries.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Saving Directive**”), each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period Luxembourg and Austria will, subject to certain exceptions, apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (**Decree No. 84**). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

#### ***Credit Rating.***

The credit rating of a Tranche of Notes (if any) will be provided in the relevant Final Terms. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings described herein. A security rating is not a recommendation to buy, sell or hold securities, and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme. Credit ratings may be lowered, *inter alia*, if certain profitability and cash flow to debt ratios are not met by Finmeccanica.

#### ***Notes where denominations involve integral multiples: definitive Notes.***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Note may be traded in amounts in excess of the minimum Specified Denomination that are

not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of such trading, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should such definitive Notes be printed) and, in order to receive such a Note, would need to purchase a principal amount of Notes such that its holding amounts to the minimum Specified Denomination.

#### ***Meetings of Noteholders.***

The Terms and Conditions of the Notes and the Agency Agreement contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to make decisions that may affect Noteholders' rights and obligations under the Notes and bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. At the meeting of Noteholders, the Noteholders also have authority to elect and give instructions to a representative to act on their behalf.

#### ***Changes in the Terms and Conditions of the Notes and changes in the Programme Amount.***

The terms and conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Series, and will be specified in the relevant Final Terms. The terms and conditions applicable to each Series will therefore be those set out below, subject to being supplemented or modified by the relevant Final Terms in relation to each Series.

The Agency Agreement contains provisions, which are binding on the Issuer and the holders of Notes, for convening meetings of the holders of Notes of any Series to consider matters affecting their interests, including the modification or waiver of the Conditions applicable to any Series of Notes.

The Issuer has the right to correct manifest errors in the Conditions without the Noteholders' consent.

The Amount to be issued under the Programme is subject to increase or decrease as provided in the Dealer Agreement.

#### **Risks Relating To The Issuers**

Any investment in the Notes issued by the Issuers involves risks, including those described in this section. Prospective investors should carefully consider the following investment considerations and the other information in this Prospectus before deciding whether an investment in the Notes of the relevant Issuer is suitable. If any of the following risks actually occurs, the trading price of the Notes of the relevant Issuer could decline and an investor could lose all or part of its investment. Additional risks not currently known to the Issuers or that it now deems immaterial may also harm the Issuers and affect an investor's investment.

##### **(1) Risk factors relating to Finmeccanica's financial results and position**

***Finmeccanica Group's operating and financial performance may be adversely affected by lack of or delays in the award of new long-term contracts or cancellation of contracts.***

Although Finmeccanica and its subsidiaries (the "**Finmeccanica Group**" or, alternatively, the "**Group**") enjoy a significant order backlog, the long-term sustainability of Finmeccanica's economic and financial performance depends on its ability to service its existing contracts and to win new long-term contracts. Finmeccanica's contracts may be completed or expire, or they may be altered or terminated, as described below under "Risks relating to Finmeccanica's contractual relationships". Finmeccanica may be unable to replace these contracts with new contracts of comparable size or in a timely manner. The award of new contracts is subject to competition and is affected by factors outside of Finmeccanica's control such as governmental spending decisions and administrative procedures. Any failure to secure or any delay in securing a consistent number of long-term contracts or any interruption to or termination of existing contracts may cause an insufficient workload that would adversely affect the operating and financial position of Finmeccanica.

***Finmeccanica Group's operating and financial performance may be harmed as a consequence of breaches of its contractual commitments.***

The timely and satisfactory execution of Finmeccanica's contractual commitments depends upon numerous factors, including the Group's ability to develop the technologies necessary to provide, directly or through third parties, the products and services required by its customers.

The failure by Finmeccanica to deliver, in a timely manner or at all, the products and services it is obliged to deliver, or any fault in contract execution (including as a result of delays or breaches by the Group's suppliers), may lead to higher costs or penalties or the calling of performance bonds. This may negatively affect the Group's operating and financial performance.

In addition, Finmeccanica's credit exposure includes indemnities by the Finmeccanica Group in connection with bank guarantees issued in favour of its customers. These bank guarantees, which are typical in long-term production contracts, include performance guarantees and guarantees for advanced payments. If these bank guarantees were to be called, the Finmeccanica Group would be required to indemnify the banks, which event could have a negative effect on Finmeccanica's financial position and results of operation.

***Finmeccanica Group's business segments derive significant revenue from medium and long-term contracts and programmes. Differences between estimated costs and actual costs may harm Finmeccanica's operating results, as may disputes over the performance of such contracts.***

Finmeccanica Group's business activities depend to a large extent upon medium and long-term contracts and programmes. In order to recognise revenue and margins resulting from such contracts and programmes 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 performances, including risks for delays and additional activities to be implemented in order to mitigate the risks of non-performance and (ii) monitoring the state of progress of the activities, including with respect to preoperative development costs.

Finmeccanica conducts on a quarterly basis a review of its estimated costs to complete existing contracts and if such review suggests that higher costs will be incurred, appropriate adjustments are recorded on Finmeccanica's balance sheet in accordance with IFRS accounting principles. If the expenditure overrun in the future exceeds the estimated costs, Finmeccanica's results will be materially adversely affected in future periods.

Differences between the estimated costs and actual costs can have a substantial negative impact on Finmeccanica's financial position and results of operations. These differences may arise from a number of factors including production delays, cost overruns and other items.

The Group has experienced discrepancies between actual and estimated costs over the last three financial years, including as a result of contractual penalties and disputes with counterparties, mainly with respect to the activities of AnsaldoBreda, a subsidiary of Finmeccanica active in the Transportation segment, due to the difficulties encountered in meeting customer requirements in the execution of certain contracts and delays in the delivery of products. Cost overruns as well as contractual disputes may continue to occur in the future.

***Finmeccanica has a substantial amount of indebtedness that will need to be repaid or refinanced; certain covenants in the Group's facility restrict its financial and operational flexibility.***

As of 31 December 2009, Finmeccanica's consolidated net financial indebtedness totalled EUR 3,070 million, equal to 47 per cent. of total shareholders' equity as of that date, compared to EUR 3,383 million, equal to 55 per cent. of total shareholders' equity as at 31 December 2008.

This high level of indebtedness is due to the acquisition of DRS Technologies ("DRS") in October 2008, which was made through a cash outlay of EUR 2,372 million and borrowings totalling an aggregate amount of EUR 1,250 million, almost fully reimbursed. Following the acquisition, the Group completed a share capital increase of EUR 1,206 million, sales of non-core assets for EUR 172 million and bond issues on European, US and UK markets for an aggregate amount of EUR 2,186 million. This strategy allowed the repayment of the DRS borrowings and the reduction of the bridge loan issued to finance the acquisition of DRS (the "Bridge Loan") to EUR 639 million. As a result

of the partial repayment of the Bridge Loan, the covenants in this loan ceased to exist; however, the high level of indebtedness has reduced not only the profitability of the Group and exposed the Group to future interest rate fluctuations in relation to the floating rate portion of the Bridge Loan, but could also affect the Group strategy, especially in light of the current conditions of the reference markets, which could affect growth in the Group, at least during certain periods. These elements may also result in a worsening in the Group's credit rating. Potential future liquidity crisis might also affect the Group's ability to repay its own debts.

Based on the expected performance of (i) cash flows from operations, (ii) bank credit lines that have already been confirmed or that are about to be settled, and (iii) the success of the placement of the Euro Medium Term Note programme, Finmeccanica believes it can meet the above repayment obligations at the present market conditions however, a further worsening of liquidity in the capital and bank markets and other circumstances may affect Finmeccanica's ability to generate the financial resources necessary to repay these obligations at the relevant maturity dates.

As of 31 December 2009, 46 per cent. of the Finmeccanica Group's net financial indebtedness is variable rate. This included short term debt which is normally not hedged for interest rate fluctuations. Accordingly, should interest rates increase, the Finmeccanica Group's financial expense relating to that portion of its financial debt would increase and the Finmeccanica Group's results would be adversely affected.

Anyway, in light of market conditions or other factors, if the Finmeccanica Group will not be able to generate or raise sufficient financial resources to meet its financial obligations when due, it would be required to renegotiate the terms of its existing debt or find alternative sources of financing. Those refinancings, if available at all, may be more costly than the current arrangements. This may adversely affect the Finmeccanica Group's results and financial condition.

***Finmeccanica's largest customers (including the Italian government) typically pay towards the financial year end, therefore increasing Finmeccanica's reliance on debt financing for short term working capital requirements.***

The level of debt during the year reflects seasonal working capital requirements. These requirements arise largely because, while expenditures are incurred regularly during the course of the year several of Finmeccanica's largest customers (including the public sector) typically pay towards the financial year end (fourth quarter), therefore increasing Finmeccanica's reliance on debt financing for short term working capital requirements.

In particular, the Finmeccanica Group funds a significant portion of its operating expenses through advances from customers. Should the level of those advances decrease in the future, including as a result of changes in customers' commercial practices, this may lead to a further increase in the Finmeccanica Group's average net financial indebtedness.

***Finmeccanica's ability to borrow in the bank or capital markets may be materially adversely affected by a financial crisis in a particular geographic region, industry or economic sector.***

Finmeccanica's ability to borrow in the bank or capital markets to meet the financial requirements of the Finmeccanica Group is dependant on favourable and prevailing markets conditions. Financial crisis in particular geographic regions, industries or economic sector have, in the recent past, led and could in the future lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors.

Global credit markets have tightened significantly as a result of concerns over the United States sub-prime mortgages crisis and the valuation and liquidity of mortgage-backed securities and other financial instruments, such as asset-backed commercial paper. This has resulted in the failure and/or the nationalisation of several large financial institutions in the United States, the United Kingdom and other countries. Additionally, credit risks may continue to be larger and more pervasive than previously thought. The functioning of financial markets has also become increasingly impaired and financial volatility has increased substantially.

This market slowdown may adversely impact Finmeccanica's ability to borrow in the bank or capital markets and may significantly increase the costs of such borrowing. If sufficient sources of financing are not available in the future for these or other reasons, Finmeccanica may not be able to

meet the financial requirements of the Group. This could materially and adversely affect the Group's business, results of operations and financial condition.

***Fluctuations in exchange rates have harmed and could harm Finmeccanica Group's operating results and financial condition.***

Because of Finmeccanica's substantial international sales, fluctuations in the exchange rate of the euro, which is the Finmeccanica's Group reporting currency, against other currencies, mainly U.S. dollar and, most recently, Sterling, can have a significant impact on Finmeccanica's revenues and operating results. In particular, because the Group's U.S. dollar and Sterling denominated revenues are higher than the costs incurred in those currencies, a decrease in the value of the U.S. dollar and/or Sterling compared to the Euro has affected and is likely to adversely affect the Group's margins in Euro terms. In addition, because the Group incurs costs in euros with respect to activities that generate U.S. dollars and/or Sterling, an increase in the value of the Euro compared to the U.S. dollar and/or Sterling has negatively affected and would continue to negatively affect the Group's results.

In addition, fluctuations in exchange rates may adversely affect the competitiveness of Finmeccanica's products and services provided outside the European Union.

In order to hedge the foreign currency risk exposure under contracts which are denominated in currencies other than the functional currency of the entity performing the operation, the Group enters into forward currency transactions, swaps and options. However, there can be no assurance that future fluctuations in exchange rates, particularly the Euro/Sterling and the Euro/U.S. dollar exchange rate, will not harm the Group's business, results of operations and financial condition (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 euros and U.S. dollars and euros and Sterling might have a negative impact, also in the translation of the financial statements of foreign subsidiaries, on the Group balance sheet and income statement and may give rise to significant changes in the Finmeccanica's shareholders' equity from period to period (translation risk).

***Any write-down of intangible amounts may harm Finmeccanica's results of operations and financial condition.***

Finmeccanica's balance sheet includes significant amounts recorded as intangible assets, in particular with respect to development costs and goodwill. Assets of indefinite life are subject to an "impairment test" at least once a year. Equally, for items subject to amortisation, the impairment tests are carried out whenever there are indications that there may have been a loss in value. These evaluations are based on estimates of future cash flows and applicable discount rates. Any significant discrepancies between the estimates and actual developments may have a materially adverse effect on the Finmeccanica Group's results of operations and financial condition. As of 31 December 2009, the Finmeccanica Group reported intangible assets of EUR 8,367 million, of which 5,821 million relates to goodwill (19 per cent. of total assets) and EUR 1,169 million to development cost.

***Finmeccanica may suffer losses arising from any deficit in the Group's defined benefits plans.***

Finmeccanica sponsors several benefits plans for its United Kingdom and, after the DRS acquisition, United States employees. Under those arrangements, the Group is committed to pay a defined level of benefits to plan participants, thereby bearing the risk that the plans' assets, such as investments in equity and debt securities, will not be sufficient to cover the value of those benefits. In accordance with IFRS accounting principles, the Finmeccanica Group records a provision to the extent there is an expected deficit with respect to those plans. As of 31 December 2009, such provision amounted to EUR 371 million. The calculation of expected liabilities arising from defined benefit plans is based on actuarial estimates and demographic and financial assumptions. In addition, the value of plan assets is affected by, among other things, developments in the equity and bond markets. Future developments may differ from those estimates and assumptions and may lead to significantly higher levels of deficits, which in turn may have a material adverse effect on Finmeccanica's business, results of operations and financial condition.

***If Finmeccanica fails to identify, complete and manage acquisitions and joint ventures successfully, its business, results of operations, financial conditions and future prospects could be harmed.***

Finmeccanica routinely conducts discussions, evaluates targets and enters into agreements regarding possible acquisitions and joint ventures. As part of its business strategy, Finmeccanica seeks to identify acquisition and joint venture opportunities that it believes will expand or complement its existing products and services, or customer base, at attractive valuations. Finmeccanica often competes with others for the same opportunities. If Finmeccanica is not successful in identifying and completing these transactions, obtaining the necessary authorizations and approvals and maintaining a well balanced capital structure, it may not be able to maintain a competitive position in its key business segments or may be required to expend additional resources to develop capabilities internally in certain segments.

In addition, even if Finmeccanica identifies and executes acquisition opportunities, there is no assurance that (i) acquired companies will be successfully integrated into the Finmeccanica Group, (ii) existing customer relationship and revenue levels will be maintained or (iii) synergies and economies of scale will be achieved.

Failure to achieve the expected synergies or other benefits of an acquisition or an increase in integration costs may have an adverse impact on the Finmeccanica Group's business, results of operations and financial conditions.

***Finmeccanica depends on the recruitment and retention of qualified personnel, and any failure to attract and retain such personnel could seriously harm Finmeccanica's business.***

Finmeccanica relies on senior management and other key employees to generate business, maintain good customer relations and identify new opportunities. Competition for personnel is intense, and Finmeccanica may not be successful in attracting or retaining qualified personnel. In addition, certain personnel may be required to receive security clearance and substantial training in order to work on certain programmes or perform certain tasks. The loss of key employees, Finmeccanica's inability to attract new qualified employees (in particular highly skilled engineers), or adequately train employees, or the delay in hiring key personnel could seriously harm Finmeccanica's business, results of operations and financial condition.

## **(2) Risks relating to Finmeccanica's joint venture initiatives**

***Finmeccanica could face problems related to loss of control over cash flows, loss of proprietary technologies and funding requirements by participating in joint ventures.***

Finmeccanica is involved in joint ventures in which it shares control with other partners. The three main joint ventures in which Finmeccanica Group participates directly or indirectly in the aerospace and defence sectors are MBDA (held at 25 per cent. with partners BAE Systems and EADS), Thales Alenia Space (held at 33 per cent. with partner Thales), Telespazio (held at 67 per cent. with partner Thales) and GIE-ADR (held at 50 per cent. with partner EADS), accounting for 12 per cent. of the Finmeccanica's Group consolidated revenues in 2009. MBDA, Thales Alenia Space and Telespazio have been consolidated in Finmeccanica's Group financial statements using the proportional method.

These activities involve risks and uncertainties, including (i) the challenges in achieving strategic objectives and expected benefits of the business arrangement, (ii) the risk of conflicts arising between Finmeccanica and its partners, (iii) the difficulties of managing to and resolving such conflicts and (iv) the difficulties of interaction with partners in the ordinary course of business of the joint venture.

In particular, Finmeccanica's participation in joint venture presents the risk of operational deadlocks because of disagreements among partners, principally when matters are subject to super-majority requirements. Disputes among partners may disrupt the operations of the joint venture, make it more difficult to achieve the joint venture's strategy and lead to significant costs and loss of profits.

Because of such difficulties joint ventures may be dissolved prematurely. Dissolution of business ventures can be long and costly and might require Finmeccanica to share or cede any technology and know-how which originally contributed to the venture.

These disagreements, deadlocks and dissolutions may have an adverse effect on the Finmeccanica's Group results and financial condition, being Finmeccanica unable to give any assurance that these ventures will achieve their expected level of profitability or competitiveness.

### **(3) Risks relating to Finmeccanica's contractual relationships**

***The overall productivity of the consortia in which Finmeccanica participates depends in part on Finmeccanica's partners performing their obligations.***

Finmeccanica performs a substantial portion of its business as a prime contractor or subcontractor in consortia. As prime contractor, Finmeccanica assumes its responsibility towards the customer in respect of work to be performed by its partners, whom Finmeccanica does not control. Failure by any of Finmeccanica's partners to perform their obligations may affect Finmeccanica's ability or the ability of the consortia to perform their respective obligations, and may impair the consortia's overall productivity and Finmeccanica's ability to perform its obligations as the prime contractor. Subcontractor performance deficiencies could result in a customer terminating a contract for default, therefore exposing Finmeccanica to liability, including pursuant to penalty clauses, which would have a material adverse effect on Finmeccanica's results of operation and financial condition and Finmeccanica's ability to compete for future contracts and orders.

### **(4) Risks relating to the industries in which Finmeccanica operates**

***Finmeccanica Group's customers depend on government spending. Reductions in government spending would harm Finmeccanica's Group's business, results of operations and financial condition.***

A substantial portion of Finmeccanica Group's customers consists of governments, public institutions and companies that in turn rely on government spending to purchase Finmeccanica's products and services. Finmeccanica expects that defence spending, in particular, by these customers will continue to make up a major portion of its revenue. In addition, some of Finmeccanica Group's business segments depend on programmes supported by the European Union, including programmes carried out through the European Space Agency.

Government programmes may be delayed or amended. Accordingly, Finmeccanica often faces uncertainties in preparing its plans and managing its resources. In addition, government spending programmes, even if previously approved, are generally subject to yearly review and adjustments and may therefore be cancelled at any time.

Changes in political or public support for security and defence programmes also may affect related government programmes. The United States government may unilaterally modify or cancel its contracts. Accordingly, the portion of Finmeccanica's order backlog represented by United States government contracts can be cancelled or reduced at the option of the United States government. Finmeccanica's exposure to this risk has increased with the acquisition of DRS, which derives a substantial majority of its revenues from contracts with United States government agencies.

With respect to its other domestic markets (Italy and United Kingdom), both the Italian and the United Kingdom government have adopted measures aimed at the reduction of public expenditure. For example, the UK Treasury, facing a deficit, is reconsidering an agreement to implement the third and final phase of the Eurofighter programme. As those countries represent Finmeccanica's main customers, if these measures become effective, Finmeccanica's cash collection expectations may decline and its ability to acquire new orders from such government may be harmed.

Moreover, cuts to the defence budget in Finmeccanica's domestic markets if any might have an impact on the financing of research and development activities, which are functional to successfully compete on the reference market.

The Group's results of operations, cashflow and business prospects may be materially harmed by these developments.

***Finmeccanica's business is dependent on the price, quality, availability and timely delivery of certain components from suppliers.***

Finmeccanica's business is affected by the price, quality, availability and timely delivery of the component parts that it uses to manufacture its products. Finmeccanica's business, therefore, could be

adversely impacted by factors affecting its suppliers (such as the destruction of suppliers' facilities or their distribution infrastructure, a work stoppage or strike by suppliers' employees or the failure of suppliers to provide materials of the requisite quality), or by increased costs of such components.

***Reduction of government funding in the form of loans, grants and subsidies would impair Finmeccanica's operational funding and challenges to the legality of such funding may harm Finmeccanica's financial position.***

In order to finance research and development opportunities, Finmeccanica has benefited and expects to continue to benefit, *inter alia*, from subsidised loans, grants and subsidies provided by the Italian government, the European Union and international agencies. In Italy, several Group companies benefit from non-interest bearing loans granted by the Italian government pursuant to Law No. 808 of 24 December 1985 ("Law 808") for programmes that have a significant national security interest.

There can be no assurance that these subsidies and grants will be available in the same form and in comparable amounts in the future, or that the current programmes or laws under which such assistance is granted will continue in effect without amendment. The availability and terms of government loans, grants and subsidies also may be impacted by general economic conditions.

Moreover, under European Union rules, non-interest bearing government funding may be granted only if certain requirements are met. In the past, the European Union has challenged compliance by the Italian government with those requirements, claiming that the fundings violated European Union rules on state aid. As a result, on 11 March 2008, Finmeccanica was ordered to repay certain loans together with interest accrued thereon for a total amount of EUR 389 million. EUR 297 million of this was repaid in January 2009 and EUR 80 million was repaid in May 2009. See "Litigation" under "The Finmeccanica Group business" section below for a description of recent and pending proceedings against Finmeccanica in this area.

If in future years any other funding provided to Finmeccanica is challenged, which results in an unfavourable decision against Finmeccanica, Finmeccanica may have to repay part or all of the funding and any interest accrued thereon, which may have a material adverse effect on Finmeccanica's business, results of operations and financial condition.

***Finmeccanica incurs and expects to continue to incur substantial research and development costs, which may not lead to satisfactory returns or to successful new products.***

The business environment in many of Finmeccanica Group's principal operating segments requires extensive research and development expenses to keep pace with rapid technological change.

Finmeccanica's growth depends on penetrating new markets, adapting existing products to new requirements and introducing new products that achieve market acceptance. Finmeccanica incurs substantial research and development costs as part of its efforts to design and develop new products and enhance existing products. Finmeccanica spent EUR 1,982 million, or 11 per cent. of its consolidated revenue, in the year ended 31 December 2009 (EUR 1,809 million, or 12 per cent. of revenue in the year ended 31 December 2008), on research and development activities and expects to continue to spend significant funds on research and development in the future. Finmeccanica funds its research and development activities through its own funds, advances from customers and public grants.

Because Finmeccanica accounts in part for research and development as an operating expense, these expenditures adversely affect its earnings. In addition, research and development absorbs a significant portion of Finmeccanica's cash flow.

Further, Finmeccanica's research and development programme may not produce successful results, and its new products may not achieve market acceptance, create additional revenue or become profitable, which could materially harm Finmeccanica's business, result of operations and financial condition.

In addition, should there be a decrease in the funds available from the Group's operations, from customer advances (for example if customers cancel the relevant contracts) or from government grants, the Group may not be able to continue an adequate level of research and development

activity which would harm its ability to develop new products and, accordingly, negatively affect the Group's future results.

**(5) Risks relating to Finmeccanica's legal situation and products**

***Restrictions on the export of Finmeccanica's products and other regulations could adversely affect Finmeccanica's business, results of operations and financial condition.***

Finmeccanica designs and manufactures many defence products considered to be of national strategic interest. The export of such products outside Finmeccanica's domestic market is subject to licensing and export controls. To the extent exports include technologies obtained from other countries, Finmeccanica may also be adversely affected by export control regulations from those countries.

Failure to comply with these regulations and requirements could result in contract modifications or termination and the assessment of penalties and fines, which could negatively affect Finmeccanica's business, results of operations and financial condition.

Authorisations can be revoked and general export controls may change in response to international conflicts or other political or geopolitical factors. Reduced access to military export markets could have a material adverse effect on Finmeccanica Group's business, results of operations and financial condition.

***Changes in governmental policies and regulations or the failure to comply with existing regulations may harm Finmeccanica's results.***

Finmeccanica operates in highly regulated business sectors. In order to sell products, Finmeccanica and its suppliers must be approved by government agencies in the countries in which Finmeccanica does business. New regulations or certification requirements may require additional expenses or may limit the Group's operations.

In Italy, the Group is subject to the Italian aerospace regulation, which is administered by the Italian Ministry of Defence, and in particular to Law No. 185 of 9 July 1990 which governs the trading in armaments and imposes a strict licensing regime, and requires authorization for the importation, exportation and transport of related products. Each Group company operating in this area is subject to those authorizations and licenses. However, those authorizations and licenses may be cancelled or more stringent requirements may become applicable, which may reduce revenues or increase the costs of the Group.

The commercial aeronautics industry is also highly regulated. The European Aviation Safety Agency is the principal regulator in Europe and the Federal Aviation Authority is the principal regulator in the United States. Those authorities establish requirements for aircraft components and grant licenses for the production and repair of those components. Air traffic control and railways transport and signalling are also subject to strict regulatory regimes.

Should the Group fail to comply with applicable regulations or to obtain the necessary licenses, this may adversely affect the business, results and financial condition of the Group.

***Product liability and other customer claims could adversely affect Finmeccanica Group's business results of operation and financial condition.***

Finmeccanica is subject to product liability and other claims from customers or third parties, in connection with (i) the non-compliance of these products or services with the customer's requests, due to faults in design or production, (ii) the delay or failed supply of the products or the services indicated in the contract or (iii) defaults and/or delays in the marketing, rendering of after-sale services and maintenance and revision of products. These liabilities might arise from causes that are directly attributable to Group companies or causes that are attributable to third parties outside the Group which act as providers or sub-contractors of the Group.

The claims are generally covered by Finmeccanica's insurance policies, subject to applicable insurance conditions. Finmeccanica cannot guarantee, however, that its insurance will cover all future product liability claims. Substantial claims in excess of any insurance coverage (or for which

insurance is not available or was not obtained) could harm Finmeccanica's business, results of operation and financial condition.

Material breaches by the Group in the performance of its obligations may lead to contract termination and the calling of performance bonds.

In addition, any accident, failure, incident or liability, even if fully insured, could negatively affect Finmeccanica's reputation among its customers and the public, thereby making it more difficult for Finmeccanica to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

***If Finmeccanica fails to protect, or incurs significant costs in defending, its intellectual property and other proprietary rights, its business, results of operation and financial condition could be materially harmed.***

Finmeccanica's success depends, in part, on its ability to protect its intellectual property and other proprietary rights. Finmeccanica relies primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect its intellectual property and other proprietary rights. However, patent applications may be rejected and in any event patent protection does not prevent competitors from developing equivalent or superior products without violating the Group's intellectual property rights.

Moreover, the Group's intellectual property rights may be challenged by third parties and, should the Group not prevail, it may be required to give or obtain licenses, cease the production of a product, transfer the intellectual property rights or be liable for significant damages. Accordingly, despite Finmeccanica's efforts, it may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to its technology. If Finmeccanica fails to protect its intellectual property and other proprietary rights, then its business, results of operation and financial condition could be materially harmed.

In addition, any claims, with or without merit, could be time consuming and expensive, and could divert Finmeccanica management's attention away from the execution of its business plan.

Furthermore, governmental customers normally have the right to royalty-free use of the Group's products and technologies that have been developed under government contracts, which weakens the Group's intellectual property protection.

***Changes in environmental regulations and liabilities associated with existing or new regulations could require increased capital expenditures and lead to losses.***

Finmeccanica is subject to numerous European Union, national, regional and local environmental laws and regulations concerning emissions into the environment, discharges to surface and subsurface water, the disposal and treatment of waste materials and noise pollution. Pursuant to such laws and regulations, for certain activities, the Group must require and obtain authorizations and licenses. Finmeccanica cannot anticipate whether, and to what extent, environmental regulations may become stricter over time, nor can Finmeccanica give any assurance that the cost of future compliance with existing environmental regulations will not increase. Substantial increases in environmental compliance costs could adversely affect Finmeccanica's business, results of operations and financial condition. In addition, under applicable laws, the owners and operators of a contaminated site may be liable for remediation costs and subject to fines and other sanctions, independently of the causes of such contamination. Those costs and fines may materially adversely affect the Group's business, results of operations and financial condition.

***Finmeccanica is presently involved in legal proceedings that, if resolved to its detriment, could impact negatively on its financial condition.***

In the ordinary course of its activities, Finmeccanica and its subsidiaries are presently involved in a number of legal proceedings involving substantial amounts. With respect to pending litigations, Finmeccanica has made provisions considered appropriate in light of the circumstances and in accordance with IFRS accounting principles. Under IFRS accounting principles, provisions are made when a loss is certain or probable and reasonably quantifiable. As of 31 December 2009 the Group has recognised provisions for legal proceedings amounting to EUR 126 million. However, future losses may be materially in excess of those provisions.

Finmeccanica Group's business, results of operations and financial condition may be adversely affected by legal proceedings, the outcome of which cannot be predicted with certainty. For a description of Finmeccanica's current legal proceedings, see the subsection entitled "Business description – litigation".

***Transactions with related parties may expose Finmeccanica to risks.***

Finmeccanica has entered into and continues to enter into commercial and financial dealings with related third parties. Total revenue, other operating income and finance income of such dealings with related parties totalled EUR 1.7 billion for the year 2008 and EUR 1.7 billion for the year 2009. Transactions with related parties are established on an arms-length basis. However, there can be no assurance that if such transactions were entered into by or among third parties, the terms of those transactions would not be different.

***Risks relating to the adequacy of Finmeccanica Group's provisions for divestitures, restructuring, guarantees and shareholdings.***

The Finmeccanica Group has made provisions in its consolidated financial statements, in connection with guarantees given, restructuring, penalties, product guarantees and other items. The Finmeccanica Group believes that such provisions appropriately cover the related probable and quantifiable risks. Finmeccanica's provisions, recorded in the consolidated financial statements at and for the year ended 31 December 2009, amounted to EUR 959 million.

Estimates of the impact of future changes in contracts and production programmes, restructuring and divestiture expenses, risks related to relevant items are based, however, on expectations, beliefs and assumptions regarding future developments that are subject to inherent uncertainties.

Accordingly, Finmeccanica may have to further adjust the value of some of its assets or increase its provisions if its current expectations, beliefs and assumptions prove to be wrong or make further provisions relating to the categories of risks discussed above.

***Changes in the political and economic climate of the countries in which the Group operates may expose Finmeccanica to financial and other risks.***

The Group is active in several countries that suffer from political, social and economic instability. Such countries may be subject to high inflation, volatile exchange rates, weak bankruptcy and creditor protection laws, and may be subject to limitations on investments and on the export and import of assets. In addition, those countries may be exposed to the risk of social unrest and political upheavals. Because of such political, social and economic instability, the Group's activity in those countries may be adversely affected in a way that is material to the Group's financial position and results of operations.

The Group is also subject to the risk of political and legislative/regulatory changes in the countries in which it operates, which could restrict its commercial flexibility and planned business strategy.

**(6) Risks relating to Finmeccanica's principal shareholder**

At the date hereof the Ministry of Economy and Finance holds approximately 30.20 per cent. of Finmeccanica's share capital.

The Italian Ministry of Economy and Finance exercises the control of major decisions by Finmeccanica through a significant holding of its ordinary shares that de facto allows the Ministry to appoint 2/3 (two-thirds) of the directors by means of special mechanism ("voto di lista") provided in the by-laws. Moreover, shareholding limits provided in the by-laws and special powers of the Italian government, which are unrelated to any participation in the company, could restrict Finmeccanica's ability to manage its business.

Finmeccanica's privatisation process was formally initiated by a decree of the Italian Prime Minister dated 28 September 1999. The decree provided that the Italian government, through the Ministry of Economy and Finance (formerly the Ministry of Treasury) must maintain at least a 30 per cent. minority interest (on a fully-diluted basis) in Finmeccanica's share capital, as confirmed by

Law No. 133 of 6 August 2008. In June 2000, IRI (a holding company for Italian state-owned industrial and commercial interests) sold over 50 per cent. of Finmeccanica's outstanding share capital in the market. Following that offering, IRI transferred additional shares to the Ministry of Economy and Finance.

Because Finmeccanica operates in strategic sectors such as that of defence, the initial privatisation decree of 28 September 1999 also required that Finmeccanica's by-laws be amended in order to grant special powers to the Ministry of Economy and Finance, to be exercised in conjunction with the Ministry of Economic Development (formerly Ministry of Productive Activities). This requirement was consistent with the existing Italian privatisation law (Law Decree No. 332 of 31 May 1994 converted with amendments into Law No. 474 of 30 July 1994 as amended by Law No. 350 of 24 December 2003). Accordingly through decrees dated 8 November 1999 and 1 April 2005 the Ministry of Economy and Finance determined that these special powers should consist principally of the following: (i) the power to veto (in circumstances where the public interest is involved and may be prejudiced) any merger, liquidation, transfer of assets, transfer of the registered office abroad, change of the corporate object, amendment of the by-laws of Finmeccanica which imply the deletion of or amendment to such special powers; (ii) the right for the Minister of Economy and Finance, in conjunction with the Ministry of Economic Development to nominate one member of the Board of Directors without voting rights; and (iii) the power to object to any shareholding in excess of 3 per cent. of the share capital of Finmeccanica (any greater shareholding is permitted only to the Republic of Italy and to any other public entity or company controlled by them), as well as to any shareholders' agreement in connection with any such shareholding and the exercise of the related voting rights. The special powers have been incorporated in the by-laws of Finmeccanica.

Such powers must be exercised in accordance with certain criteria identified by decree of the Italian Prime Minister of 10 June 2004 issued pursuant to Article 4, paragraph 230 of Law No. 350 of 24 December 2003 and therefore their exercise must be limited to cases where considerable public interests are involved and may be prejudiced.

Accordingly, the Italian government has a significant influence over decisions taken at Finmeccanica's shareholders' meetings, including the payment of any dividends, capital increases and the appointment of directors and statutory auditors.

The Italian government may or may not exercise the above-mentioned special powers. Such special powers may be amended or eliminated by the law as well as the Italian government may reduce its shareholding below 30 per cent. Further, Finmeccanica's by-laws require qualified majorities by Finmeccanica's board of directors and shareholders for the approval of certain actions. Given the size of these qualified majorities, it may be necessary to obtain the affirmative vote of directors appointed by the Italian government at a board meeting, or – on the basis of the experience of past shareholders' meetings – the affirmative vote of the Italian government at a shareholders' meeting, in order for those actions to be approved.

Any of the factors mentioned above may restrict Finmeccanica's ability to manage its business.

## INFORMATION INCORPORATED BY REFERENCE

The following documents are incorporated by reference, and form part of, this Prospectus:

- (a) the published audited consolidated annual financial statements of Finmeccanica (which include its balance sheet, income statement and explanatory notes) and auditors' reports for the years ended 31 December 2008 and 31 December 2009 as drawn up in accordance with international financial reporting standards ("IFRS");
- (b) the published unaudited consolidated quarterly interim financial information of Finmeccanica as at and for the three months ended 31 March 2010;
- (c) the published audited annual financial statements of the Pre-Merger Finmeccanica Finance (which include its balance sheet, income statement and explanatory notes) for the years ended 31 December 2008 and 31 December 2009 and the independent auditors' reports thereon presented in accordance with Luxembourg legal and regulatory requirements relating to the preparation of financial statements ("Luxembourg GAAP"); and
- (d) the published audited annual financial statements of Aeromeccanica S.A. (which include its balance sheet, income statement and explanatory notes) for the years ended 31 December 2008 and 31 December 2009 and the independent auditors' reports thereon presented in accordance with Luxembourg GAAP.

For more details on the Merger, please see the section entitled "*Finmeccanica Finance S.A.*" on page 85.

The balance sheets, income statements, accounting policies, explanatory notes and auditors' reports for Finmeccanica, the Pre-Merger Finmeccanica Finance and Aeromeccanica S.A. are set out on the following pages of the annual report of each company:

	Finmeccanica IFRS		Pre-Merger Finmeccanica Finance Luxembourg GAAP		Aeromeccanica S.A. Luxembourg GAAP	
	2008	2009	2008	2009	2008	2009
Balance sheet .....	183	198	8-9	8-9	5-6	5-6
Income statement .....	182	197	10-11	10-11	7	7
Accounting policies and explanatory notes .....	186	201	12-25	12-27	8-14	8-15
Auditor's report .....	315	288	5-6	5-6	3-4	3-4

In addition, the balance sheet, income statement, cash flow statement and accounting policies and explanatory notes to the unaudited interim financial information for the Finmeccanica Group are set out on the following pages of the unaudited interim financial information of Finmeccanica at 31 March 2010:

Balance Sheet .....	58
Income Statement .....	56
Cash Flow Statement .....	59
Accounting policies and explanatory notes .....	61

Information contained in the documents incorporated by reference, other than information listed in the table above, is for information only.

The Issuers will, at their respective registered offices and the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Prospectus and all documents forming part thereof. A copy of the documents incorporated by reference shall also be available in electronic form on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

In addition, this Prospectus and, in the case of Notes listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms, will be available in electronic form on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>).

## FINAL TERMS AND SUPPLEMENTS

The Issuers have given an undertaking to the Dealers, that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Prospectus which is capable of affecting the assessment of the Notes, it shall prepare a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement as each Dealer may reasonably request.

In addition, any information relating to the Notes which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained in the relevant Final Terms, unless any of such information constitutes a significant new factor relating to the information contained in this Prospectus, in which case the Issuer will publish a supplement to this Prospectus. In this section the expression “necessary information” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes.

## GENERAL DESCRIPTION OF THE PROGRAMME

This Programme is a EUR 3,800,000,000 Euro Medium Term Note Programme under which the Issuers may from time to time issue Notes in accordance with and subject to all applicable laws and regulations and denominated in any currency, subject as set out herein. The Notes issued by Finmeccanica Finance shall be unconditionally and irrevocably guaranteed by Finmeccanica. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer or Dealers prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to or incorporated by reference into, the Notes, as modified or supplemented by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under “*Forms of the Notes*” below.

## FORMS OF THE NOTES

### NOTES GOVERNED BY ENGLISH LAW

Each Tranche of Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not issued in new global note (“**NGN**”) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “**Eurosystem**”), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

When the Permanent Global Note is to be exchanged for Definitive Notes in the circumstance described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global

or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations of EUR 50,000, plus integral multiples of EUR 1,000 in excess thereof up to and including EUR 99,000 and no Notes in definitive form will be issued with a denomination above EUR 99,000.

#### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

#### **Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

#### **NOTES GOVERNED BY ITALIAN LAW**

Notes governed by Italian Law will be issued in dematerialised form and held on behalf of the Noteholders until redemption or cancellation thereof by Monte Titoli for the account of the relevant Monte Titoli Account Holders. The Notes will at all times be in the book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of the Italian Legislative Decrees No. 58 of 24 February 1998 as amended, No. 213 of 24 June 1998 as amended and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008. No physical document of title will be issued in respect of the Notes.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented and/or amended by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

### 1. Introduction

(a) *Programme:*

Finmeccanica – Società per azioni (“**Finmeccanica S.p.A.**” or “**Finmeccanica**”) and Finmeccanica Finance S.A. (“**Finmeccanica Finance**”) have established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to EUR 3,800,000,000 in aggregate principal amount of notes (the “**Notes**”) guaranteed, in respect of Notes issued by Finmeccanica Finance, by Finmeccanica (in such capacity, the “**Guarantor**”).

(b) *Final Terms:*

Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a set of final terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented and/or amended by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Agency Agreement:*

The Notes governed by English law are the subject of an amended and restated issue and paying agency agreement dated 13 May 2009 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuers, the Guarantor, Société Générale Bank & Trust as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

(d) *Deed of Guarantee:*

Notes governed by English law issued by Finmeccanica Finance are the subject of a deed of guarantee dated 20 July 2010 (as amended or supplemented from time to time, the “**Deed of Guarantee**”) entered into by the Guarantor.

(e) *Italian Guarantee:*

Each Tranche of Notes governed by Italian law issued by Finmeccanica Finance are the subject of a guarantee governed by Italian law relating to such Notes (the “**Italian Guarantee**”) entered into by the Guarantor on or before the Issue Date of such Notes.

(f) *The Notes:*

All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.

(g) *Summaries:*

Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee and the Italian Guarantee and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and any Italian Guarantee applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and

any Italian Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

(h) *Issuers:*

References in these Conditions to “**Issuer**” are to the entity specified as the Issuer in the relevant Final Terms and references to “**Issuers**” shall mean both of Finmeccanica (in its capacity as Issuer) and Finmeccanica Finance.

## 2. Interpretation

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Business Day**” means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Business Centre; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Calculation Amount**” means the amount specified in the relevant Final Terms;

“**Consolidated Net Worth**” means at any time the aggregate of:

- (i) the amount paid up or credited as paid up on the issued share capital of Finmeccanica; and
- (ii) the amount standing to the credit of the consolidated capital stock, retained earnings and legal reserves of Finmeccanica;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) “**Actual/360**” means the actual number of days in the Interest Period divided by 360;
- (iii) “**Actual/Actual**” or “**Actual/Actual (ISDA)**” means the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iv) “**Actual/365 (Fixed)**” means the actual number of days in the Interest Period divided by 365;
- (v) “**30/360 (Floating)**” or “**360/360**” or “**Bond Basis**” means the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

- (vi) “**30E/360**” or “**Eurobond Basis**” means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30; and

- (vii) “**30E/360 (ISDA)**” means the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Termination Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**Extraordinary Resolution**” has the meaning given in the Agency Agreement;

**“Financial Centre(s)”** means the city or cities specified as such in the relevant Final Terms;

**“Final Redemption Amount”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**“Fixed Coupon Amount”** has the meaning given in the relevant Final Terms;

**“Guarantee”** means, in respect of any Indebtedness for Borrowed Money of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness for Borrowed Money;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness for Borrowed Money;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness for Borrowed Money; and
- (iv) any other agreement to be responsible for such Indebtedness for Borrowed Money;

**“Guarantee of the Notes”** means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

**“Indebtedness for Borrowed Money”** means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures or other securities offered, issued or distributed whether by way of public offer, private placing, or acquisition consideration and whether issued for cash or in whole or in part for a consideration other than cash;

**“Interest Amount”** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**“Interest Commencement Date”** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**“Interest Determination Date”** has the meaning given in the relevant Final Terms;

**“Interest Payment Date”** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**“Interest Period”** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**“ISDA Definitions”** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**“Issue Date”** has the meaning given in the relevant Final Terms;

**“Maximum Redemption Amount”** has the meaning given in the relevant Final Terms;

**“Margin”** has the meaning given in the relevant Final Terms;

**“Material Subsidiary”** means, in respect of any company at any particular time, any company more than 50 per cent. of whose issued share capital (or equivalent) is then beneficially owned by Finmeccanica, whose gross revenues (consolidated in the case of a company which itself has

subsidiaries within the meaning of Article 2359 of the Italian Civil Code) and gross assets (consolidated in the case of a company which itself has subsidiaries within the meaning of Article 2359 of the Italian Civil Code) represent 10 per cent. or more of Finmeccanica's consolidated gross revenues and consolidated gross assets as calculated on the basis of its latest Statutory Accounts;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Monte Titoli**” means Monte Titoli S.p.A.;

“**Monte Titoli Account Holder**” means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli and includes any depositary banks appointed by Euroclear and Clearstream, Luxembourg;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Financial Centre;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Put Option Receipt”** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

**“Reference Banks”** has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**“Reference Price”** has the meaning given in the relevant Final Terms;

**“Reference Rate”** has the meaning given in the relevant Final Terms;

**“Regular Period”** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**“Relevant Date”** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**“Relevant Financial Centre”** has the meaning given in the relevant Final Terms;

**“Relevant Indebtedness”** means (a) any Indebtedness for Borrowed Money of the Issuer, or where relevant, the Guarantor which is in the form of or represented by any bond, note, debenture, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and (b) any guarantee in respect of any such Relevant Indebtedness;

**“Relevant Screen Page”** means the page, section or other part of a particular information service (including, without limitation, the Reuter Money 3000 Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Relevant Time”** has the meaning given in the relevant Final Terms;

**“Reserved Matter”** has the meaning given in the Agency Agreement;

“**Security Interest**” means any mortgage, charge, pledge, lien or other encumbrance including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms subject to a minimum denomination of EUR 50,000 (or its equivalent in other currencies) on the Relevant Issue Date;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Statutory Accounts**” means the audited, consolidated financial statements of Finmeccanica which are prepared in accordance with accounting regulations, as interpreted by and integrated with the accounting principles established by the Italian accounting profession;

“**Talon**” means a talon for further Coupons;

“**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (known as TARGET2 which was launched on 19 November 2007) is open;

“**Treaty**” means the Treaty establishing the European Communities, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:*

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement; and
- (vii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes.

**3. Form, Denomination and Title**

(a) *Notes Governed by English Law:*

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or

any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(b) *Notes Governed by Italian Law:*

Notes governed by Italian Law will be issued in dematerialised form and held on behalf of the Noteholders until redemption or cancellation thereof by Monte Titoli for the account of the relevant Monte Titoli Account Holders. The Notes will at all times be in the book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of the Italian Legislative Decrees No. 58 of 24 February 1998 as amended and No. 213 of 24 June 1998 as amended and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008. No physical document of title will be issued in respect of the Notes.

#### **4. Status and Guarantee**

(a) *Status of the Notes:*

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes:*

The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by Finmeccanica Finance in respect of the Notes governed by English law.

The Guarantor has in the Italian Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by Finmeccanica Finance in respect of the Notes governed by Italian law.

These guarantees of the Notes constitute direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### **5. Negative Pledge**

So long as any Note remains outstanding, neither the Issuer nor, where relevant, the Guarantor shall, and the Issuer and, where relevant, the Guarantor shall procure that no Material Subsidiary will, create or permit to subsist (other than by operation of law) any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders **provided that** nothing in this Condition 5 (*Negative Pledge*) shall prevent the Issuer, if applicable, the Guarantor or any Material Subsidiary from (i) creating or permitting to subsist any Security Interest over any revenues or receivables which is created pursuant to any securitisation or like arrangement whereby in the event of a failure to repay amounts advanced in connection therewith or any interest thereon, the Person or Persons providing such finance are entitled to have recourse only to the revenues or receivables derived from the assets forming the subject of such securitisation or like arrangement and/or in the case of Finmeccanica (ii) separating certain assets of it to destine them exclusively to the payment of debts incurred for specific business and/or utilising revenues deriving from specific business for the reimbursement of financings entered into to finance such business, in both cases pursuant to, and within the limits set forth in, Articles 2447-bis and following of the Italian Civil Code.

## 6. Fixed Rate Note Provisions

### (a) Application:

This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

### (b) Accrual of interest:

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

### (c) Fixed Coupon Amount:

If the Notes are in definitive form, except as specified in the relevant Final Terms, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

### (d) Calculation of interest amount:

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (1) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (2) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7. Floating Rate Note and Index-Linked Interest Note Provisions

### (a) Application:

This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

### (b) Accrual of interest:

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such

Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:*

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:*

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) *Index-Linked Interest:*

If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) *Maximum or Minimum Rate of Interest:*

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Calculation of Interest Amount:*

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest to:

- (1) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the full amount paid up); or
- (2) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(h) *Calculation of other amounts:*

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(i) *Publication:*

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(j) *Notifications etc:*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying

Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **8. Zero Coupon Note Provisions**

### *(a) Application:*

This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

### *(b) Late payment on Zero Coupon Notes:*

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## **9. Dual Currency Note Provisions**

### *(a) Application:*

This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

### *(b) Rate of Interest:*

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

## **10. Redemption and Purchase**

### *(a) Scheduled redemption:*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).

### *(b) Redemption for tax reasons:*

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of (y) in the case of Finmeccanica Finance, Luxembourg or (z) in the case of Finmeccanica, the Republic of Italy, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or

amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and/or

- (B) (1) (where applicable) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by any authorised director of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption for tax reasons*).

(c) *Redemption at the option of the Issuer:*

If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) *Partial redemption:*

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of

the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

*(e) Redemption at the option of Noteholders:*

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption monies is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

*(f) No other redemption:*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (e) (*Redemption at the option of Noteholders*) above.

*(g) Early redemption of Zero Coupon Notes:*

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

*(h) Purchase:*

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

*(i) Cancellation:*

All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 11. Payments

### (a) *Principal:*

Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

### (b) *Interest:*

Payments of interest shall, subject to paragraph (h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

### (c) *Payments in New York City:*

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

### (d) *Payments subject to fiscal laws:*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

### (e) *Deductions for unmatured Coupons:*

If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that

proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void:*

If the relevant Final Terms specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:*

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:*

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by (c) above) (*Payments in New York City*).

(i) *Partial payments:*

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a farther Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 12. Taxation

(a) *Gross up:*

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or, where applicable, the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Luxembourg or the Republic of Italy, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Luxembourg or (as the case may be) the Republic of Italy other than the mere holding of such Note or Coupon; or
- (ii) by any Noteholder who would be entitled to avoid such withholding or deduction by making a declaration of residence or non-residence or other similar claim for exemption and fails to do so;
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iv) in relation to any payment or deduction on principal, interest or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 as amended or supplemented from time to time;
- (v) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union;
- (vi) in the Republic of Italy;
- (vii) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days;
- (viii) by, or on behalf of a Holder of a Note or Coupon being a resident of Italy;
- (ix) in connection with Notes (governed by Italian law only) having a maturity of less than 18 months; or
- (x) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

“*Imposta sostitutiva*” as defined in Legislative Decree No. 239 of 1 April 1996 as amended and supplemented from time to time, does not constitute a withholding or deduction within the meaning of this Condition 12.

(b) *Taxing jurisdiction:*

If the Issuer or, where applicable, the Guarantor takes any action or allows something to be done to it which results in it being subject at any time to any taxing jurisdiction other than Luxembourg or the Republic of Italy, as the case may be, references in these Conditions to Luxembourg or the Republic of Italy shall be construed as references to Luxembourg or (as the case may be) the Republic of Italy and/or such other jurisdiction.

**13. Events of Default**

If any one or more of the following events (each an “**Event of Default**”) shall occur and be continuing:

(a) *Non-payment:*

the Issuer fails to pay any amount of principal in respect of the Notes or any of them within 3 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes or any of them within 7 days of the due date for payment thereof; or

(b) *Breach of other obligations:*

default is made by the Issuer or the Guarantor in the performance or observance of any obligation, condition or provision binding on the Issuer under the Notes or on the Guarantor under the Guarantee in relation to, or in respect of, the Notes (other than any obligation for payment of any principal or interest in respect of the Notes) and (except in any case where the

default is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) such default continues for 30 days after written notice thereof to the Issuer or the Guarantor, as the case may be, requiring the same to be remedied; or

(c) *Cross-Default:*

any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Material Subsidiary, becomes due and repayable prematurely by reason of an event of default (howsoever described) or the Issuer, the Guarantor or any Material Subsidiary, fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period), or any security given by the Issuer, the Guarantor or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable by reason of an event of default (howsoever described), or if default is made by the Issuer, the Guarantor or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (as extended by any originally applicable grace period), **provided that** no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing shall amount to at least EUR 25,000,000 (or its equivalent in any other currency); or

(d) *Insolvency:*

the Issuer, the Guarantor or any Material Subsidiary shall be adjudicated or becomes insolvent or shall stop payment or announce that it shall stop payment or shall be found by a court or similar body of competent jurisdiction to be unable to pay its debts, or any order shall be made by any competent court or other competent body (unless such order is being contested in good faith and is not dismissed within 240 days) for, or any resolution shall be passed by the Issuer, the Guarantor or any Material Subsidiary for judicial composition proceedings with its creditors or for the appointment of a receiver, administrative receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer, the Guarantor or any Material Subsidiary; or

(e) *Unsatisfied judgment:*

the Issuer, the Guarantor or any Material Subsidiary fails to pay a final judgment of a court of competent jurisdiction within 60 days from the receipt of a notice that a final judgment in excess of an amount equal to the value of a substantial part of the assets or property of the Issuer, the Guarantor or any Material Subsidiary has been entered against it or an execution is levied on or enforced upon or sued out in pursuance of any such judgment against any substantial part of the assets or property of the Issuer, the Guarantor or any Material Subsidiary; or

(f) *Winding up etc.:*

the Issuer, the Guarantor or any Material Subsidiary shall be wound up or dissolved (otherwise than for the purpose of a solvent amalgamation, merger or reconstruction under which the assets and liabilities of the Issuer, the Guarantor or the Material Subsidiary, as the case may be, are assumed by the entity resulting from such amalgamation, merger or reconstruction and such entity assumes the obligations of the Issuer, the Guarantor or the Material Subsidiary, as the case may be, in respect of the Notes or the Guarantee of the Notes, as the case may be, and an opinion of an independent legal adviser of recognised standing in Luxembourg, in the case of Finmeccanica Finance, in Italy, in the case of Finmeccanica, and in the relevant jurisdiction of incorporation in the case of the Material Subsidiary has been delivered to the Fiscal Agent confirming the same prior to the effective date of such amalgamation, merger or reconstruction); or

(g) *Cessation of business:*

the Issuer, the Guarantor or any Material Subsidiary shall cease or announce that it shall cease to carry on its business (otherwise than for the purpose of a solvent amalgamation, merger or reconstruction under which the assets and liabilities of the Issuer, the Guarantor or the Material Subsidiary, as the case may be, are assumed by the entity resulting from such amalgamation, merger or reconstruction and such entity assumes the obligations of the Issuer, the Guarantor or

the Material Subsidiary, as the case may be, in respect of the Notes or the Guarantee of the Notes, as the case may be, and an opinion of an independent legal adviser of recognised standing in Luxembourg, in the case of Finmeccanica Finance, in Italy, in the case of Finmeccanica and in the relevant jurisdiction of incorporation in the case of the Material Subsidiary has been delivered to the Fiscal Agent confirming the same prior to the effective date of such amalgamation, merger or reconstruction); or

(h) *Analogous event:*

any event occurs which under the laws of Luxembourg, the Republic of Italy or the relevant jurisdiction of incorporation of the relevant Material Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) (*Insolvency*) to (g) (*Cessation of business*) above; or

(i) *Failure to take action etc:*

any action, condition or thing at any time after the Issue Date required to be taken, fulfilled or done in order to ensure that those obligations are legal, valid, binding and enforceable is not taken, fulfilled or done;

(j) *Guarantee of the Notes:*

the Guarantee of the Notes ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then any holder of a Note may, by written notice to the Issuer and, where relevant, the Guarantor at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

#### **14. Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

#### **15. Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by the rules of such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **16. Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer and the Guarantor shall at all times maintain a Fiscal Agent; and

- (b) the Issuer and the Guarantor undertake that they will ensure that they maintain a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its Specified Office in the place required by the rules of such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or the Calculation Agent or in their Specified Offices shall promptly be given to the Noteholders.

## **17. Meetings of Noteholders; Modification and Waiver**

### *(a) Where the Issuer is Finmeccanica:*

In accordance with the rules of the Italian Civil Code, the Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any provisions of the Agency Agreement. The quorum at any such meeting for passing an Extraordinary Resolution is established by Article 2415 of the Italian Civil Code. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting and on all Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified to the Noteholders in accordance with Condition 19 (*Notices*) as soon as practicable thereafter.

In accordance with the Italian Civil Code, a “rappresentante comune”, being a joint representative of Noteholders, may be appointed in order to represent the Noteholders’ interests hereunder and to give execution to the resolutions of the Noteholders’ meeting. The “rappresentante comune” is appointed by a resolution passed at the Noteholders’ meeting. In the event the Noteholders fail to appoint the “rappresentante comune”, the appointment is made by the President of the Court of First Instance of the venue where the registered office of the Issuer is located at the request of any Noteholder or the directors of the Issuer.

### *(b) Where the Issuer is Finmeccanica Finance:*

Where the Notes are governed by English law, the Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or shall be convened by them at the request in writing of Noteholders holding one tenth of the aggregate principal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing one quarter in aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes a Reserved Matter (as defined in the Agency Agreement), the quorum shall be two or more persons holding or representing not less than three quarters in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing one quarter in aggregate principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

Where the Notes are governed by Italian law, the provisions of paragraph (a) above will apply to Finmeccanica Finance *mutatis mutandis* save that resolutions will only be adopted either on a first call or on a second call, with the exclusion of a third call.

(c) *Modification:*

The Notes, these Conditions and the Deed of Guarantee may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

## 18. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or, where applicable, the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## 19. Notices

(a) *Notes Governed by English law:*

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes which are listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([http://www. bourse.lu](http://www.bourse.lu)) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

(b) *Notes Governed by Italian law:*

Notices to the Noteholders shall be valid, unless differently established by law, if published in a leading Italian language daily newspaper and, if and when the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange also in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

## 20. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 21. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 22. Substitution

- (a) Following 18 months after the Issue Date, the Guarantor may, without the consent of the Noteholders, assume liability as the principal debtor in respect of the Notes issued by Finmeccanica Finance and the Coupons, **provided that:**
- (i) a deed poll and such other documents (if any) shall be executed by the Guarantor, as may be necessary to give full effect to the substitution (the “**Documents**”) and (without limiting the generality of the foregoing) pursuant to which the Guarantor shall undertake in favour of each Noteholder to be bound by these Conditions and the provisions of the Agency Agreement as fully as if the Guarantor had been named in the Notes and the Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer;
  - (ii) without prejudice to the generality of Condition 22(a)(i), if the Guarantor is at the time of such substitution incorporated, domiciled or resident for taxation purposes in a territory other than Luxembourg, the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 12 (*Taxation*) with, where applicable, exclusion of the references to Luxembourg and the inclusion of references to the territory in which the Guarantor is at the time incorporated, domiciled and/or resident for taxation purposes;
  - (iii) the Documents shall contain a warranty and representation (aa) that the Guarantor has obtained all necessary governmental, regulatory and corporate approvals and consents for such substitution, and (bb) that the obligations assumed by the Guarantor are legal, valid and binding in accordance with their respective terms and enforceable by each Noteholder; and
  - (iv) a legal opinion shall have been delivered to the Fiscal Agent (from whom copies will be available) (aa) from lawyers of recognised standing as to matters of Luxembourg law, (bb) from lawyers of recognised standing as to matters of Italian law, (cc) from lawyers of recognised standing as to matters of English law, and (dd) if the Guarantor is at the time of such substitution incorporated or domiciled or resident in a country other than Luxembourg or the Republic of Italy, from lawyers of recognised standing in the country of incorporation of the Guarantor, confirming as appropriate, that upon the substitution taking place (y) the requirements of this Condition 22, save as to the giving of notice to Noteholders have been met and (z) the Notes and Coupons are legal, valid and binding obligations of the Guarantor enforceable in accordance with their terms.
- (b) Upon the execution of the Documents and delivery of the legal opinions as referred to in Condition 22(a), the Guarantor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall, in the case of the substitution of the Guarantor as principal debtor, operate to release the Issuer from all of its obligations as principal debtor in respect of the Notes.

- (c) The Documents shall be deposited with and held by the Fiscal Agent for so long as the Notes remain outstanding and for so long as any claim made against the Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Guarantor shall acknowledge in the Documents the right of every Noteholder to the provision of the Documents for the enforcement of any of the Notes or the Documents.
- (d) Not later than 20 days after the execution of the Documents, the Guarantor together with the Issuer shall give notice thereof to the Noteholders in accordance with Condition 19 (*Notices*).

## 23. Governing Law and Jurisdiction

### (a) *Notes governed by English law:*

#### (i) *Governing law:*

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.

#### (ii) *Jurisdiction:*

Each of the Issuers and the Guarantor agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

#### (iii) *Appropriate forum:*

Each of the Issuers and the Guarantor irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

#### (iv) *Process agent:*

Each of the Issuers and the Guarantor agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ or, if different, its registered office for the time being or at any address of the relevant Issuer or the Guarantor in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such Person is not or ceases to be effectively appointed to accept service of process on the Issuers’ or the Guarantor’s behalf, the relevant Issuer or the Guarantor shall, on the written demand of any Noteholder addressed to it and delivered to it or to the Specified Office of the Fiscal Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 30 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the relevant Issuer or the Guarantor and delivered to the relevant Issuer or the Guarantor or to the Specified Office of the Fiscal Agent **provided that** there shall never be more than one process agent appointed at any one time. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

#### (v) *Non-exclusivity:*

The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction in (i) any Member State of the European Union; or (ii) the relevant jurisdiction of incorporation of any Issuer or the Guarantor from time to time, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any of the aforementioned jurisdictions (whether concurrently or not) if and to the extent permitted by law.

(vi) *Consent to enforcement etc.:*

Each Issuer and the Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(vii) *Waiver of immunity:*

To the extent that any Issuer and/or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to any Issuer and/or the Guarantor or its assets or revenues, the Issuers and/or the Guarantor agree not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

(b) *Notes governed by Italian law:*

The relevant Final Terms may specify that the Notes shall be governed by Italian Law and that certain courts of Italy shall have jurisdiction to settle any Dispute arising from or connected with the Notes. In such case, specific provisions shall be specified in the relevant Final Terms.

## THE GUARANTEE

The following is the text of the Deed of Guarantee given by Finmeccanica in respect of all Notes governed by English law issued under the Programme by Finmeccanica Finance.

THIS DEED OF GUARANTEE is made on 20 July 2010

BY \_\_\_\_\_

- (1) **FINMECCANICA – Società per azioni** (the “**Guarantor**”)

### IN FAVOUR OF

- (2) **THE NOTEHOLDERS** (as defined in the Prospectus described below); and
- (3) **THE ACCOUNTHOLDERS** (as defined in the Deed of Covenant described below) (together with the Noteholders, the “**Beneficiaries**”).

### WHEREAS

- (A) Finmeccanica – Società per azioni and Finmeccanica Finance S.A. (“**Finmeccanica Finance**”) (each an “**Issuer**” and together the “**Issuers**”) and the Guarantor have established a Euro Medium Term Note Programme (the “**Programme**”) (1) for the issuance of notes governed by English law (the “**Notes**”), in connection with which they have entered into an amended and restated dealer agreement dated 20 July 2010 (the “**Dealer Agreement**”) and an amended and restated issue and paying agency agreement dated 13 May 2009 (the “**Agency Agreement**”) and the Issuers have executed a deed of covenant dated 13 May 2009 (the “**Deed of Covenant**”) and (2) for the issuance of notes governed by Italian law.
- (B) The Issuers have made applications to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to listing on the official list of the Luxembourg Stock Exchange and admitted to trading on its regulated market. Notes may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuers.
- (C) In connection with the Programme, the Issuers and the Guarantor have prepared a base prospectus dated 20 July 2010 (the “**Prospectus**”) which has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) as a base prospectus issued in compliance with Directive 2003/71/EC and relevant implementing measures in Luxembourg.
- (D) The Guarantor has agreed to guarantee the payment of all sums expressed to be payable from time to time by Finmeccanica Finance to Noteholders in respect of the Notes issued by Finmeccanica Finance and to Accountholders in respect of the Deed of Covenant.
- (E) Finmeccanica Finance is the surviving entity of the merger (the “**Merger**”) by incorporation pursuant to Luxembourg law of the entity named Finmeccanica Finance S.A. prior to the Merger (the “**Pre-Merger Finmeccanica Finance**”) into Aeromeccanica S.A. The Merger was completed on 22 June 2010. Following the Merger, Aeromeccanica S.A. changed its name to “Finmeccanica Finance S.A.” (the “**Merged Finmeccanica Finance**”). For the avoidance of doubt, unless otherwise stated, all references herein to “Finmeccanica Finance” and “Finmeccanica Finance S.A.” shall mean references to the Merged Finmeccanica Finance.

**NOW THIS DEED OF GUARANTEE WITNESSES** as follows:

**1. Definitions and Interpretation**

1.1 *Definitions*

All terms and expressions which have defined meanings in the Prospectus, the Dealer Agreement, the Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated.

1.2 *English Law Notes*

The Guarantor hereby confirms that this Deed of Guarantee applies only to the issue by Finmeccanica Finance of Notes governed by English law.

1.3 *Clauses*

Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.4 *Other agreements*

All references in this Deed of Guarantee to an agreement, instrument or other document (including the Prospectus, the Dealer Agreement, the Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, restated, extended, replaced or novated from time to time. In addition, in the context of any particular Tranche of Notes, each reference in this Deed of Guarantee to the Prospectus shall be construed as a reference to the Prospectus as supplemented and/or amended by the relevant Final Terms.

1.5 *Legislation*

Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

1.6 *Headings*

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Guarantee.

1.7 *Benefit of Deed of Guarantee*

All Notes issued under the Programme (i) by Pre-Merger Finmeccanica Finance prior to the date of the Merger; and (ii) by Finmeccanica Finance prior to the date of this Deed of Guarantee; and (iii) by Finmeccanica Finance on or after the date of this Deed of Guarantee shall have the benefit of this Deed of Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

**2. Guarantee and Indemnity**

2.1 *Guarantee*

The Guarantor hereby unconditionally and irrevocably guarantees:

2.1.1 *The Notes:* to each Noteholder the due and punctual payment of all sums from time to time payable by Finmeccanica Finance in respect of the relevant Note as and when the same become due and payable and accordingly undertakes to pay to such Noteholder, in the manner and currency prescribed by the Conditions for payments by Finmeccanica Finance in respect of such Note, any and every sum or sums which Finmeccanica Finance is at any time liable to pay in respect of such Note and which Finmeccanica Finance has failed to pay; and

2.1.2 *The Direct Rights:* to each Accountholder the due and punctual payment of all sums from time to time payable by Finmeccanica Finance to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Accountholder, in the manner and currency prescribed by the Conditions

for payments by Finmeccanica Finance in respect of the Notes, any and every sum or sums which Finmeccanica Finance is at any time liable to pay to such Accountholder in respect of the Notes and which Finmeccanica Finance has failed to pay.

## 2.2 *Indemnity*

The Guarantor undertakes to each Beneficiary that, if any sum referred to in Clause 2.1 (*Guarantee*) is not recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Note, the Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law), then (notwithstanding that the same may have been known to such Beneficiary) the Guarantor will pay such sum by way of a full indemnity in the manner and currency prescribed by the Conditions. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Guarantee and shall give rise to a separate and independent cause of action.

## 3. **Compliance with the Conditions**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.

## 4. **Preservation of Rights**

### 4.1 *Principal obligor*

The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

### 4.2 *Continuing obligations*

The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of Finmeccanica Finance's obligations under or in respect of any Note or the Deed of Covenant and shall continue in full force and effect for so long as the Programme remains in effect and thereafter until all sums due from Finmeccanica Finance in respect of the Notes and under the Deed of Covenant have been paid, and all other actual or contingent obligations of Finmeccanica Finance thereunder or in respect thereof have been satisfied, in full.

### 4.3 *Obligations not discharged*

Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

4.3.1 *Winding up*: the winding up, dissolution, administration or re-organisation of Finmeccanica Finance or analogous proceedings in any jurisdiction or any change in its status, function, control or ownership;

4.3.2 *Illegality*: any of the obligations of Finmeccanica Finance under or in respect of any Note or the Deed of Covenant being or becoming illegal, invalid, unenforceable or ineffective in any respect;

4.3.3 *Indulgence*: time or other indulgence (including for the avoidance of doubt, any composition) being granted or agreed to be granted to Finmeccanica Finance in respect of any of its obligations under or in respect of any Note or the Deed of Covenant;

4.3.4 *Amendment*: any amendment, novation, supplement, extension, (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature) or replacement, waiver or release of, any obligation of Finmeccanica Finance under or in respect of any Note or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof including without limitation any change in the purposes for which the proceeds of the issue of any Note are to be applied and any extension of or any increase of the obligations of the Issuer in respect of any Note or the addition of any new obligations for the Issuer under the Deed of Covenant; or

4.3.5 *Analogous events*: any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Guarantee or by law.

#### 4.4 *Settlement conditional*

Any settlement or discharge between the Guarantor and the Beneficiaries or any of them shall be conditional upon no payment to the Beneficiaries or any of them by Finmeccanica Finance or any other person on Finmeccanica Finance's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

#### 4.5 *Exercise of Rights*

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:

4.5.1 *Demand*: to make any demand of Finmeccanica Finance, save for the presentation of the relevant Note;

4.5.2 *Take action*: to take any action or obtain judgment in any court against Finmeccanica Finance; or

4.5.3 *Claim or proof*: to make or file any claim or proof in a winding up or dissolution of Finmeccanica Finance,

and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonour in respect of any Note.

#### 4.6 *Deferral of Guarantor's rights*

The Guarantor agrees that, so long as any sums are or may be owed by Finmeccanica Finance in respect of any Note or under the Deed of Covenant or Finmeccanica Finance is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any rights which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

4.6.1 *Indemnity*: to be indemnified by Finmeccanica Finance;

4.6.2 *Subrogation*: to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of any Beneficiary against Finmeccanica Finance in respect of amounts paid by the Guarantor under this Deed of Guarantee or any security enjoyed in connection with any Note or the Deed of Covenant by any Beneficiary.

#### 4.7 *Pari passu*

The Guarantor undertakes that its obligations hereunder will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### 5. **Deposit of Deed of Guarantee**

This Deed of Guarantee shall be deposited with and held by the Fiscal Agent for so long as the Programme remains in effect and thereafter until the date which is six months after all the obligations of Finmeccanica Finance under or in respect of the Notes (including, without limitation, its obligations under the Deed of Covenant) have been discharged in full. The Guarantor hereby acknowledges the right of every Beneficiary to the production of this Deed of Guarantee.

## **6. Stamp Duties**

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) documented, where applicable, by invoices or any other relevant documentation which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

## **7. Benefit of Deed of Guarantee**

### *7.1 Deed poll*

This Deed of Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

### *7.2 Benefit*

This Deed of Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Guarantee against the Guarantor. Beneficiaries shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

### *7.3 Assignment*

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder.

## **8. Partial Invalidity**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## **9. Notices**

### *9.1 Address for notices*

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter or fax) and shall be sent to the Guarantor at:

Piazza Monte Grappa, 4  
00195 Rome

Fax: +39 06 3247 3603

Attention: Financial Department

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the relevant Noteholders in the manner prescribed for the giving of notices in connection with the relevant Notes.

### *9.2 Effectiveness*

Every notice or other communication sent in accordance with Clause 9.1 (*Address for notices*) shall be effective upon receipt by the Guarantor *provided that* any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

## 10. Currency Indemnity

If any sum due from the Guarantor under this Deed of Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under this Deed of Guarantee or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to this Deed of Guarantee, the Guarantor shall indemnify each Beneficiary on demand against the difference between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Beneficiary may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Guarantee and shall give rise to a separate and independent cause of action.

## 11. Law and Jurisdiction

### 11.1 *Governing law*

This Deed of Guarantee and any non-contractual obligations arising out of or in connection with it are governed by English law.

### 11.2 *Jurisdiction*

The Guarantor agrees for the benefit of the Beneficiaries that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which arises out of or in connection with this Deed of Guarantee (including a dispute relating to the existence, validity or termination of this Deed of Guarantee or any non-contractual obligations arising out of or in connection with this Deed of Guarantee) (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

### 11.3 *Appropriate forum*

The Guarantor irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

### 11.4 *Service of process*

The Guarantor agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to it at Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ or, if different, its registered office for the time being or at any other address of the Guarantor in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on the Guarantor’s behalf, the Guarantor shall, on the written demand of any Beneficiary addressed to the Guarantor and delivered to the Guarantor or to the Specified Office of the Fiscal Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 30 days from receipt of notice, any Beneficiary shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor or to the Specified Office of the Fiscal Agent provided that there shall not be more than one process agent appointed at any one time. Nothing in this paragraph shall affect the right of any Beneficiary to serve process in any other manner permitted by law

### 11.5 *Non-exclusivity*

The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Beneficiary to take Proceedings in any other court of competent jurisdiction in (i) any Member State of the European Union; or (ii) the relevant

jurisdiction of incorporation of any Issuer or the Guarantor from time to time, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any of the aforementioned jurisdictions (whether concurrently or not) if and to the extent permitted by law.

11.6 *Consent to enforcement etc*

The Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

11.7 *Waiver of immunity*

To the extent that the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Guarantor or its assets or revenues, the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

**12. Modification**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to Notes, including the modification of any provision of this Deed of Guarantee. Any such modification may be made by supplemental deed poll if sanctioned by an Extraordinary Resolution and shall be binding on all Beneficiaries.

**IN WITNESS** whereof this Deed of Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

**EXECUTED** as a deed

**FINMECCANICA – Società per azioni**

acting by                    }

## FORM OF ITALIAN GUARANTEE

The following is the text of the Italian Guarantee to be given by Finmeccanica in respect of each Tranche of Notes governed by Italian law issued under the Programme by Finmeccanica Finance.

### THE ITALIAN LAW GUARANTEE

THIS ITALIAN LAW GUARANTEE is made on [●]

BY \_\_\_\_\_

(1) **FINMECCANICA – Società per azioni** (the “**Guarantor**”)

**IN FAVOUR OF**

(2) **THE HOLDERS** of Italian Law Notes (as defined below); and

#### WHEREAS

- (A) Finmeccanica – Società per azioni and Finmeccanica Finance S.A. (“**Finmeccanica Finance**”) (each an “**Issuer**” and together the “**Issuers**”) and the Guarantor established a Euro Medium Term Note Programme (the “**EMTN Programme**”) on 6 December 2001 for the issuance of notes for a maximum amount of EUR 3,800,000,000 (the “**Programme Amount**”).
- (B) Finmeccanica Finance and the Guarantor resolved, respectively on 16 July 2010 and on 29 April 2010 to update the EMTN Programme.
- (C) In connection with the EMTN Programme Finmeccanica Finance and the Guarantor have prepared a base prospectus (the “**Prospectus**”) relating to the issue of Euro 3,800,000,000 Notes to be offered in Italy (the “**Italian Law Notes**”) dated 20 July 2010 which has been approved by the CSSF as a base prospectus issued in compliance with Directive 2003/71/EC and relevant implementation measures in Luxembourg.
- (D) The Guarantor, under this guarantee governed by Italian law (“**Italian Law Guarantee**”), shall guarantee the obligations of Finmeccanica Finance under the Italian Law Notes to be issued by Finmeccanica Finance.

**NOW THIS ITALIAN LAW GUARANTEE WITNESSES** as follows:

#### 1. **Definitions and Interpretation**

##### 1.1 *Definitions:*

All terms and expressions which have defined meanings in the Prospectus shall have the same meanings in this Italian Law Guarantee except where the context requires otherwise or unless otherwise stated.

##### 1.2 *Clauses:*

Any reference in this Italian Law Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

##### 1.3 *Other agreements:*

All references in this Italian Law Guarantee to an agreement, instrument or other document (including the Prospectus and the Italian Agency Agreement, referred to below) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time. In particular, each reference in this Italian Law Guarantee to the Prospectus shall be construed as a reference to the Prospectus as supplemented and/or amended.

#### 1.4 *Statutes:*

Any reference in this Italian Law Guarantee to a statute, any provision thereof or to any statutory instrument, order or regulation made thereunder shall be construed as a reference to such statute, provision, statutory instrument, order or regulation as the same may have been, or may from time to time be, amended or re-enacted.

#### 1.5 *Headings:*

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Italian Law Guarantee.

### **2. Guarantee and Indemnity**

#### 2.1 *Guarantee:*

The Guarantor hereby unconditionally and irrevocably guarantees to each holder of the Italian Law Notes, the due and punctual payment of all sums from time to time payable by Finmeccanica Finance in respect of such Italian Law Notes as and when the same become due and payable and accordingly undertakes to pay to the holders of the Italian Law Notes, in the manner and currency prescribed by the conditions of the Terms and Conditions of the Italian Law Notes for payments by Finmeccanica Finance in respect of such Italian Law Note, any and every sum or sums which Finmeccanica Finance is at any time liable to pay in respect of such Italian Law Note and which Finmeccanica Finance has failed to pay, within the limit established by 2.3 below.

#### 2.2 *Indemnity:*

The Guarantor undertakes to each holder of the Italian Law Notes that, if any sum referred to in Clause 2.1 is not recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Italian Law Note being or becoming void, unenforceable or otherwise invalid under any applicable provision of law), then (notwithstanding that the same may have been known to such holder) the Guarantor will pay such sum by way of an integral indemnity in the manner and currency prescribed by the conditions of the Terms and Conditions of the Italian Law Notes. This obligation to indemnify constitutes a separate obligation, independent from the validity and efficacy under the other obligations under this Italian Law Guarantee and shall give rise to an autonomous and independent cause of action of the holders of the Italian Law Notes subject to the provisions of Clause 2.3 below.

#### 2.3 *Maximum liability:*

The obligations of the Guarantor under this Italian Law Guarantee including those referred to in Clause 2.2 above can not exceed the amount of EUR 3,800,000,000 million, plus interest thereon and relating accessories.

### **3. Compliance with the Terms and Conditions of the Italian Law Notes**

The Guarantor covenants in favour of each holder of the Italian Law Notes that it will duly perform and comply with the obligations expressed to be undertaken by it in accordance with the Terms and Conditions of the Italian Law Notes.

### **4. Preservation of Rights**

#### 4.1 *Principal obligor:*

The obligations of the Guarantor hereunder shall be deemed to be undertaken as primary obligor and therefore the exhaustion of remedies against Finmeccanica Finance pursuant to Article 1944 of the Italian Civil Code is excluded.

#### 4.2 *Continuing obligations:*

The obligations of the Guarantor herein contained shall constitute and be continuing obligations and shall not be considered satisfied by any intermediate payment or satisfaction of part of Finmeccanica Finance's obligations under or in respect of any Italian Law Note and shall continue, for the balance, in force and effect for so long as the Italian Law Notes remain in

effect and thereafter until all sums due from Finmeccanica Finance in respect of the Italian Law Notes have been paid, and all other actual or contingent obligations of Finmeccanica Finance thereunder or in respect thereof have been satisfied, in full.

4.3 *Obligations not discharged:*

To the extent permitted by Italian law, neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the holders of the Italian Law Notes by this Italian Law Guarantee or by law shall be discharged, impaired or otherwise affected by:

4.3.1 *Winding up:* the winding up, dissolution, administration or re-organisation of Finance or analogous proceedings in any jurisdiction or any change in its status, function, control or ownership;

4.3.2 *Invalidity:* any of the obligations of Finmeccanica Finance under or in respect of any Italian Law Note being or becoming legal, invalid, unenforceable or ineffective in any respect;

4.3.3 *Indulgence:* time or other indulgence being granted or agreed to be granted to Finmeccanica Finance in respect of any of its obligations under or in respect of any Italian Law Note;

4.3.4 *Amendment:* any amendment to, or any variation, waiver or release of, any obligation of Finmeccanica Finance under or in respect of any Italian Law Note or any security or other guarantee or indemnity in respect thereof; or

4.3.5 *Analogous events:* any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the holders of the Italian Law Notes or any of them by this Italian Law Guarantee or by law.

4.4 *Settlement conditional:*

Any settlement or discharge between the Guarantor and the holders of Italian Law Notes or any of them shall be conditional upon payment to the holders of Italian Law Notes or any of them by Finmeccanica Finance or any other person on Finmeccanica Finance's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws or general application for the time being in force and, in the event of any such payment being so avoided or reduced, the holders of Italian Law Notes shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

4.5 *Deferral of Guarantor's rights:*

The Guarantor agrees that, so long as any sums are or may be owed by Finmeccanica Finance in respect of any Italian Law Note or Finmeccanica Finance is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any rights which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

4.5.1 *Indemnity:* to be indemnified by Finmeccanica Finance; or

4.5.2 *Subrogation:* to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of any holder of the Italian Law Notes against Finmeccanica Finance in respect of amounts paid by the Guarantor under this Italian Law Guarantee or any security enjoyed in connection with any Italian Law Note by any holder of the Italian Law Notes.

4.5.3 *Pari Passu*

The Guarantor undertakes that its obligations hereunder will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## 5. Deposit of the Italian Law Guarantee

This Italian Law Guarantee shall be deposited with and held at the office of Finmeccanica Finance and of the Guarantor (also at the office of the Fiscal Agent – as defined below – in the situation where the Italian Law Notes have to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange) until the date which is six months after all the obligations of Finmeccanica Finance under or in respect of the Italian Law Notes have been discharged in full. The Guarantor hereby acknowledges the right of every holder of the Italian Law Notes to the production of this Italian Law Guarantee.

“**Fiscal Agent**” means Société Générale Bank & Trust, acting through its office at which will act as Fiscal Agent in respect of this Clause, in the situation where the Italian Law Notes have to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange or such other agent which might be appointed in its lieu pursuant to the Italian Agency Agreement to be entered into between Finmeccanica Finance, the Guarantor and the Fiscal Agent.

## 6. Stamp Duties

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Italian Law Guarantee, and shall indemnify each holder of the Italian Law Notes against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) duly documented by invoices or any other relevant documentation in relation thereto, which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

## 7. Partial Invalidity

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby. If one of the Clauses of this Italian Law Guarantee, in whole or in part, is proven invalid or illegal, the Guarantor may substitute the Clause, in whole or in part, with another which is valid, legal, and appropriate in producing the effect most similar to the Clause, in whole or in part.

## 8. Notices

### 8.1 *Address for notices:*

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter or fax) and shall be sent to the Guarantor at:

Piazza Monte Grappa, 4,  
00195 Rome, Italy  
Fax: + 3906 3247 3603  
Attention: Financial Department

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the relevant holders of the Italian Law in the manner prescribed for the giving of notices in connection with the Italian Law Notes.

### 8.2 *Effectiveness:*

Every notice or other communication sent in accordance with Clause 8.1 (*Address for notices*) shall be effective upon receipt by the Guarantor **provided that** any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

**9. Law, Jurisdiction and venue**

9.1 *Governing law:*

This Italian Law Guarantee and any non-contractual obligations arising out of or in connection with this Italian Law Guarantee are governed by Italian law.

9.2 *Jurisdiction:*

The courts of Italy shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Italian Law Notes (respectively, “**Italian Proceedings**” and “**Italian Disputes**”).

9.3 *Venue:*

The Tribunal where the residence or domicile of the Noteholder of an Italian Law Note is located will be the exclusive venue for any Italian Proceedings and any Italian Disputes relating to Italian Law Notes, with the exception of Italian Law Notes held by Professional Clients, for which the Tribunal of Rome will be the exclusive venue.

**EXECUTED as a DEED**

By: .....

**FINMECCANICA – Società per azioni**

acting by

## FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes guidance for completing the Final Terms.

Final Terms dated [●]

### **[FINMECCANICA – Società per azioni**

(incorporated as a società per azioni under the laws of Italy, with registered office at Piazza Monte Grappa, 4, 00195 Rome, Italy, registered with Camera di Commercio Industria Artigianato Agricoltura, with registration number 00401990585)]

### **[FINMECCANICA FINANCE S.A.**

(incorporated as a *société anonyme* under the laws of Luxembourg, with registered office at 31 boulevard de Prince Henri, L-1724 Luxembourg, registered with The Luxembourg Registry of Commerce and Companies with register number R.C.S. Luxembourg B70.876)]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Guaranteed in respect of Notes issued by Finmeccanica Finance S.A. by**

**FINMECCANICA – Società per azioni**

**under the EUR 3,800,000,000**

**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 20 July 2010 [and the supplement to the Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document contains the final terms of the Notes for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus [and the supplement to the Prospectus<sup>1</sup>] [is/are] available for viewing at the [website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)] and copies may be obtained from [Finmeccanica – Società per azioni at Piazza Monte Grappa, 4, 00195 Rome]/[Finmeccanica Finance S.A. at 31 boulevard du Prince Henri, L-1724 Luxembourg] and from the Fiscal Agent, Société Générale Bank & Trust at 11 avenue Emile Reuter, L-2420 Luxembourg and the Paying Agent, Dexia Banque Internationale à Luxembourg, *société anonyme* at 69 route d’Esch, L-2953 Luxembourg.

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<sup>1</sup> Only include details of a supplement to the Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

*The following alternative language applies if the first tranche of an issue, which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date]. This document contains the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated 20 July 2010 [and the supplement to the Prospectus dated [●]] together the “**Prospectus**” which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and the supplement to the Prospectus dated [●] and are attached hereto.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus [and the supplement to the Prospectus<sup>2</sup>] [is/are] available for viewing at the [website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)] and copies may be obtained from [Finmeccanica – Società per azioni at Piazza Monte Grappa, 4, 00195 Rome]/[Finmeccanica Finance S.A. at 31 boulevard du Prince Henri, L-1724 Luxembourg] and from the Fiscal Agent, Société Générale Bank & Trust at 11 avenue Emile Reuter, L-2420 Luxembourg and the Paying Agent, Dexia Banque Internationale à Luxembourg, *société anonyme* at 69 route d’Esch, L-2953 Luxembourg.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

1. (i) Issuer: [Finmeccanica – Società per azioni] [Finmeccanica Finance S.A.]  
(ii) Guarantor: Finmeccanica – Società per azioni]
2. [(i)] Series Number: [●]  
(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). [●]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount of Notes listed and Admitted to trading: [●]  
(i) Series: [●]  
(ii) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
6. (i) Specified Denominations: [●]  
*(Note – The Issuers may issue Notes with a single Specified Denomination i.e. EUR 50,000, and multiples thereof.)*  
*(Note – where multiple denominations above EUR 50,000 or equivalent are being used the following*

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2 Only include details of a supplement to the Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

wording should be used: “EUR 50,000 and integral amounts of EUR 1,000 in excess thereof up to and including EUR 99,000. No Notes in definitive form will be issued with a denomination above EUR 99,000”)

[Notes issued under the Programme which are to be admitted to trading on a regulated market situated or operating within a Member State or which are to be offered to the public in one or more Member States (where the terms “**regulated market**” and “**offer to the public**” are within the meaning of any measures implementing the Prospectus Directive in any relevant Member State) may not have a minimum denomination of less than EUR 50,000 (or nearly equivalent in another currency).]

[Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of s19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]

- (ii) Calculation Amount:  (Applicable to Notes in definitive form.) *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations.)*
7. [(i)] Issue Date:   
[(ii)] Interest Commencement Date (if different from the Issue Date):
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Interest Basis:  per cent. Fixed Rate]  
 [specify reference rate] +/-   
 [Zero Coupon]  
 [Index-Linked Interest]  
 [Other (specify)]  
*(further particulars specified below)*
10. Redemption/Payment Basis:  [Redemption at par]  
 [Index-Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12. Put/Call Options:  [Investor Put]  
 [Issuer Call]  
*[(further particulars specified below)]*

13. (i) Status of the Notes: Senior  
(ii) Status of the Guarantee: Senior  
(iii) [Date of Board approval for issuance of Notes [and Guarantee] obtained: [●] [and [●], respectively]. (*N.B. only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or relevant Guarantee*)
14. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/Not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]  
[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/Other]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details] (*Consider what should happen to unmatured Coupons in the event of early redemption of the Notes.*)
16. Floating Rate Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
- (i) Specified Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/ other (*give details*)]
- (iv) Additional Business Centre(s): [●]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (*give details*)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
- (vi) Screen Rate Determination:
- Reference Rate: [*For example, LIBOR or EURIBOR*]
  - Relevant Screen Page: [*For example, Reuters EURIBOR01 or Reuters LIBOR01*]
  - Interest Determination Date(s): [Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if

- sterling LIBOR and the second day on which the TARGET system is open prior to the start of each Interest Period if EURIBOR or euro LIBOR]  
 [For example, 11.00 a.m. London time/Brussels time]
- Relevant Time: [●]
  - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)] [●]
- (vii) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (viii) Margin(s): [ +/- ][●] per cent. per annum
- (ix) Minimum Rate of Interest: [●] per cent. per annum
- (x) Maximum Rate of Interest: [●] per cent. per annum
- (xi) Day Count Fraction: [●]
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
17. Zero Coupon Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Accrual Yield: [●] per cent. per annum
  - (ii) Reference Price: [●]
  - (iii) Any other formula/basis of determining amount payable: [*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(g)*]
18. Index-Linked Interest Note/other variable linked Interest Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Index/Formula/other variable: [*Give or annex details*]
  - (ii) Calculation Agent responsible for calculating the interest due: [●]
  - (iii) Provisions for determining coupons where calculated by reference to Index and/or Formula and/or other variable: [●]
  - (iv) Determination Date(s): [●]
  - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●] (*need to include a description of market disruption or settlement events and adjustment provisions*)
  - (vi) Specified Period(s): [●]
  - (vii) Specified Interest Payment Dates: [●]
  - (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/ other (*give details*)]

- (ix) Additional Business Centre(s): [●]
- (x) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (xii) Day Count Fraction: [●]

**19. Dual Currency Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●] *(need to include a description of market disruption or settlement events and adjustment provisions)*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

**PROVISIONS RELATING TO REDEMPTION**

**20. Call Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s) (Call): [●]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [Specify amount] (If Notes are represented by a Global Note)/[●] per Calculation Amount (if Notes are in definitive form)/specify other /see appendix]
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [Specify amount] (If Notes are represented by a Global Note)/[●] per Calculation Amount (if Notes are in definitive form)/specify other /see appendix]
  - (b) Maximum Redemption Amount: [Specify amount] (If Notes are represented by a Global Note)/[●] per Calculation Amount (if Notes are in definitive form)/specify other /see appendix]
- (iv) Notice period:<sup>3</sup> [●]

**21. Put Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [Specify amount] (If Notes are represented by a Global Note)/[●] per Calculation Amount (if Notes are in definitive form)/specify other/see appendix]
- (iii) Notice period: [●]

**22. Final Redemption Amount:** [Specify amount] (If Notes are represented by a Global Note)/[●] per Calculation Amount (if Notes are in definitive form)/specify other /see appendix]

<sup>3</sup> If setting notice periods which are different to those provided in the terms and conditions. Issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and its fiscal agent.

In cases where the Final Redemption Amount is linked to an index or other variable-linked:

- (i) Index/formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Determination Date(s): [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Payment Date: [●]
- (vii) Minimum Final Redemption Amount: [Specify amount] (If Notes are represented by a Global Note)/[●] per Calculation Amount (if Notes are in definitive form)/specify other /see appendix]
- (viii) Maximum Final Redemption Amount: [Specify amount] (If Notes are represented by a Global Note)/[●] per Calculation Amount (if Notes are in definitive form)/specify other /see appendix]

### 23. Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 24. Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice.] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]. [Other][Dematerialised]

(Note – where multiple denominations above EUR 50,000 or equivalent are being used, Global Notes may only be exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.)

### 25. New Global Note Form:

[Applicable/Not Applicable]

26. Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which items 14(ii), 15(iii) and 17(viii) relates]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
30. Consolidation provisions: [Not Applicable/The provisions [in Condition 18 (Further Issues)] [annexed to these Final Terms] apply]
31. Other terms or special conditions: [Not Applicable/give details] (When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

## DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/give names (include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers)]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name of Dealer: [Not Applicable/give name]
34. US Selling Restrictions: [Not Applicable/The [C/D] Rules are applicable]
35. Additional selling restrictions: [Not Applicable/give details (specify for Italian Law Notes)]

## GOVERNING LAW OF THE NOTES

36. Governing Law: [English law/Italian law (specify further provisions)]

## [FURTHER INFORMATION IN RESPECT OF FINMECCANICA – SOCIETÀ PER AZIONI

Further information in respect of Finmeccanica – Società per azioni is provided pursuant to Article 2414 of the Italian Civil Code, in the Schedule (Further information in respect of Finmeccanica – Società per azioni) hereto.<sup>4</sup>

<sup>4</sup> Select where Finmeccanica – Società per azioni is the Issuer.

## **[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the EUR 3,800,000,000 Euro Medium Term Note Programme of Finmeccanica – Società per azioni and Finmeccanica Finance S.A.]

### **RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

[Each of the/The] Issuer [and the Guarantor] declares that, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is, to the best of [their/its] knowledge, in accordance with the facts and contains no omission likely to affect its import.

[[●] has been extracted from [●]. [Each of the/The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.<sup>5</sup>

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised

[Signed on behalf of the Guarantor:

By: \_\_\_\_\_  
Duly authorised]

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<sup>5</sup> Include where any information sourced from a third party has been reproduced, and provide necessary details.

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]  
[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

- Ratings: The Notes to be issued [have been/will be] rated:  
[S & P: [●]]  
[Moody's: [●]]  
[[Other]: [●]]  
*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [NOTIFICATION]

The Luxembourg Commission de Surveillance du Secteur Financier [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

### 4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.]]

### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer: [●]  
(See “Use of Proceeds” wording in Prospectus – *if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)]
- [(ii) Estimated net proceeds: [●].  
(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
- [(iii) Estimated total expenses: [●].  
(*Include breakdown of expenses.*) (*Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.*)

6. *[Fixed Rate Notes only – YIELD*

Indication of yield:

.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[Index-linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE, AND OTHER INFORMATION CONCERNING THE UNDERLYING** *(to be included for derivative securities to which Annex XII of the Prospectus Directive Regulation applies).*

*Need to include details of where past and future performance and volatility of the index/formula/ other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable).*

*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Where the underlying is a security need to include the name of the issuer of the security and the International Securities Identification Number (ISIN) or equivalent identification number. Where the underlying is a basket of underlyings, need to include the relevant weightings of each underlying in the basket.]*

8. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]*

9. **POST-ISSUANCE INFORMATION RELATING TO THE UNDERLYING**

*[If post-issuance information will be issued, provide details/The Issuer [and the Guarantor]<sup>6</sup> does not intend to provide any post-issuance information.]*

10. **OPERATIONAL INFORMATION**

ISIN Code:

Common Code:

New Global Note intended to be held in a manner which would allow Eurosystem eligibility:

[Not Applicable/Yes/No]

[Note that the designation “Yes” simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][Include this text if “Yes” selected in which case the Notes must be issued in NGN form]

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<sup>6</sup> Delete where the Issuer is Finmeccanica – Società per azioni.

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking *société anonyme* and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]

Calculation Agent: [●]

## SCHEDULE<sup>7</sup>

### FURTHER INFORMATION IN RESPECT OF FINMECCANICA – SOCIETÀ PER AZIONI

#### The Issuer

1. Name: Finmeccanica – Società per azioni.
2. Objects: The objects of the Finmeccanica – Società per azioni, as set out in Article [●] of its By-laws, are:  
[Please insert the objects of the Company]
3. Registered Office: [●] Italy.
4. Company's Registered Number: Companies' Registry of [●] No [●], Chamber of Commerce of [●], Italy.
5. Paid-up share capital and reserves as at the date hereof: EUR [●], consisting of [●]. Reserves: [●]
6. Date of resolutions authorising the issue of the Notes: Resolution passed at a meeting of the Board of Directors on [●] filed at the Companies' Registry of [●] on [●].

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<sup>7</sup> Include and complete for each Final Terms where Finmeccanica – Società per azioni is the Issuer.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### NOTES GOVERNED BY ENGLISH LAW

#### *Clearing System Accountholders*

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the relevant Issuer or, where applicable, the Guarantor to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the relevant Issuer or, where applicable, the Guarantor in respect of payments due under the Notes and such obligations of the relevant Issuer and, where applicable, the Guarantor will be discharged by payment to the bearer of the Global Note.

#### *Exchange of Temporary Global Notes*

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or

- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 13 May 2009 (the “**Deed of Covenant**”) executed by the Issuers). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

#### ***Exchange of Permanent Global Notes***

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

#### ***Conditions applicable to Global Notes***

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Exercise of put option:* In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu/>).

*Payment Business Day:* Notwithstanding the definition of “Payment Business Day” in Condition 2(a) (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, “*Payment Business Day*” means:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is, in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) additional Financial Centre.

## **NOTES GOVERNED BY ITALIAN LAW**

Notes governed by Italian Law will be issued in dematerialised form and held on behalf of the Noteholders until redemption or cancellation thereof by Monte Titoli for the account of the relevant Monte Titoli Account Holders. The Notes will at all times be in the book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of the Italian Legislative Decree No. 213 of 24 June 1998 as amended and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008. No physical document of title will be issued in respect of the Notes.

## FINMECCANICA FINANCE S.A.

### Introduction

Finmeccanica Finance is a new entity arising from the merger (the “**Merger**”) by incorporation pursuant to Luxembourg law of the Pre-Merger Finmeccanica Finance into Aeromeccanica S.A. (the “**Merging Companies**”).

Aeromeccanica S.A. (formerly “Telespazio Luxembourg”), as surviving entity of the Merger, was incorporated in Luxembourg as a *société anonyme* under Luxembourg law on 13 July 1999 for an unlimited duration and its articles of incorporation were published on 13 October 1999 in the *Mémorial C, Recueil des Sociétés et Associations n° 760*. Aeromeccanica S.A. has been a wholly-owned subsidiary of Finmeccanica since 2002 when it was acquired from Telecom Italia S.p.A as part of the Telespazio Group. The objects of Aeromeccanica were to hold shareholdings in other companies and to raise funds to be on-lent within and outside the Finmeccanica Group.

Following the Merger, Aeromeccanica S.A. has changed its name into Finmeccanica Finance S.A. (the “**Merged Finmeccanica Finance**”). Its registered office is at 31 Boulevard du Prince Henri, L-1724 Luxembourg and its registered number is B70.876. The telephone number of the Merged Finmeccanica Finance’s registered office is +352 266 322.

The Pre-Merger Finmeccanica Finance (formerly “Asterisque S.A.”) was a subsidiary of Finmeccanica incorporated in Luxembourg as a *société anonyme* under Luxembourg law on 2 October 1991 for an unlimited duration and its articles of incorporation were published in 1992 in the *Mémorial C, Recueil des Sociétés et Associations n° 115* on page 5483. The company, after having incorporated Meccanica Finanziaria International S.A. – another Finmeccanica Group company operating in Luxembourg since 1977, provided *inter alia* funding for the general corporate purposes of Finmeccanica and its operating subsidiaries and participated in trade financing for the benefit of Finmeccanica Group companies. The Pre-Merger Finmeccanica Finance was partly directly (73.64 per cent.) owned by Finmeccanica and partly indirectly (26.36 per cent.) owned by Finmeccanica Group Services S.p.A. On 7 June 2010, the Pre-Merger Finmeccanica Finance. became a wholly-owned subsidiary of Finmeccanica following the acquisition by Finmeccanica of the 26.36 per cent. owned by Finmeccanica Group Services S.p.A.

### The Merger

In the Board meeting of 23 March 2010, the Pre-Merger Finmeccanica Finance initiated plans for a reorganisation involving all of Finmeccanica’s subsidiaries in Luxembourg. The plans are aimed at focussing the presence of Finmeccanica in Luxembourg by reducing from four to two the number of its Luxembourg subsidiaries which will operate in the two different sectors of activities of finance and reinsurance. It is expected that the reorganisation will produce benefits both in terms of management efficiency and cost savings.

As part of the overall project, it was decided to merge by absorption the Pre-Merger Finmeccanica Finance into Aeromeccanica S.A., as the surviving entity. Pursuant to the Merger, Aeromeccanica S.A. assumed all of the assets and liabilities of the Pre-Merger Finmeccanica Finance, including the debt arising from the notes issued by the Pre-Merger Finmeccanica Finance S.A. under its Euro Medium Term Notes Programme and the related guarantees previously issued by Finmeccanica to the Pre-Merger Finmeccanica Finance under its Euro Medium Term Notes Programme for the benefit of the Noteholders. In this respect the meeting of the Board of Directors of Finmeccanica held on 29 April 2010 has confirmed such guarantees previously issued under its Euro Medium Term Notes Programme in favour of the Merged Finmeccanica Finance. In addition, the Board confirmed the interest of Finmeccanica to maintain the capital structure of the Merged Finmeccanica Finance to a level adequate to meet its needs and obligations.

The Merger Plan (*Projet de Fusion*) approved by the Boards of Directors of the Merging Companies on 11 May 2010 has been published on 20 May 2010 in the *Mémorial C, Recueil des Sociétés et Associations n° 1057* on page 50712 and has been approved by the extraordinary shareholders’ meetings of 22 June 2010 published on 3 July 2010 in the *Mémorial C, Recueil des Sociétés et Associations n° 1369* on page 65702 and 65707 in compliance with the relevant applicable

Luxembourg law. The Merger was completed on 22 June 2010 and became valid towards third parties on 3 July 2010.

Notice of completion has been given to the Luxembourg Stock Exchange and the CSSF.

### **Current Ownership and Capital Structure**

Finmeccanica Finance is a wholly-owned subsidiary of Finmeccanica. (see “*The Finmeccanica Group*” for further details of Finmeccanica and its subsidiaries). Finmeccanica Finance’s issued share capital is EUR 12,371,940 consisting of 1,237,194 ordinary shares of EUR 10.00 each, all of which are fully paid up with a merger premium of EUR 70,354,076, EUR 176,727.00 of legal reserve, retained earnings and profit of the year, for a total shareholders equity of 82,902,743.

Finmeccanica Finance currently holds an indirect participation of 15% in Avio S.p.A., acquired by Aeromeccanica S.A. in 2006 through the purchase of shares in, and hybrid instruments issued by, BCV Investments S.C.A., BCV Management S.A. and Viasimo S.à.r.l. Avio S.p.A. is a company incorporated under Italian law specialised in the aerospace industry and particularly in the production of components of civil and military aero engines as well as parts of helicopters and space propulsors.

### **Trend Information**

There has been no material adverse change in the prospects of Finmeccanica Finance since 31 December 2009.

### **No significant change in Finmeccanica Finance’s financial or trading position**

There has been no significant change in the financial or trading position of Finmeccanica Finance since 31 December 2009.

### **Current Management of Finmeccanica Finance**

The Board of Directors is responsible for managing the affairs of Finmeccanica Finance. The Directors are elected at the general meeting of the shareholders.

The Extraordinary Shareholders’ Meeting of Aeromeccanica S.A. as incorporating company under the Merger held on 22 June 2010 which resolved on the Merger also appointed the following people as Directors of Finmeccanica Finance for the three-year period 2010-2012.

<b>Name</b>	<b>Position</b>	<b>Principal Outside Activities</b>
Maria Dennewald	Chairman	Lawyer of Elvinger Dessoy Dennewald, Luxembourg
Umberto D’Agostino	Chief Executive Officer	—
Luigi Calabria	Director	Senior Vice President, Group Finance Department of Finmeccanica – Società per azioni
Andrew Simms	Director	Executive Manager of Société Européenne De Banque, Luxembourg
Francesco Moglia	Director	General Manager of Société Européenne De Banque, Luxembourg

The business address of the Directors of Finmeccanica Finance is at 31 Boulevard du Prince Henri, L-1724 Luxembourg.

No conflicts of interest exist between any duties of the persons referred to above to Finmeccanica Finance and their private interests and/or other duties.

## Finmeccanica Finance capitalisation table

The following table sets out the pro-forma capitalisation of the Merged Finmeccanica Finance.

	As of 31st December 2009		
	EUR		
	Pre-Merger Finmeccanica Finance (audited)	Aeromeccanica S.A. (audited)	Merged Finmeccanica Finance (unaudited)
<b>Fixed Assets</b>			
Tangible assets.....	5	—	5
Financial assets.....	2,615,331,078	133,282,647	2,748,613,725
<b>Current Assets</b>			
Amounts owed by affiliated undertakings .....	1,452,790,112	—	1,452,790,112
Other debtors .....	3,980,516	—	3,980,516
Cash at bank .....	73,014,250	274,162	73,288,412
<b>Prepayments and accrued income</b> .....	21,191,026	—	21,191,026
<b>Total Assets</b> .....	<b>4,166,306,987</b>	<b>133,556,809</b>	<b>4,299,863,796</b>
<b>Shareholders' equity</b>			
Subscribed capital .....	57,247,700	31,000	12,371,940
Merger premium.....	15,276,564	—	70,354,076
Legal reserve.....	2,081,653	3,100	3,100
Profit brought forward.....	7,707,675	109,633	109,633
Profit for the financial year.....	7,551,424	63,994	63,994
<b>Total Shareholder's equity</b> .....	<b>89,865,016</b>	<b>207,727</b>	<b>82,902,743</b>
Subordinated debt.....	—	130,000,000	130,000,000
Provisions for taxation.....	495,398	19,527	514,925
Bonds.....	3,067,884,287	—	3,067,884,287
Amount owed to credit institutions.....	15,867,872	—	15,867,872
Amount owed to affiliated undertakings .....	976,128,953	3,240,745	986,539,698
Other creditors .....	2,450,078	88,810	2,538,888
Accruals and deferred income.....	13,615,383	—	13,615,383
<b>Total liabilities</b> .....	<b>4,166,306,987</b>	<b>133,556,809</b>	<b>4,299,863,796</b>

## No Litigation

Finmeccanica Finance is not or has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Finmeccanica Finance is aware), which may have or have had during the 12 months preceding the date of this Prospectus a significant effect on the financial position or profitability of Finmeccanica Finance.

## FINANCIAL INFORMATION

The following tables set out certain balance sheet and income statement information relating to the Merging Companies and the Merged Finmeccanica Finance.

This information has been extracted without material adjustment from the audited unconsolidated financial statements of the Merging Companies as at and for the year ended 31 December 2009, including the comparatives as at and for the year ended 31 December 2008.

### **Financial Statements**

The audited financial statements of the Merging Companies for the years ended 31 December 2008 and 31 December 2009 have been audited by PricewaterhouseCoopers S.à.r.l, 400 route d'Esch, B.P.1443, L-1014 Luxembourg. PricewaterhouseCoopers S.à r.l, is a member of the "Institut des Réviseurs d'Entreprises" (Luxembourg Institute of Auditors).

Those unconsolidated financial statements of the Merging Companies as well as the accounts of the Merged Finmeccanica Finance have been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of financial statements and, together with the reports of the Merging Companies' auditors and the accompanying notes, are incorporated by reference into this Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

## THE MERGING COMPANIES

### Pre-Merger Finmeccanica Finance BALANCE SHEET DATA

	<u>As at 31 December 2009</u>	<u>As at 31 December 2008</u>
	<i>(EUR)</i>	
<b>Fixed Assets</b>		
Tangible assets .....	5	5
Financial assets .....	2,615,331,078	1,791,157,435
<b>Current assets</b>		
Amounts owed by affiliated undertakings .....	1,452,790,112	981,340,008
Other debtors .....	3,980,516	3,282,357
Cash at bank .....	73,014,250	2,163,878
<b>Prepayments and accrued income</b> .....	21,191,026	7,769,250
<b>Total Assets</b> .....	<u><b>4,166,306,987</b></u>	<u><b>2,785,712,933</b></u>
<b>Shareholders' equity</b>		
Subscribed capital .....	57,247,700	57,247,700
Merger premium .....	15,276,564	15,276,564
Legal reserve .....	2,081,653	1,952,498
Profit brought forward .....	7,707,675	7,706,735
Profit for the financial year .....	7,551,424	2,583,094
<b>Total Shareholders' equity</b> .....	<u>89,865,016</u>	<u>84,766,591</u>
<b>Provisions for liabilities and charges</b>		
Provisions for taxation .....	495,398	303,695
<b>Creditors</b>		
Bonds .....	3,067,884,287	1,758,318,182
Amount owed to credit institutions .....	15,867,872	11,722,308
Amount owed to affiliated undertakings .....	976,128,953	926,191,464
Other creditors .....	2,450,078	630,015
<b>Accruals and deferred income</b> .....	13,615,383	3,780,678
<b>Total Liabilities</b> .....	<u><b>4,166,306,987</b></u>	<u><b>2,785,712,933</b></u>

**Pre-Merger Finmeccanica Finance**  
**INCOME STATEMENT DATA**

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
	<i>(EUR)</i>	
<b>Charges</b>		
Other external charges .....	1,230,439	1,111,926
Staff costs.....	54,949	52,963
Other operating charges.....	220,000	169,168
Value adjustments in respect of financial assets and of transferable securities held as current assets .....	9,905	16,482
Interest payable and similar charges.....	153,629,566	100,398,450
Income Tax .....	191,703	—
Other taxes not shown under the above item.....	274,947	428,185
Profit for the financial year.....	7,551,424	2,583,094
<b>Total charges</b> .....	<b>163,162,933</b>	<b>104,760,268</b>
<b>Income</b>		
Other operating income .....	274,266	329,198
Income from other transferable securities and from loans forming part of the fixed assets .....	147,541,004	54,127,361
Other interest receivable and similar income.....	13,186,734	50,287,549
Extraordinary income .....	2,160,929	16,160
<b>Total income</b> .....	<b>163,162,933</b>	<b>104,760,268</b>

**Aeromeccanica S.A.**  
**BALANCE SHEET DATA**

	As at 31 December 2009	As at 31 December 2008
	(EUR)	
<b>Fixed Assets</b>		
Tangible assets .....	—	1,882
Financial assets .....	133,282,647	125,105,470
<b>Current assets</b>		
Other debtors .....	—	6,795,228
Cash at bank .....	274,162	432,323
<b>Total Assets</b> .....	<b>133,556,809</b>	<b>132,334,903</b>
<b>Shareholders' equity</b>		
Subscribed capital .....	31,000	31,000
Legal reserve .....	3,100	3,100
Profit brought forward .....	109,633	48,842
Profit for the financial year .....	63,994	60,791
<b>Total Shareholders' equity</b> .....	<b>207,727</b>	<b>143,733</b>
Subordinated debt .....	130,000,000	130,000,000
<b>Provisions for liabilities and charges</b>		
Provisions for taxation .....	19,527	18,871
<b>Creditors</b>		
Amount owed to affiliated undertakings .....	3,240,745	2,051,305
Other creditors .....	88,810	120,994
<b>Total Liabilities</b> .....	<b>133,556,809</b>	<b>132,334,903</b>

**Aeromeccanica S.A.**  
**INCOME STATEMENT DATA**

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
	(EUR)	
<b>CHARGES</b>		
Other external charges .....	80,620	87,946
Value adjustments in respect of financial assets and of transferable securities held as current assets .....	1,882	1,882
Other operating charges.....	55,000	54,167
Interest payable and similar charges.....	1,189,979	1,140,869
Other taxes.....	719	458
Profit for the financial year.....	63,994	60,791
<b>Total charges</b> .....	<b>1,392,194</b>	<b>1,346,113</b>
<b>INCOME</b>		
Other operating income .....	1,487	—
Income from other transferable securities and from loans forming part of the fixed assets.....	1,388,021	1,326,999
Other interest receivable and similar income.....	2,686	19,114
<b>Total income</b> .....	<b>1,392,194</b>	<b>1,346,113</b>

## UNAUDITED PRO-FORMA FINANCIAL INFORMATION

The *pro-forma* financial information set out below has been prepared to illustrate the effects of the Merger and includes the unaudited *pro-forma* balance sheet as of 31 December 2009 (hereinafter also the “**Unaudited Pro-Forma Consolidated Financial Information**”). No *pro-forma* financial information has been prepared with respect to the income statement, as there are no *pro-forma* adjustments which should be reflected.

The Unaudited *Pro-Forma* Consolidated Financial Information has been prepared in accordance with accounting principles used in the preparation of historical information and in accordance with the related regulations, as if the Operations had occurred in the period to which the *pro-forma* information relates. In particular, the unaudited *pro-forma* balance sheet as of 31 December 2009 has been prepared assuming that the Merger had occurred as of 31 December 2009. The Unaudited *Pro-Forma* Consolidated Financial Information. The Unaudited *Pro Forma* Consolidated Financial Information has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and does not, therefore, represent the Finmeccanica Finance’s actual financial position or results and it does not purport to represent what the results would actually have been if the events set forth above had occurred on the dates assumed.

### **Basis of preparation and accounting principles**

The Unaudited *Pro-Forma* Financial Information is prepared on the basis of the historical financial information derived from the financial statements of the Merging Companies for the year ended 31 December 2009, adjusted to reflect the effects of the Merger and the payment of dividends by the Pre-Merger Finmeccanica Finance to the shareholders approved by the shareholders’ meeting on 9 March 2010.

The information included in the Unaudited *Pro-Forma* Consolidated Financial Information represents a simulation performed to illustrate retrospectively the effects of the Merger. Although the *pro-forma* information is prepared to illustrate retrospectively the effects of the Merger, in respect of generally accepted regulations and using reasonable assumptions, there are limitations that are inherent to the nature of *pro-forma* information. It should be noted that the Unaudited *Pro-Forma* Consolidated Financial Information does not attempt to predict or estimate the future financial situation or results of the Merged Finmeccanica Finance and should not be used for this purpose.

The accounting principles used for the preparation of the Unaudited *Pro-Forma* Consolidated Financial Information are, unless otherwise specified, consistent with those used in the preparation of the consolidated financial statements of the Merging Companies as of and for the year ended 31 December 2009, which have been prepared in accordance with Luxembourg GAAP.

	Pre-Merger Finmeccanica Finance <sup>(1)</sup>	Aeromeccanica S.A. <sup>(2)</sup>	Dividends paid to Merger effects <sup>(3)</sup>	Aeromeccanica shareholders <sup>(4)</sup>	Pro-Forma Merged Finmeccanica Finance S.A.
			(EUR)		
<b>Fixed Assets</b>					
Tangible assets.....	5	—	—	—	5
Financial Assets.....	2,615,331,078	133,282,647	—	—	2,748,613,725
<b>Current assets</b>					
Amounts owed by affiliated undertakings.....	1,452,790,112	—	—	—	1,452,790,112
Other debtors.....	3,980,516	—	—	—	3,980,516
Cash at bank.....	73,014,250	274,162	—	—	73,288,412
<b>Prepayment and accrued income .....</b>	<b>21,191,026</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>21,191,026</b>
<b>Total assets .....</b>	<b>4,166,306,987</b>	<b>133,556,809</b>	<b>—</b>	<b>—</b>	<b>4,299,863,796</b>
<b>Shareholders' equity</b>					
Subscribed capital.....	57,247,700	31,000	-44,906,760	—	12,371,940
Merger premium.....	15,276,564	—	62,247,512	-7,170,000	70,354,076
Legal reserve.....	2,081,653	3,100	-2,081,653	—	3,100
Profit brought forward.....	7,707,675	109,633	-7,707,675	—	109,633
Profit for the financial year ..	7,551,424	63,994	-7,551,424	—	63,994
<b>Total Shareholders' equity ....</b>	<b>89,865,016</b>	<b>207,727</b>	<b>—</b>	<b>-7,170,000</b>	<b>82,902,743</b>
Subordinated debt.....	—	130,000,000	—	—	130,000,000
Provisions for liabilities and charges					
Provisions for taxation.....	495,398	19,527	—	—	514,925
<b>Creditors</b>					
Bonds.....	3,067,884,287	—	—	—	3,067,884,287
Amount owed to credit institutions.....	15,867,872	—	—	—	15,867,872
Amount owed to affiliated undertakings.....	976,128,953	3,240,745	—	7,170,000	986,539,698
Other creditors .....	2,450,078	88,810	—	—	2,538,888
Accruals and deferred income	13,615,383	—	—	—	13,615,383
<b>Total Liabilities.....</b>	<b>4,166,306,987</b>	<b>133,556,809</b>	<b>—</b>	<b>—</b>	<b>4,299,863,796</b>

(1) The Pre-Merger Finmeccanica Finance financial statements as of 31 December 2009;

(2) Aeromeccanica S.A. financial statements as of 31 December 2009;

(3) Derived from the Pre-Merger Finmeccanica Finance and Aeromeccanica S.A. Merger Plan;

(4) As declared by the Pre-Merger Finmeccanica Finance Shareholders' meeting held on 9 March 2010 and paid on 9 April 2010.

The adjustments relate to:

- The elimination of the share capital, the legal reserve and the merger premium reported by the Pre-Merger Finmeccanica Finance on its balance-sheet as of 31 December 2009;
- The issuance of new shares of Aeromeccanica S.A., for a total amount of 1,234,094 new shares, equivalent to €12,340,940;
- The reclassification from equity to amount owed to affiliated undertakings of the dividends to be paid by the Pre-Merger Finmeccanica Finance to its shareholders, amounting to €7,170,000;

- The recognition of the merger premium deriving from the transaction (€70,354,076), based on the difference between the new shares issued by Aeromeccanica S.A. and the Pre-Merger Finmeccanica Finance's shareholders' equity, adjusted for the above mentioned dividend.

## THE FINMECCANICA GROUP BUSINESS

### Overview

The Finmeccanica Group (Finmeccanica – Società per azioni together with its subsidiaries) is one of the leading European aerospace and defence companies in terms of revenue and a leading high technology company, operating in the design and manufacture of helicopters, defence electronics and security, civil and military aircraft, aerostructures, satellites, space infrastructures, land and naval armaments, underwater defence systems and missiles. Helicopters, Defence Electronics and Security and the Aeronautics segments represent Finmeccanica’s strategic focus and are referred to as its “Strategic Pillars”. Finmeccanica plays a leading role in the global aerospace and defence industry and participates in numerous international programmes in the sector through its group subsidiaries and well-established alliances with European and United States partners. The Finmeccanica Group also has significant manufacturing assets and skills in the energy and transportation sectors.

The Group is listed on the Mercato Telematico Azionario, and operates both in Italy and abroad through subsidiaries and joint ventures. Finmeccanica has a large industrial base in Italy, in the United Kingdom and in the United States (considered as the Group’s domestic markets), as well as production facilities in the rest of Europe. As at 31 December 2009, Finmeccanica had a total workforce of 73,056, of which 43,240 in Italy, 10,045 in the United Kingdom, 3,667 in France and 11,958 in the United States.

The registered office of Finmeccanica is Piazza Monte Grappa, 4, 00195 Rome, Italy and its telephone number is +39 06 324731.

In 2009, Finmeccanica’s consolidated revenues and net income totalled EUR 18,176 million and EUR 718 million, respectively, while the Group’s adjusted earnings before interest, taxes and amortisation (Adjusted EBITA) was equal to EUR 1,587 million. As at 31 December 2009, Finmeccanica had an order backlog amounting to EUR 45,143 million. Finmeccanica’s ordinary shares are listed on the Italian Mercato Telematico Azionario (“Telematico”) and are included in the S&P/MIB stock index. Finmeccanica’s total market capitalisation as of 1 July 2010 was approximately EUR 4.8 billion.

As of the date of this Prospectus, approximately 30 per cent. of Finmeccanica’s share capital is directly owned by the Italian Ministry of Economy and Finance and the remaining approximately 70 per cent. is publicly held.

The following table contains the key financial and operating data relating to the Group operations for the periods indicated:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December 2009</b>	<b>2008</b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	3,742	21,099	17,575
Order backlog.....	45,460	45,143	42,937
Revenue .....	4,039	18,176	15,037
Adjusted EBITA <sup>(1)</sup> .....	251	1,587	1,305
Net profit.....	91	718	621
Research & Development <sup>(2)</sup> .....	353	1,982	1,809
Workforce (No.).....	76,907	73,056	73,398

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

## Organisation and Structure

Finmeccanica's operations are currently grouped as follows:

- (i) AEROSPACE and DEFENCE, which includes Helicopters, Aeronautics, Defence Electronics and Security, Space and Defence Systems.

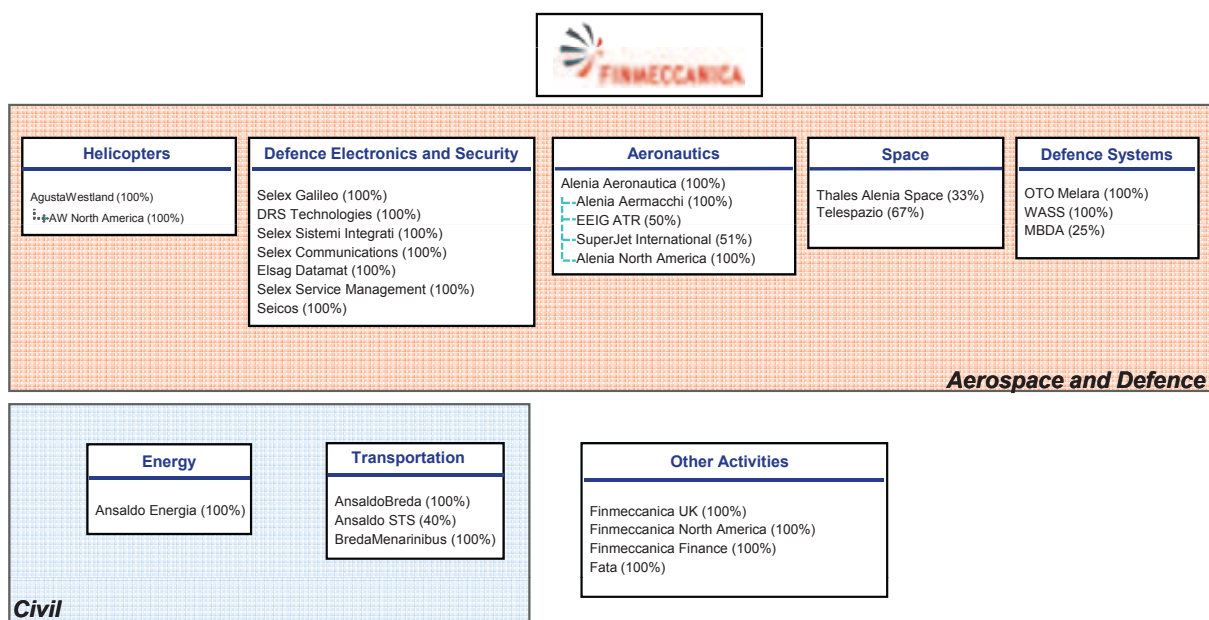
Helicopters (both civil and military platforms), Aeronautics (military aircraft, aerostructures, Unmanned Aerial Vehicles (UAVs) and regional aircraft) and Defence Electronics and Security (radar, electro-optics, electronic warfare, sensors, integrated systems, Information and Communication Technology (ICT) systems) represent the three strategic pillars which are the focus of Finmeccanica's business. In addition, Finmeccanica is active in (i) the Space sector, through the Space Alliance, encompassing Finmeccanica's two joint ventures with the French company, Thales S.A. ("**Thales**"), for both satellite manufacturing (Thales Alenia Space, whose majority is held by Thales) and space services (Telespazio, whose majority is held by Finmeccanica) and (ii) Defence Systems which includes other defence segments, such as missiles, underwater defence systems and land and naval armaments; and

- (ii) CIVIL, which includes Energy and Transportation, where Finmeccanica holds specialised technological capabilities and manufactures a variety of products, with the objective to increase the value of its relevant assets.

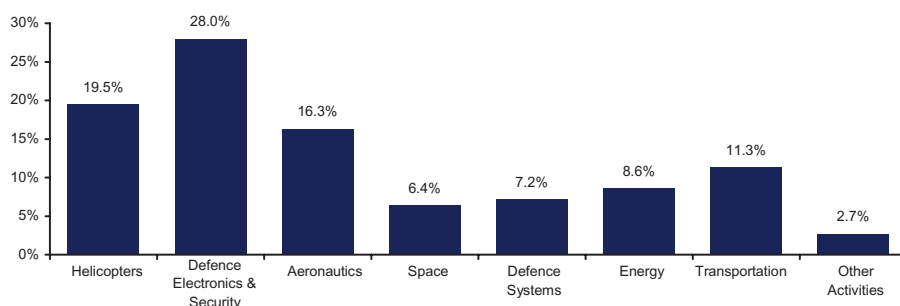
Finmeccanica's other activities include, mainly, the activities of the subsidiary Fata S.p.A. and a minority interest in Avio S.p.A., indirectly held by Finmeccanica's subsidiary Finmeccanica Finance S.A. (formerly Aeromeccanica S.A.). As from 31 March 2009, BredaMenarinibus S.p.A. has been included in the Transportation segment results. Prior to this date the results of this company were included in the Other Activities segment. The information as at 31 December 2008 has not been restated to reflect such reclassification.

Furthermore, in order to support the Group's activities in the United Kingdom and in the United States, in accordance with its strategy and in the light of the importance of those markets for the Group, Finmeccanica has established two subsidiaries, Finmeccanica UK Ltd. and Finmeccanica North America Inc.

The following chart illustrates the organisational structure of the Finmeccanica Group's principal operating segments and other activities including its percentage ownership in certain subsidiaries as at the date of this Prospectus.



The following chart illustrates the breakdown of the Finmeccanica Group's revenue for each sector as at 31 December 2008.



*Note:* Breakdown based on revenues gross of eliminations.

The information and the estimates presented in the sections below are based on third party studies and surveys and Finmeccanica's experience, market knowledge, accumulated data and Finmeccanica's investigation of market conditions. While these estimates are believed to be reasonable, Finmeccanica cannot assure you that this data or any of the assumptions underlying these estimates are accurate or correct, and none of the internal surveys or information on which Finmeccanica has relied has been verified by any independent sources. Accordingly, undue reliance should not be placed on such information.

This prospectus and other statements by Finmeccanica may include forward-looking statements with respect to the DRS Technologies acquisition, future synergies, future financing activities, financial structure objectives and other future financial or business performance, conditions, strategies, expectations or goals. All statements that are not descriptions of historical facts are forward-looking statements, based on management's estimates, assumptions and projections that are subject to risks and uncertainties. These statements can generally be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should," or "anticipates" or similar terminology.

This communication is for information purposes only and is not, and does not form part of, an offer for sale of any securities or a solicitation of an offer to purchase or subscribe for any securities in any jurisdiction.

## Strategy

Finmeccanica is pursuing a growth strategy aimed at continuously consolidating its competitive position and creating value for its shareholders. Finmeccanica intends to maintain a leading position internationally by exploiting its potential in those sectors in which it holds a competitive edge in terms of technological excellences and innovation capabilities and product offering through the following strategic steps:

- Growing in the United States, the United Kingdom and Italy as domestic markets and strengthening its global positioning in the Aerospace and Defence sector through the expansion of its international footprint in key growth market;
- Optimising product portfolio and offering integrated solutions to customers, also focusing R&D investment in 3 pillars;
- Enhancing industrial competitiveness and profitability; and
- Maximising the value of subsidiaries in the Energy and Transportation segments.

In line with such strategy, over the past years, Finmeccanica has achieved significant results in pursuing its strategy by: (i) consolidating its global position as a leading global company in Helicopters, Defence Electronics and Security and Aeronautics segments and achieving full control of its core defence assets, which were previously held through joint ventures with third parties, (ii) increasing its internationalisation through strategic acquisitions and increasing its export orders and (iii) managing its portfolio by building it up through substantial investments in research and development and selected acquisitions to strengthen the core activities of its strategic pillars, as well

as through the divestiture of non-core assets in specific sectors, and (iv) maintaining a well-balanced capital structure.

**Growing in the United States, the United Kingdom and Italy as domestic markets and strengthening its global positioning in the Aerospace and Defence sector through the expansion of its international footprint in key growth market**

Finmeccanica intends to pursue this strategic objective by:

- (a) *Driving further profitable growth in Helicopters, Defence Electronics and Security and Aeronautics (Finmeccanica's Strategic Pillars), both organically and through acquisitions, and strengthening Finmeccanica's position in the United Kingdom and in the United States by leveraging DRS's positioning in the United States.*

As at the date of this Prospectus, Finmeccanica's order intake continues to drive organic growth and Finmeccanica's market share in each of its three Strategic Pillars. Finmeccanica also aims to target selected opportunities for external growth, particularly in the United Kingdom and the United States, whilst maintaining a balanced capital structure. In the United Kingdom, which is Finmeccanica's second largest market, Finmeccanica's strategy is to complete further acquisitions and consolidating its role as a major United Kingdom defence company. In the United States, where it already has a significant position in the Helicopters and Aeronautics sectors, Finmeccanica is targeting its industrial presence and increasing its market share in the Defence Electronics and Security.

With the DRS acquisition in October 2008, Finmeccanica believes it has taken a major step towards strengthening its position internationally as a key supplier of integrated systems for Defence Electronics and Security and consolidating its role in the United States market as a significant player in the Strategic Pillars, also leveraging on DRS's positioning.

- (b) *Entering into new strategic alliances and strengthening current alliances in order to develop areas of technological excellence, particularly in the Defence Systems segment.*

Finmeccanica aims to leverage on its Defence Systems technological capabilities, in both land and naval armaments and underwater defence systems through strategic alliances with other European companies with the goal of (i) improving the Group's competitive position, (ii) widening its product portfolio and (iii) improving market access. These alliances are also intended to create integrated structures and will focus on optimizing the parties' respective technological strengths and complementary product capabilities.

- (c) *Targeting attractive international markets through initiatives aimed at strengthening Finmeccanica's local footprint.*

In addition to its growth strategy in the United Kingdom and in the United States, Finmeccanica is targeting attractive international markets through (i) long-term commercial and industrial commitments, (ii) partnerships with domestic industries and/or (iii) local investments with the objective of optimising local skills based on contribution of its know-how and technologies. Finmeccanica aims to seize opportunities provided by these markets and to take advantages of lower production costs whilst also satisfying any potential offset obligations in those countries.

Finmeccanica's initiatives in those markets include the following:

- strengthening production capability in *North America* (such as a new plant in Philadelphia for US101 assembly, and a new plant in Charleston for B787);
- establishing local partnerships in *Russia* for civil applications, such as air traffic management, regional aircraft, helicopters, railways, postal services and energy and in *India* for helicopters, defence electronics and security, aeronautics and underwater defence systems;
- expanding its presence in *China*, with particular emphasis on civil helicopters, signalling, air traffic control and port security; and
- cooperating with local partners in the *Middle East* (such as United Arab Emirates and Saudi Arabia) in aeronautics and security systems.

### **Optimising product portfolio and offering integrated solutions to customers, also focusing R&D investment in 3 pillars**

Finmeccanica intends to pursue this strategic objective in order to selectively innovate and optimise its product portfolio in a sustainable manner by continuing to (i) invest in new specific technologies and (ii) improve the relevant process on the basis of rigorous financial and risk analysis. Finmeccanica's goal is to proactively anticipate market needs and customer expectations and enhance industrial efficiency. In particular, Finmeccanica is focused on (i) products, through enabling technologies with respect to both individual components and systems and (ii) industrial processes, through key technologies that improve design and manufacturing activities. Furthermore, Finmeccanica is offering integrated solutions encompassing both platforms and sub-systems in order to satisfy new market requirements and to increase customer loyalty. Integrated solutions are tailored to customer-specific needs, leveraging on the Group's technological knowledge and linking a wide range of individual platforms and sub-systems into a single effective network.

For example, in the Helicopters segment (civil applications), Finmeccanica is in the process of developing sophisticated technology through wind tunnel testing in order to reduce noise level in the cabin and deliver higher level of on-board comfort. In Defence Electronics and Security, Finmeccanica is offering complex electronic systems that enhance real-time operational capabilities, such as track sensor and data fusion systems for monitoring and managing data processing and communications (for example encrypted communications, wireless communications, etc.) used within homeland security applications. In Aeronautics, Finmeccanica delivered the first carbon fibre sections for B787, improving competitiveness in the growing market of civil aeronautics through the Group's development of innovative proprietary manufacturing processes.

### **Enhancing industrial competitiveness and profitability**

Finmeccanica intends to pursue this strategic objective by addressing cost and performance issues through improving efficiency measures, optimization of the Group structure and/or industrial partnerships.

As Finmeccanica operates in a challenging competitive environment, both in terms of costs and the need to satisfy increasingly sophisticated demands from clients, the reduction of industrial and management costs has become a priority.

Finmeccanica aims to strengthen its industrial competitiveness to secure cash generation in line with the achieved profitability.

In order to further improve its cost structure, Finmeccanica has assigned specific actions and targets to its subsidiaries. This is intended to improve production structure and processes, as well as optimising its supply chain, from the purchase of finished products to the purchase of complex product components. Any new potential investment is evaluated on stringent returns on invested capital criteria.

In recent years Finmeccanica has completed restructuring programmes for its space manufacturing and services business (Thales Alenia Space and Telespazio), its security and automation business (Elsag Datamat) and its military communications business (Selex Communications). Finmeccanica is also currently in the process of reorganising its aircraft modification and maintenance business (Alenia Aeronavali) by focusing on the most profitable activities and resizing the workforce to reflect actual requirements. A specific action plan is focusing on Aeronautics to streamline the organization and reduce costs, that is to say reducing unabsorbed labour and overheads costs in manufacturing plants due to lower level of production. Furthermore, Finmeccanica is focused on restoring the profitability of transportation vehicles business (AnsaldoBreda) by optimizing production processes and sites, optimising its product portfolio, enhancing contract executions and forming international partnerships.

More generally, Finmeccanica aims to increase profitability by extracting the potential benefits of vertical integration of its businesses in the several segments in which it operates (i.e. AgustaWestland, Selex Galileo).

## **Maximising the value of subsidiaries in the Energy and Transportation segments**

Over the past years, whilst focusing on the Strategic Pillars of the Group, Finmeccanica has also launched a reorganization and rationalization programme with the goal of maximising the value of its subsidiaries in the Energy and Transportation segments.

Finmeccanica aims to leverage on its subsidiaries' capabilities in civil engineering sectors to capture and extract value in growing businesses.

To this end, Finmeccanica aims:

- (i) in the Energy segment, to reduce its participation in Ansaldo Energia in order to extract value from the skills acquired and the market position reached thus far; and
- (ii) in the Transportation segment, with respect to AnsaldoBreda, to complete the rationalisation and reorganisation process in order to recover profitability levels; and with respect to Ansaldo STS, to support the organic growth strategy of relevant businesses in order to improve its profitability and global competitive positioning by entering into new growing markets.

## **History of the Finmeccanica Group**

### *Introduction*

The history of Finmeccanica began on 18 March, 1948 with the incorporation by the Istituto per la Ricostruzione Industriale (IRI – a holding company for Italian state-owned industrial and commercial interests) of a company named Società Finanziaria Meccanica – Finmeccanica Società per azioni, as the holding company for the Italian government's automotive, mechanical, electromechanical and shipyard industrial activities. In 1987 the activities of this company were contributed to a new company named Finmeccanica – Società Finanziaria per azioni, incorporated on 21 May 1987. In 1989, Finmeccanica began coordinating IRI's activities in the high technology manufacturing industry. In 1992, Finmeccanica – Società Finanziaria per azioni company was merged into Società Immobiliare e Finanziaria per Azioni, or SIFA (previously named Società delle Miniere di Mercurio del Monte Amiata), a company created in 1897 and listed on Mercato Telematico Azionario, the automated screen-based trading system of Borsa Italiana S.p.A. Following such merger, SIFA changed its name to Finmeccanica – Società per azioni.

In 1994, Finmeccanica acquired the defence companies of the Ente Partecipazioni e Finanziamento Industrie Manifatturiere (“**EFIM**”), which served to consolidate its leading position in the Italian defence industry.

Over time, Finmeccanica transformed itself from a diversified conglomerate into an industrial holding company focused on specific sectors with high technology content.

Following a strategic review of its activities in 1997, Finmeccanica adopted a plan designed to strengthen its competitiveness, profitability and financial position. As part of these restructuring efforts, Finmeccanica completed the divestiture of its less profitable activities, such as industrial automation activities, including EltagBailey Process Automation (“**EBPA**”).

In that period, Finmeccanica commenced its strategic focus on the growth of its aerospace and defence businesses and continued its efforts to lower its exposure to other businesses. To that end, Finmeccanica has begun negotiations for the implementation of strategic alliances in aerospace and defence, with the aim of improving its competitive position and international presence.

Finmeccanica's privatisation process was initiated by a decree issued by the Italian Prime Minister on 28 September 1999 (the “**Decree**”). The Decree provided that the Italian government, through the Ministry of Economy and Finance must maintain at least a 30 per cent. minority interest (on a fully-diluted basis) in Finmeccanica's share capital. In June 2000, IRI sold over 50 per cent. of Finmeccanica's outstanding ordinary shares in the capital market. Following that offering, IRI transferred additional shares to the Ministry of Economy and Finance. As of the date of this Prospectus, the Italian Ministry of Economy and Finance holds approximately 30 per cent. of the share capital, whereas the remaining shares are publicly held.

## Key events of Finmeccanica's recent history

### 1998

- Finmeccanica and GEC Plc (through the company Marconi Electronics Systems) agreed to set up the 50/50 per cent. joint venture Alenia Marconi Systems N.V. (“**AMS**”) by contributing their respective businesses (both the Italian AMS S.p.A. and the U.K. AMS Ltd. sites) in the (i) civil and military radar for terrestrial, naval and air traffic control applications sector and (ii) the missiles sector.
- Finmeccanica entered into a Memorandum of Understanding with the United Kingdom company GKN Plc to form a joint venture in the helicopters business, which became operational in early 2001, when the merger between the Agusta S.p.A. (Italian site) and Westland Helicopters Plc (U.K. site) helicopter units was completed.

### 1999

- Finmeccanica merged with Microelettronica Italiana – MEI S.r.l. (“**MEI**”), a company formerly owned by IRI and the Ministry of Economy and Finance. As a result of the merger, Finmeccanica acquired a 50 per cent. interest in ST Holding, which indirectly held approximately 22 per cent. of STM, a leading semiconductor company. This acquisition significantly enriched Finmeccanica's portfolio of high technology assets.

### 2001

- Finmeccanica, BAE Systems and EADS agreed to contribute their respective missile and missile systems activities in a new joint venture company named MBDA S.A.S. (“**MBDA**”). Finmeccanica holds a 25 per cent. indirect interest in MBDA. MBDA is currently the world's second largest missiles producer.
- As part of the restructuring plan announced by Finmeccanica and Ansaldo Trasporti S.p.A. (“**Ansaldo Trasporti**”) in order to reorganise the Finmeccanica Group's transportation industry business, Ansaldo Trasporti was merged into Finmeccanica on September 2001. As a consequence, the activities of Ansaldo Trasporti and Breda Costruzioni Ferroviarie were then organised into three separate businesses:
- AnsaldoBreda S.p.A. (“**AnsaldoBreda**”), for vehicles;
- Ansaldo Trasporti Sistemi Ferroviari S.p.A. (“**ATSF**”), for turn-key systems integration projects; and
- Ansaldo Signal N.V. (“**Ansaldo Signal**”) for signalling.

### 2002

- Finmeccanica acquired Telespazio S.p.A. (“**Telespazio**”), leader in the satellite services sectors, consolidating Finmeccanica's activities in the aerospace sector. The acquisition of Telespazio allowed Finmeccanica to achieve an important position in the European space services business.
- Finmeccanica acquired Marconi Mobile Group (at the closing date renamed “**Marconi Selenia Communications Group**”, then “**Selenia Communications**” and now “**Selex Communications**”), enabling Finmeccanica to enter the high-growth military communications sector and thus strengthen its core business, and also complete the Finmeccanica Group's range of products and technological expertise in the defence electronics and security sector.

### 2003

- Finmeccanica acquired OTE S.p.A. (“**OTE**”) from Marconi Plc. OTE is active in professional mobile radio communications sector (for the civil police force, military police and other institutional clients), and a developer of a new digital radio mobile communications system for public utilities, transportation and law enforcement called

TETRA (Terrestrial Trunked Radio, which is based on multi-access digital technology for the integrated transmission of voice and data). OTE extends Finmeccanica's range of communications systems in both the civil and defence markets.

- Finmeccanica completed the acquisition of a controlling interest in Aeronautica Macchi, which in turn owns 100 per cent. of the share capital of Aermacchi S.p.A. ("**Aermacchi**"), following which Aeronautica Macchi and Aermacchi were merged into a single entity with the name Aermacchi S.p.A. Aermacchi (now renamed "**Alenia Aermacchi**") is operating in the military training aircraft sector and also constructs engine nacelles and structural components for aircraft and ground support equipment.
- The Carlyle Group and Finmeccanica jointly acquired from Fiat S.p.A. the aerospace businesses of **Avio S.p.A.** (formerly FiatAvio S.p.A.), operating in the manufacturing of aircraft and naval engines and in space propulsion. The acquisition has been carried out through a special purposes vehicle, Aero Invest 1 S.A. (70 per cent. owned by The Carlyle Group and 30 per cent. by Finmeccanica) which purchased the entire share capital of Avio S.p.A., to which all aerospace businesses of FiatAvio had been transferred.
- With reference to the Space sector the manufacturing business has been reorganised. Laben S.p.A. (which changed its name into **Alenia Spazio S.p.A.**) received most of the relevant business, while certain contracts and activities no longer considered essential to the company's future development remained with the current Alenia Spazio S.p.A.

#### 2004

- After consecutive reductions in STM's ownership, Finmeccanica and Cassa Depositi e Prestiti S.p.A. ("**CDP**") signed an agreement for the transfer of an indirect participation of 93 million STMMicroelectronics N.V. shares to CDP, representing 10.3 per cent. of STM share capital. The equity stake acquired enabled CDP (which joins the shareholder's agreement currently in force) both to reach the threshold necessary to maintain joint Italian-French governance and to obtain the majority on the Italian side
- Finmeccanica completed the acquisition of the GKN's 50 per cent. shareholding in **AgustaWestland**.

#### 2005

- Alenia North America (a wholly owned subsidiary of Alenia Aeronautica) and Vought Aircraft Industries entered into an agreement for the establishment of a joint venture, Global Aeronautica, in support of the production of B787. Global Aeronautica, with its plant in Charleston (South Carolina) is responsible for the integration of a portion of the B787 fuselage section.
- Finmeccanica and BAE Systems ("**BAE**") entered into an agreement for the so-called Eurosystems transaction. Finmeccanica acquired a number of important United Kingdom based assets in the field of avionics, military and secure communications and air traffic control, making Finmeccanica a key systems integrator in the Defence Electronics and Security segment. Under the agreement:
  - **Selex Sensors and Airborne Systems** was set up, controlled 75 per cent. by Finmeccanica and 25 per cent. by BAE;
  - Finmeccanica acquired BAE's military and secure communications assets and then merged them into Selex Communications;
  - the Italian assets of AMS N.V. came back under the full control of Finmeccanica. AMS S.p.A. (renamed **Selex Sistemi Integrati**) now heads up the air traffic management and air traffic control assets acquired from United Kingdom (AMS Ltd), Germany (Gematronik) and the United States (ASI).
- Finmeccanica and Alcatel signed and subsequently closed an Alliance Agreement for the establishment of two joint ventures. Under the terms of the agreement, the first company, **Alcatel Alenia Space** (then renamed **Thales Alenia Space**), of which Alcatel holds 67 per

cent. and Finmeccanica 33 per cent., combines Alcatel Space and Alenia Spazio's industrial activities and concentrates on the design, development and manufacturing of space systems, satellites, equipment payloads and associated ground segments. The second company, of which Finmeccanica holds 67 per cent. and Alcatel 33 per cent., combines **Telespazio** with Alcatel Space's operations and services activities. It concentrates on operations and services for satellite solutions, which includes control and exploitation of space systems as well as networking, value-added services, multimedia and Earth observation.

- Finmeccanica acquired a majority holding of 52.7 per cent. of **Datamat S.p.A.** in September 2005, an Italian listed information technology company specialised in the development and design of avionics and naval mission systems and integrated solutions in the defence, space, government, health, banking, finance and telecommunications sectors. Accordingly, in November 2005 Finmeccanica launched a public offer for all outstanding Datamat shares, which was completed in January 2007.
- As part of its effort to leverage its civil activities, in September 2005, Finmeccanica decided to list Ansaldo Trasporti Sistemi Ferroviari S.p.A. (ATSF) and Ansaldo Signal N.V. on the Italian stock exchange. This has led to the establishment of a new company, **Ansaldo STS S.p.A.**, which subsequently acquired the two companies from Finmeccanica.

## 2006

- An obligatory public offering was launched for the remaining Datamat shares available. After the offering, completed in the first few days of 2006, Finmeccanica held around 89 per cent. of the share capital of Datamat S.p.A., including treasury shares already held by the company. On 1 March, 2006, the Finmeccanica Board of Directors decided to begin the process of delisting Datamat shares by launching a residual public tender. On 12 June, 2006, Finmeccanica completed a series of additional acquisitions of Datamat ordinary shares, thus exceeding the 90 per cent. necessary to launch the residual offering. The residual public offer was completed on 8 January 2007 (the final day for payment). Datamat was subsequently delisted and merged with Eltag; the merger was completed on 1 August and thereafter the company took on the name of Eltag Datamat.
- In April 2006, Alenia Aeronautica and L-3 Communications entered into a Memorandum of Understanding to incorporate Global Military Aircraft Systems ("**GMAS**") joint venture, which together with Boeing Integrated Defence Systems participate to the Joint Cargo Aircraft ("**JCA**") programme for the U.S. Army and Air Force.
- Following the preliminary agreement signed in June 2006, Finmeccanica and **Sukhoi Aviation Holding** and their respective subsidiaries Alenia Aeronautica and Sukhoi Civil Aircraft Company ("**SCAC**"), entered into a strategic partnership agreement on 28 November, 2006 for the production, marketing and technical support for the SuperJet 100 family of regional jets with capacities of between 75 and 100 seats.
- The listing process of **Ansaldo STS S.p.A.** on the Italian stock exchange was completed. In March 2006, CONSOB gave its approval, after Borsa Italiana had agreed to list the company. On 24 March 2006, 52.17 per cent. (52,174,000 shares) of the company with institutional and retail investors was placed on the market at a price of EUR 7.80 per share. The first day of trading in the company's shares was 29 March 2006. The stock is listed on the STAR section of Borsa Italiana's electronic stock exchange.
- **Ansaldo Energia** acquired full control of Swiss company **Energy Service Group** ("**ESG**") which provides on-site plant maintenance and repair services. In September 2006 Ansaldo Energia also acquired from the U.S. company Calpine European Finance 100 per cent. of the shares in **Thomassen Turbine Systems**, a Dutch company specialising in the gas and turbines service sector. These two transactions, closely related with one another, are part of the process to strengthen Ansaldo Energia's competitiveness, both in achieving technological autonomy in gas turbines and in its service activities for power generation plants.

- Finmeccanica entered into agreements to resize its stake in **AvioGroup S.p.A.**. Under the agreements, signed on 14 December 2006, Finmeccanica sold, together with Carlyle (which held about 70 per cent. of the company), its stake in AvioGroup of approximately 30 per cent. to Cinven investment funds. Telespazio Luxembourg S.A. (subsequently renamed **Aeromeccanica S.A.**), a subsidiary of Finmeccanica, simultaneously bought back 15 per cent. stake in AvioGroup.

## 2007

- In February 2007, the Italian Ministry for Economic Development and the Russian Federation's Ministry of Industry and Energy entered into an inter-governmental agreement in relation to the SuperJet 100 program, on the basis of a strategic partnership agreement signed in November 2006. In June 2007 Finmeccanica, Alenia Aeronautica, Aviation Holding Company Sukhoi and SCAC entered into an agreement according to which Alenia Aeronautica acquired 25 per cent. plus one share stake in SCAC. Furthermore, in July 2007, Alenia Aeronautica and Sukhoi established the joint venture **Superjet International S.p.A.** (51 per cent. Alenia Aeronautica and 49 per cent. Sukhoi), which is responsible for marketing, sales and delivery, as well as global technical support for SuperJet 100.
- In March 2007, Finmeccanica completed the acquisition of the remaining 25 per cent. stake from BAE in the company **Selex Sensors and Airborne Systems S.p.A.**, thus becoming its sole shareholder.
- In April 2007, following receipt of authorisation from European Commission, **Thales** substituted Alcatel Participation as the French shareholder of **Thales Alenia Space and Telespazio**.
- In May 2007, MBDA entered into an agreement with EADS and Thales to acquire **Bayern-Chemie/Protac**, a German company 50 per cent. of which is owned by EADS and 50 per cent. by Thales. The company is operating in the development and production of missile propulsion systems.
- In June 2007, the C27J aircraft, which was designed, developed and manufactured by Finmeccanica, through **Alenia North America** (a subsidiary of Alenia Aeronautica), was selected by the U.S. Army and Air Force as the new tactical transport aircraft within the scope of the **Joint Cargo Aircraft** programme. The C27J team, comprising L-3 Integrated Systems, Alenia North America, Boeing Integrated Defence Systems and Global Military Aircraft Systems (GMAS, a company owned 50 per cent. by Alenia Aeronautica and 50 per cent. by L-3), was awarded an initial contract for the manufacture of 78 aircraft. On 7 April 2008, L-3 Communications Integrated System sold to Alenia North America a 1 per cent. of its interests in GMAS. Further to such transfer, Alenia North America owns 51 per cent. of the joint venture.
- In September 2007, Eltag Datamat finalised (through its subsidiary Eltag Inc.) the acquisition of 100 per cent. of the U.S. company, Remington Eltag Law Enforcement Systems ("**Reles**"), thereby reinforcing the company's presence in the international market for security systems and devices. Reles was incorporated in 2004 as a 50/50 joint venture between Remington Arms Company Inc. and Eltag Inc. (now Eltag Datamat), a wholly owned American subsidiary of Eltag.
- In October 2007, Telespazio acquired 85 per cent. of **Fileas**, a French company operating in satellite broadcasting. The remaining 15 per cent. of the shares may be transferred through put and call options, which are exercisable in the next 3 years.
- In November 2007, Finmeccanica, **Thales** and **DCNS** entered into an agreement for the creation of a French-Italian partnership in underwater defence systems.
- In November 2007, Finmeccanica announced a public tender offer (PTO) for the cash acquisition of Vega Group Plc ("**Vega**"), a U.K. firm listed on the London Stock Exchange and active in the defence, aerospace, and government service sectors. As at the end of March 2008, Finmeccanica owned 100 per cent. of Vega.

## 2008

- In February 2008, Ansaldo Fuel Cells and Enel signed a partnership agreement to develop, build and test a molten carbonate fuel cells generation plant. The agreement marks the start of an important collaboration in the development of these technologies.
- In March 2008, with regard to postal automation, Poste Italiane and Egypt Post entered into an agreement for the technological development and expansion of the Egyptian postal service with Elsig Datamat, which was chosen to act as the project's technological partner.
- In March 2008, Alenia Aermacchi and ENAER (Empresa Nacional de Aeronautica de Chile) signed a Memorandum of Understanding that sets out the terms of partnership for programmes relating to the M346 (advanced new-generation trainer) and M311 (basic-advanced trainer) aircraft. The agreement provides for the joint manufacture and marketing of M346 and M311 aircraft in Latin America.
- In April 2008, Telespazio acquired the entire issued share capital of Aurensis, a Spanish company active in technologies for territorial applications and Earth observation satellite services. Through this acquisition, Telespazio is progressing its plans to increase international presence and strengthen its European leadership position in the Earth observation sector.
- In April 2008, Selex Communications acquired an 18 per cent. interest in Sirio Panel S.p.A. ("**Sirio Panel**"), a company involved in the design and production of cockpits and panels for aeronautic platforms. Before this acquisition, Selex Communications held 75 per cent. of the stock of Sirio Panel, and the terms of this transaction give Selex Communications the option to acquire the remaining 7 per cent. held by 2011.
- In April 2008, L-3 Communications Integrated Systems sold to Alenia North America a 1 per cent. interest in the joint venture Global Military Aircraft Systems (GMAS), created in 2005 and active in the Joint Cargo Aircraft (JCA) program for the U.S. Army and Air Force through the provision of the C27J tactical transport aircraft. As a result of this acquisition, Alenia North America currently holds a 51 per cent. interest in the joint venture.
- In May 2008, AgustaWestland and the Russian company Oboronprom Corporation, on the basis of a Letter of Intent signed in 2007 in order to promote cooperation between the two companies, entered into a long-term and large-scale collaboration in the civil helicopter field.
- In May 2008, Finmeccanica entered into agreements to acquire an interest in Eurotech S.p.A. ("**Eurotech**"), an Italian company listed on the Milan Stock Exchange and active in research, development, production and marketing of miniaturised computers and computers with increased calculation capabilities. Finmeccanica agreed to acquire approximately 11.1 per cent. of the share capital of Eurotech from certain founding partners. The Sale and Purchase Agreement was signed on 26 May 2008 together with a shareholders agreement between Finmeccanica and the management of Eurotech (which holds around 10.7 per cent. interest in the company) and the transaction was completed in November 2008.
- In May 2008, Finmeccanica and DRS Technologies ("**DRS**"), a U.S. company listed on the New York Stock Exchange ("**NYSE**") and active in the integrated Defence Electronics and Security products and services industry, signed a definitive agreement for the cash purchase of 100 per cent. of DRS for US\$81 per share. The acquisition, completed on 22 October 2008, was carried out using a reverse triangular merger, whereby DRS was merged with a U.S. special-purpose entity formed by Finmeccanica. As a result of this merger, DRS's shareholders received a payment of US\$81 per share and the U.S. company was delisted from the NYSE. Finmeccanica, as part of the transaction, also formed another U.S. company named Meccanica Holdings USA Inc. which became owner of the entire share capital of DRS following the merger. DRS will operate in accordance with agreements with the U.S. Department of Defence designed to regulate the influence and control over DRS by a non-U.S. company.

- In June 2008, the Boards of Directors of Ansaldo STS SpA (“ASTS”), and its subsidiaries Ansaldo Trasporti – Sistemi Ferroviari SpA (“ATSF”) and Ansaldo Segnalamento Ferroviario SpA (“ASF”) approved the merger of ATSF and ASF with ASTS. The merger agreement was signed on 26 September 2008, effective from 1 January 2009.
- In July 2008, Telespazio signed a Sale and Purchase Agreement to acquire the entire issued share capital of the ISAF, an Italian company active in the geographical technologies information systems sector. ISAF participates in the consortium of companies that was awarded the contract tendered by Agenzia per le Erogazioni in Agricoltura for the development and management of the national agriculture information system.
- In August 2008, Telespazio acquired an approximately 40 per cent. stake in Novacom Services, a French company owned 60 per cent. by Collecte Localisation Satellites (CLS), which develops, manages, distributes and sells long-distance messaging and localisation services and products using satellite and ground-based systems.
- In September 2008, AnsaldoBreda and Bombardier Transportation entered into a final agreement to jointly develop, market and manufacture a new high-speed train.
- In October 2008, Finmeccanica and Mubadala Development Company (“Mubadala”), an Abu Dhabi-based (United Arab Emirates – UAE) investment and business development company, entered into an agreement for a hi-tech industrial partnership to manufacture composite components for civil aircrafts at the new Abu Dhabi plant.
- In November 2008, Finmeccanica and Russian Technologies State Corporation entered into a partnership agreement in the carbon fibre components sector. Furthermore, in the same month, Finmeccanica and the Russian Railways signed a multi-year partnership agreement in the railway sector. The agreement concerns the installation of equipment and signalling systems for the control and safety of rail traffic. The agreement also envisages the introduction of satellite remote sensing systems, TETRA telecommunications systems and the use of Internet on board trains.

## 2009

The key events that occurred in 2009 are set out under the sections “Description of Business by Segment” and “Recent Developments – Key Agreements” of this Prospectus.

### Description of Business by Segment

#### *Helicopters*

##### *Overview*

In the Helicopters segment, Finmeccanica’s operations are carried out through AgustaWestland N.V. and its subsidiaries (“AgustaWestland”). Finmeccanica is one of the leading global competitors in the design and production of helicopters, with the capacity to develop a complete range of products for both the civil and military applications.

AgustaWestland’s civil products include: the AW139, the AW109 Power and the Agusta Grand. The only mono-turbine helicopter model produced by AgustaWestland is the AW119 Koala.

AgustaWestland’s military products include: the AW101, the AW129 Combat, the Apache and the Chinook, built under Boeing’s license. AgustaWestland is also participating in the European NH90 transport and naval helicopter production programme. Furthermore, AgustaWestland is currently finalising the development phase of the BA609, an innovative tilt-rotor vehicle that enables vertical take-off followed by night flight in the manner of a traditional aircraft. Further information on Finmeccanica’s principal products and programs in this segment is provided under “*Main Products and Programmes*” below.

AgustaWestland owns the technology and expertise necessary for all phases of helicopter production including the preliminary analysis and identification of operational requirements for designing, engineering and manufacturing transmissions, rotors, blades, metal and composite material structures and avionics, as well as final assembly, systems integration and product support activities.

With respect to product support activities, AgustaWestland offers an Integrated Operational Support (“IOS”) for different platforms. IOS is AgustaWestland’s “turn-key” solution that includes comprehensive technical support services, supply of spare parts, repairs and overhaul. IOS represents a core element of the strategic partnership between AgustaWestland and the United Kingdom Ministry of Defence.

AgustaWestland and its subsidiaries operate through main plants in Italy (Vergiate (VA), Cascina Costa (VA); Frosinone; Benevento; Brindisi; Anagni (FR)), in the United Kingdom (Yeovil) and in the United States and Belgium. These facilities are organised according to a network organisation model, through which AgustaWestland strives to make each plant a specialised centre for efficient manufacturing with a specific functional focus.

#### Analysis

The table below summarises the key financial and operating data of the Finmeccanica’s Helicopters segment for the periods represented:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December</b>	
		<b>2009</b>	<b>2008</b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	1,146	3,205	5,078
Order backlog.....	10,292	9,786	10,481
Revenue .....	837	3,480	3,035
Adjusted EBITA <sup>(1)</sup> .....	75	371	353
Return on Sales (%) <sup>(2)</sup> .....	9.0%	10.7%	11.6%
Research & Development <sup>(3)</sup> .....	72	328	273
Workforce (No.).....	14,575	10,343	10,289

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

*New orders:* down 37 per cent. compared to 31 December 2008. This is mainly due to the postponement of a number of orders in important international government contracts market until 2010. Among the most important new orders received there was the order to supply the Italian Army with sixteen ICH-47F Chinook helicopters and related logistical support and the order from the UK Ministry of Defence for the integrated operational support contract for 67 Apache AH-MK1 helicopters used by the British Army.

*Revenue:* up 15 per cent. compared to 31 December 2008. This increase is largely due to higher production volumes in the civil-government helicopters segment.

*Adjusted EBITA:* up 5 per cent. compared to 31 December 2008. This increase, however, was negatively affected (EUR 8 million) by the conversion in euros of financial statements originally drawn up in foreign currencies. The improvement was due to the increase in the volume of the helicopters segment that partially offset the lower contribution of certain product support contracts.

As a result of these factors, Return on sales fell by one percentage point.

#### Industry

In 2009, the global helicopter market had an estimated value of approximately EUR 13 billion, with regard to the delivery of new machines, and is expected to grow over the medium and long

term, driven primarily by the helicopters for military use segment, which represents roughly 75 per cent. of the total market.

However, over the short term, due to the economic crisis, investments are focusing on those programmes that have already begun and cannot be halted and on programmes deemed essential for national security. Investment in innovative applications is being deferred, while global uncertainty persists and funds are partially reallocated from new orders to providing support for and extending the life of current fleets.

Therefore, the international economic crisis has not had an impact on the military market, which remains one of the few growing markets. This is supported by the emphasis placed specifically on helicopters by the recent US Quadriennial Defence Review, especially for use in international stabilisation and anti-terrorism operations. As a result, the total value of the military market over the next decade is expected to be almost EUR 150 billion, including support and technical services, support for research and development, upgrading and modernisation programmes.

The greatest opportunities in the military market are to be found in the United States where, thanks to the versatility of the helicopters displayed in Iraq and Afghanistan, a net increase in funding for helicopters is expected, driven by the Hawk family and the new CH-47F programme. Also in Europe helicopters are viewed as an important component of strategic and operational defence. Demand will largely be driven by the Tiger and the NH90 programmes. One of the most promising segments over the next few years will be the light-twin helicopter segment, with the AW109, EC135 and EC145.

In the longer term, there should be an increasing market interest in new unmanned combat armed rotorcraft (UCAR) models, where recent targeted acquisitions by Boeing and Sikorsky have reinforced their strong technological expertise in developing unmanned aircraft.

By contrast, in the civil market, there has been a short term decline in demand, particularly in the Corporate/VIP segment, due to the turbulence in the international markets after several years (2005 – 2008) of market expansion. However, Finmeccanica believes that the demand for helicopters used for border protection defence and maritime patrols will rebound after 2012, guided by the public and private offshore sector. The total market value over the next 10 years is projected to be around EUR 40 billion.

Partnership agreements concerning technology and delocalisation of production in newly industrialised nations are continuing to play an increasingly important role at international level. Potential collaborations in Turkey, India, Russia (with regard to the civil applications segment only) and China, are of particular interest. With regard to technology, significant programmes are being conducted into high-speed flight innovation, with the roll-out of the convertiplane, which could revolutionise how resources are used in the military segment. This could also potentially stimulate new areas of demand in the civil segment.

In this industry, the five largest competitors by revenues – Sikorsky, Boeing and Bell Helicopters in the United States and Eurocopter and AgustaWestland in Europe – represented approximately 90 – 95 per cent. of the global market in 2009. Other manufacturers are present in the low-end of both military and civil sectors (such as small turbines and piston engine helicopters). Competition is driven by several factors, such as: (i) the technological superiority of product offering, (ii) the emergence of new players in specific areas of the market, and (iii) an increasing trend to outsource structural components in the light of cost-cutting plans.

### *Strategy*

In the Helicopters segment, Finmeccanica aims to consolidate its leadership position globally through continuous improvement of its products and processes by enhancing its internal production capabilities and supply chain management. Finmeccanica intends to pursue this goal by (i) increasing its product range, (ii) accessing new markets and expanding its presence in existing markets (UK, Italy), and (iii) optimising internal production processes along the entire production value chain. Furthermore, Finmeccanica believes it can extract benefits from a higher vertical integration among its Helicopters segment and the avionics, electronic warfare, communications, missiles, torpedoes, and sonar business of the Group.

### *Key Events and Recent Developments*

In May 2008, AgustaWestland and the Russian company Oboronprom Corporation, on the basis of a Letter of Intent signed in 2007 in order to promote cooperation between the two companies, entered into a long-term and large-scale collaboration in the civil helicopter field. The collaboration consists of (i) a distribution agreement for a series of helicopters (such as the AW119Ke, AW109 Power, the Grand and the AW139) for a variety of applications (i.e., VIP Corporate, medical transport, support for energy and oil operations) in Russia and CIS countries and (ii) the joint establishment by AgustaWestland and Oboronprom Corporation of a network of maintenance centres for AgustaWestland helicopters in Russia, for both the domestic and international markets. The parties also plan to collaborate in the joint production of AgustaWestland civil helicopters in Russia. Concerning this, in November 2008, AgustaWestland and Oboronprom Corporation entered into an agreement to establish a 50/50 joint venture (subject to the approval of the Russian government) for setting up an assembly line for the AW139 civil helicopter.

In February 2009, AgustaWestland and Tata Sons – an Indian business group active in the ICT, engineering, materials, services and energy sectors – signed a Memorandum of Understanding to form an Indian joint venture for the final assembly of the AW119 helicopter, while AgustaWestland will remain responsible for worldwide marketing and sales.

In August 2009, AgustaWestland entered into an agreement to purchase 87.61 per cent. of PZL – Swindnik, a Polish company which produces helicopters and aerostructures in addition to 6.2 per cent. already held by AgustaWestland. The transaction was completed on 29 January 2010, after anti-trust approval was obtained.

### *Main Products and Programmes*

Finmeccanica's principal products and programmes in the Helicopters segment include the following:

#### *Helicopters*

- In June 2010 AgustaWestland and Russian Helicopters (a subsidiary of JSC UIC Oboronprom, part of the Russian Technologies State Corporation) started – with a ground-breaking ceremony – the set up of a joint civil AW139 medium twin helicopter final assembly plant in Russia (in the Tomilino area, near Moscow), whose production aims at meeting the requirements of the civil market in Russia and CIS countries primarily and – through the AgustaWestland network – for the rest of the world. The plant will be run by HeliVert, a Russian Helicopters and AgustaWestland “equal” joint venture.
- In June 2010 Finmeccanica announced an AgustaWestland agreement with Boeing for the U.S. Navy's Marine One presidential helicopter programme (“VXX”). Boeing secured the rights to use AgustaWestland intellectual property, data and production rights to integrate the AW101 into a Boeing product for the VXX programme. AgustaWestland will keep a role in developing the programme and will be awarded a significant part of the production of the basic helicopter.

#### *Helicopters for civil applications:*

- AW139 – New generation medium twin-turbine helicopter designed for multi-role capability and flexibility of operation. The AW139 is capable of carrying up to 15 passengers and, due to its aerodynamic and digitally controlled engines, is a versatile helicopter capable of meeting the demands posed by different types of missions.
- AW109 family – Light twin-turbine helicopters for different applications. The AW109 Power version is used for a wide range of civil and paramilitary roles; the AW109 Light Utility Helicopter (LUH) is used for a wide range of military requirements, such as advanced training; the Grand version is designed to offer maximum cabin space and increased maximum load to enable it to carry out a range of possible missions.
- AW119 Koala – Light single-turbine helicopter with an interior that is easy to configure for missions of various types, including a single/dual litter configuration with full patient access for up to two medical staff.

### *Helicopters for military applications:*

- BA609 – Developed together with Bell Helicopters. Due to the innovative tilt-rotor technology, this model combines the vertical take-off characteristics of a helicopter with the speed and comfort of an airplane. It can carry up to nine passengers and is designed for military use in national security matters. AgustaWestland is responsible for designing, testing and producing important structural segments and transmission components. In addition, it will design, assemble and certify the kits destined for a different version of the model that will be marketed. The first prototype flew in 2003, the first flight was successfully completed in October 2007 and the initial certification is expected by the end of 2011.
- AW101 – Medium lift helicopter that offers long-range, increased capacity and advanced technology. The AW101 fulfils wide-ranging military and commercial requirements, being both available in various different configurations and suitable for various different missions. The AW101 has been selected for the presidential transportation service in the United States, in collaboration with Lockheed Martin and Bell Helicopters.
- AW129 – Multi-role attack helicopter for day/night and all-weather combat that features a state-of-the-art cockpit and integration of the armaments, sensors, protection systems and helicopter sub-systems into a single mission system.
- Super Lynx 300 – Twin-turbine military helicopter, designed to carry out both land and naval missions. The Lynx family includes over a dozen different models. These versatile products are used in 24 countries mainly for anti-submarine warfare (ASW), anti-surface warfare and search and rescue (SAR) and utility missions.
- NH90 – Twin-engine multi-role helicopter, developed to meet the military requirements of Italy, Germany, France and the Netherlands. The NH90, which was introduced in 1990, is managed through NH Industries, which includes AgustaWestland, Eurocopter and Stork Fokker. AgustaWestland has an approximate 32 per cent. production interest in this program. Within the NH90 program, AgustaWestland is developing and manufacturing the main transmission, tail rotor line, hydraulic systems, automatic fire control systems, rear rump and fuselage, electric systems and on-board computer. AgustaWestland also has the responsibility for the development of the basic avionics and the avionics for the naval version of the product, which is the most complex from the point of view of systems integration. In addition, AgustaWestland prepares the final assembly line for all transport helicopters commissioned by the Italian Army and Air Force and for all helicopters for the Italian and Dutch Naval Forces.

### ***Defence Electronics and Security***

#### *Overview*

In the Defence Electronics and Security segment, Finmeccanica's operations are carried out mainly through DRS Technologies Inc. (acquired in October 2008); SELEX Galileo Ltd.; SELEX Galileo S.p.A.; SELEX Sistemi Integrati S.p.A. (which now integrates the former Vega Group Plc. under its subsidiary SELEX Systems Integration Ltd); Elsag Datamat S.p.A.; SELEX Communications S.p.A.; SELEX Service Management S.p.A. and Seicos S.p.A. The Group also has 31.3 per cent. shareholding in Elettronica S.p.A.

This segment includes activities pertaining to the design, development and manufacture of avionics and electro-optical equipment and systems, unmanned aircraft (UAV), radar systems, land and naval command and control systems, air traffic control systems, integrated communications equipment and systems and networks for land, naval, satellite and avionic applications, professional mobile radio communications systems, value added services (VAS) and Information Technology (IT) and security activities.

In addition to the provision of electronic equipment and systems for defence and security solutions, Finmeccanica is also engaged in the provision of large-scale integrated systems based on complex architectures and network-centric techniques. The goal is to meet the growing needs of

customers for large-scale systems and to integrate a variety of functions, platforms and sets of sensors in order to ensure effective performance in the surveillance, control and protection of critical areas and infrastructures. To that end, SELEX Sistemi Integrati S.p.A. has engaged in marketing efforts, especially in the export market, in order to promote large-scale homeland protection systems, particularly for applications related to border control and security management in conjunction with major events, such as the Olympic games and international summits. This effort leverages on the skills of the various Group subsidiaries and takes advantage of the long-standing presence of a number of these companies in the various countries concerned. Further information on Finmeccanica's principal products and programs in this segment is provided under "Main Products and Programmes" below.

The facilities of Finmeccanica's subsidiaries in this segment are principally located in Italy (Rome, Fusaro (NA), Giugliano (NA), Milan, Florence, Genoa and Nerviano (MI)), the United Kingdom (Basildon, Luton, Edinburgh, Portsmouth, Liverpool, York), Germany (Neuss-Rosellen, Backnang), Turkey (Ankara), Romania (Bucharest) and in the United States (Overland Park, Kansas, Parsippany, New Jersey and several sites for DRS).

#### Analysis

The table below summarises the key financial and operating data of the Finmeccanica's Defence Electronics and Security segment for the periods represented:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December</b>	
		<b>2009</b>	<b>2008</b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	1,642	8,215	4,418
Order backlog.....	12,653	12,280	10,700
Revenue .....	1,452	6,718	4,362
Adjusted EBITA <sup>(1)</sup> .....	107	698	442
Return on sales (%) <sup>(2)</sup> .....	7.4%	10.4%	10.1%
Research & Development <sup>(3)</sup> .....	131	711	619
Workforce (No.).....	30,003	30,236	30,330

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

**Orders:** the contribution of DRS to the receipt of new orders during the period amounted to EUR 3,004 million, for a total increase of 86 per cent. Specifically, significant new orders were received in the fourth quarter in relation to the start up of major integrated systems for defence and security programmes, logistics for Eurofighter Typhoon programme ("EFA") and for the continuation of the TETRA interpolice programme in communications segment.

**Revenue:** the contribution of DRS to revenues during the period amounted to EUR 2,852 million, for a total increase of 54 per cent., despite the negative change due to the translation of the financial statements denominated in a foreign currency. There was increased activity in major integrated systems for defence and security (Forza NEC, Italian Department of Civil Protection) and, to a lesser extent, in avionics and electro – optical systems, compared with 31 December 2008.

**Adjusted EBITA:** the contribution of DRS came to EUR 323 million, for a total increase for the sector of 58 per cent., despite the negative change due to the translation of the financial statements denominated in a foreign currency. The improvement compared with 31 December 2008 is due to the

aforementioned increase in production volumes, and especially to growth in the major integrated systems for defence and security segment, which offset the deterioration in the information technology and security segment.

### *Industry*

The Defence Electronics and Security market is a leading industry in the defence sector in terms of size (roughly EUR 120 billion in 2008 for both military and homeland security applications), with considerably higher growth opportunities over the next several years. Alongside the traditional demand for military systems, there is a new demand for integrated security systems, with applications in border control for all types of threats, in the protection of critical infrastructures and in the management of important events, such as international summits.

The global financial crisis is leading to reduced investments growth rates in the defense market, where spending levels were already reducing or stabilizing before the onset of the crisis. Despite considerable budgetary constraints, Italy has confirmed major military programmes. In the meantime, United Kingdom is concentrating its investments within sectors that ensure better support for “out-of-theatre” operations. In the United States, the U.S. Department of Defence recently proposed a defense budget that would scale back major weapons systems, such as fighter jets and missile defense, and increase spending on selected resources aimed at fighting unconventional conflicts in Iraq and Afghanistan, including surveillance, training special forces and medium and short-range missiles and focusing on smaller size programmes.

The products and systems in the Defence Electronics and Security sector contain advanced technologies. While technology acts as high entry barriers, it shortens product life-cycles and leads to rapid obsolescence. Recent demand trends suggest that simulating and training will continue to be growth areas, particularly those simulations and training that employ artificial intelligence techniques and are designed for specific operating environments (e.g. preparation of scenarios for complex systems) and for training personnel in the use of equipment and systems. The major players in the industry are increasingly adopting a competitive model that is increasingly focused on offering integrated solutions (rather than supplying individual equipment), in line with customers’ specific needs, and bringing together a broad spectrum of platforms and sub-systems within a single operating network. Recent product offering also suggests a new and integrated approach to logistics, which is no longer thought of as post-supply maintenance of equipment and systems, but rather as a fundamental component that spans the product’s operating life (Through-Life Management Capability).

As a result, growth rates are tied to demand for advanced, complex network-centric systems in the military sector for different kinds of applications, such as (i) battlefield management, (ii) the collection, analysis and secure dissemination of information, (iii) the control of airspace and waterways, (iv) the intelligent management of armaments and supplies, and (v) the reduction of reaction time between when a threat is detected and when counter-measures are implemented (Sensor-to-Shooter).

In this industry, the ten largest competitors by revenues – Northrop Grumman, Lockheed Martin, Raytheon, L-3 Communications, General Dynamics, Boeing and Rockwell Collins in the United States and BAE, Thales and Finmeccanica in Europe – represented approximately 65 per cent. of the global market in 2009. Competition is driven by several factors, such as (i) the ownership of “system architecture” capabilities and relevant enabling technologies, (ii) the ability to supply integrated solutions encompassing terrestrial, naval and air platforms and sub-systems, and (iii) the ability to penetrate new attractive markets through the establishment of local production sites, investments and/or industrial partnerships.

### *Strategy*

In the Defence Electronics and Security segment, Finmeccanica aims to further strengthen its global competitive positioning and leverage on DRS’ presence in the United States. Finmeccanica’s objective is to consolidate its role as leading player in defence and security solutions and integrated systems market by exploiting capabilities that reside throughout the Group, including the area of sensors, communication systems and IT. Moreover, Finmeccanica intends to build a new, independent production capability in certain growth areas. In particular, Finmeccanica expects significant growth

opportunities to be driven by avionics, electro-optical systems, Terrestrial Trunked Radio (TETRA) and C4I systems. In addition, significant prospects of growth are expected to result from the commercial success of the Eurofighter programme, for which Finmeccanica already provides a large percentage of the avionics and on-board sensors.

#### *Key Events and Recent Developments*

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

In April 2009, Selex Sistemi Integrati and the Russian companies Scartel LLC and Russian Electronic OJSCo, which belong to the Russian Technologies public group, entered into an agreement for the creation of a consortium to design and produce systems for the management of the security of large events and the protection of critical infrastructures (such as industrial and oil plants, ports, airports and train stations).

In April 2009, Finmeccanica entered into an agreement with Elettronica, the Italian company active in electronic defence warfare, and Havelsan, the Turkish company leader of C4ISR systems and simulation products, for a hi-tech industrial Memorandum of Understanding in the Defence Electronics sector.

Under this MoU, industrial, technological and commercial opportunities will be pursued in Command and Control Systems, Naval Systems, Air Defence, Electronic Warfare and Homeland Security Systems for Turkish, Italian and third countries market.

In May 2009, DRS Signal Solutions, a subsidiary of DRS Technologies, entered into the final agreement to acquire Soneticom Inc., a US company active in military telecommunication sector. The purchase was completed on 10 September 2009, following receipt of the approval of the Committee for Foreign Investments in United States (CFIUS).

In July 2009, Finmeccanica transferred its 49 per cent. stake in Orizzonte - Sistemi Navali, a joint venture with Fincantieri operating in the naval systems sector, to its subsidiary Selex Sistemi Integrati. New shareholders agreement governing the relationship between the two partners in Orizzonte - Sistemi Navali also took effect along with the transfer.

In November 2009, SELEX Galileo Ltd. and its subsidiary SELEX Galileo Inc. entered into an agreement with the listed American company Presstek for the purchase of the US company Lasertel, a company active in the production and marketing of electro-optical components (i.e. laser diodes). The transaction was completed on March 2010, once the required regulatory authorisations were obtained.

#### *Defence Electronics and Security*

In May 2010, in line with its programme to optimise its industrial structures in the Defence Electronics and Security and Space sectors, previously announced at the shareholders' meeting, Finmeccanica launched a rationalisation process intended to improve the business organisation and industrial performance of the companies involved. In particular, the organisational rationalisation will involve a number of specific business lines, enabling the Group to take advantage of the technological synergies within its structure and to define clear responsibilities to the end customers. The Group companies involved in the optimisation programme are SELEX Sistemi Integrati, SELEX Galileo, Eltag Datamat and Telespazio.

In June 2010, DRS Technologies and Boeing entered into a teaming agreement for the NewGen Tanker programme. DRS will collaborate with Boeing on the console design and then manufacture the Aerial Refuelling Operator Station, also known as AROS, contingent upon Boeing receiving the contract from the United States Air Force. In addition DRS will provide the interconnect design and associated cable sets to integrate AROS into the NewGen Tanker.

### *Main Products and Programmes*

Finmeccanica's principal products and programmes in the Defence Electronics and Security segment include the following:

- *Avionics and Electro-optical Systems:*
  - GRIFO – Multimode mechanical scanning combat radar, which operates in the X-band and is designed for air superiority aircraft;
  - VIXEN-E – Fire control combat radar with E-scan antenna used in fighter and training aircraft;
  - SEASPRAY – Compact surveillance and electronic scanning radar for air-to-surface use;
  - APS-784 – X-band pulse compression radar for anti-surface vessel and anti-submarine warfare;
  - PICOSAR – Lightweight, low-volume sensor surveillance radar that can be easily installed on a wide range of platforms and is particularly useful for tactical UAV; provides an all weather, day and night high resolution synthetic aperture radar (SAR) imaging capability coupled with the detection of ground moving vehicles;
  - ATOS (Airborne Tactical Observation and Surveillance) – Open and modular architecture mission system for aircraft and helicopters; ATOS C has been improved to offer a lighter structure, in composite fibres, assembled as single or multiple operators configuration;
  - HIDAS (Helicopter Integrated Defensive Aids System) – Electronic warfare system that provides rotary wing platforms with increased survivability and utilizes multi-spectral sensors and pre-loaded intelligence to produce comprehensive tactical pictures of the operating environment;
  - DASS (Defensive Aids Sub-System) – Complex electronic warfare system for electromagnetic defence against radars and missiles to be used on fixed wing platform;
  - SIREN – Naval off-board active radar decoy;
  - LINAPS (Laser Inertial Artillery Pointing Systems) – Self-contained, gun-mounted navigation pointing and weapon management system; LINAPS enables rapid and accurate artillery deployment in all weather conditions both day and night;
  - UAVs and Aerial Targets – FALCO (Medium Altitude and Tactical systems for electronic surveillance), NIBBIO (high subsonic reconnaissance); MIRACH 100/5 (high subsonic aerial target, for advanced training of surface-to-air missile battery groups and weapon system qualification);
  - LOAM (Laser Obstacle Avoidance System) – “Navigational aid system” for rotary wing platforms;
  - GS207/GS410 Stabilizer Multi-Sensors systems: gyroscopically stabilized vision and targeting systems;
  - Mass Mounted Sight: multi-sensor, fully integrated electro-optical sighting system with visible and infrared capability; and
  - AN/PAS-13D (V) Family Thermal Weapon Sights: uncooled infrared technology that provides the warfighter a crisp thermal image of target information, thereby increasing situational awareness and reducing mission-critical decision time.
- *Sensors and ATC Systems:*
  - ATCR 33 44 – Primary radar in the S and L band for the use in the terminal area and in monitoring the course of radars;
  - SIR S – Secondary radar in band S; and

- SATCAS (Standard Air Traffic Control Automatic System) – System that facilitates management and control of the entire airspace, and a sophisticated level of automation and coordination between civilian and military air traffic controllers.
- *Communication systems, computing and CNI:*
  - Single and Multichannel Radio Systems, Switching and Network Management;
  - Satellite Terminals VHF/EHF/SHF; VHF/UHF/HF Radio family including encryption communications systems;
  - ARMOR C12 Rugged Convertible Notebook: ruggedized laptop computer that meets military specification. ARMOR offers WI-FI (LAN) Ethernet and a Type II PCMCIA communications options;
  - RVS -330 Rugged Vehicle Systems (JV-5): ultra-rugged vehicle computing system for Force XXI battlefield command brigade and Blue Force Tracking Digitization programmes;
  - SHINCOM 3100 Shipboard Integrated Communications: all digital Secure Voice System (SVS) providing voice and data communications; and
  - MIDS (Multiple Information Distribution System) – Communication, navigation and information (CNI) system.
- *Land Radar and Command, Control, Communication, Computer and Intelligence (C4I) Systems:*
  - PAR 2090 Fixed/Mobile – X band, ground-controlled, precision-approach radar;
  - RAT 31 DL – L Band advanced radar system designed to operate in modern, and complex military air defence systems, in two versions fixed (FADR- Fixed Air Defence Radar) and mobile (DADR- Deployable Air Defence Radar); and
  - HALO (Hostile Artillery Locating System) – Autonomous system that, by using acoustics, provides highly accurate localization of indirect fire systems, explosive detonations and heavy direct fire weapons.
- *Naval Radar and Systems:*
  - RAN 40L – Advanced 3D radar for aerial and land long-range surveillance (developed in D band), with a 400 kilometre horizontal range and 30 kilometre vertical range;
  - EMPAR (European Multifunction Phased Array Radar) – Multifunctional radar which has various uses, including surveillance, target tracking and missile guides;
  - KRONOS – Array radar family operating in C band (in the land and naval versions Kronos 3D and subsequently in the MFRA version); and
  - SPN720 – Ship-borne precision approach L band Doppler radar.
- *Homeland Security:*
  - POSS (Port Surveillance System) – System designed and developed in order to protect national borders and infrastructures through the early detection and identification of threats;
  - LYRA – Radar family for use in homeland protection. They are smaller and lighter than other radars (their dimensions are 70x40x25 and weight approximately 25 kilograms), and are to be fixed to towers, or into aircraft or used as portable devices;
  - TETRA (Terrestrial Trunked Radio) integrates turn-key analogue and digital simulcast GSM-R;
  - Integrated Video Surveillance & Security System (S3I) – Complex security and surveillance management system which gives a real-time overview of the security status of areas under surveillance and provides for 360° panoramic vision, optical character recognition (OCR) for vehicle access control (car plate reader systems) and biometric identification systems (fingerprint identification system);

- VTMS (Vessel Traffic Management Systems) – System for the management of coastal maritime traffic and port movements, and is used in Exclusive Economic Zone applications;
- Distant Sentry: flexible border security system configured with various ground/maritime radars, electro-optic/infrared cameras, unattended ground sensors, extended range wireless communications and hybrid power systems;
- Integrated Swimmer Defence (ISD): provides harbour security and defends ship from threat posed by swimmers through an integrated deployment radars, cameras and sonar systems;
- Secure communications products (routers, switch, set top box, etc) and Secure Networking Systems;
- Information Systems for Logistic Support; and
- Simulation and Training Systems.

## ***Aeronautics***

### *Overview*

In the Aeronautics segment, Finmeccanica's operations are carried out through Alenia Aeronautica S.p.A. and its fully owned subsidiaries (Alenia Aermacchi S.p.A., Alenia Aeronavali S.p.A. and Alenia Composite S.p.A.). Starting from January 2010, a rationalization process of the Aeronautics segment was completed with the merger by takeover of Alenia Aeronavali S.p.A. and Alenia Composite S.p.A. into Alenia Aeronautica S.p.A.. With respect to selected international programmes, Alenia Aeronautica also operates through international joint ventures, such as: (i) EEIG ATR, a consortium with EADS, for the development and production of regional turboprop aircraft; (ii) GMAS (in which it has a 51 per cent. interest), a joint venture with L-3 Communications, for the Joint Cargo Aircraft programme; and (iii) Superjet International (in which it has a 51 per cent. interest), a joint venture with Sukhoi, for the commercialisation of the SuperJet100 regional jet. In December 2009, Alenia Aeronautica, through its subsidiary Alenia North America Inc., sold its 50 per cent. stake in Global Aeronautica, a US joint venture with Boeing for the final assembly of B787 fuselage, to the other shareholder.

In particular, the Group's activities in this segment include (i) the production of military aircraft for combat, transport, training and special missions; (ii) the production of civil aircraft (regional turboprop and jet propelled aircraft) and components, such as aerostructures and engine nacelles; and (iii) aircraft conversions and maintenance.

Finmeccanica is active in all principal segments of the military aeronautics industry: (i) combat (with participation in important programmes such as Eurofighter Typhoon (EFA), Tornado and JSF (Joint Strike Fighter)); (ii) advanced trainers (M346); (iii) tactical transport with the C27J aircraft; (iv) aircraft for special missions (particularly for surveillance and patrol); and (v) unmanned aircraft (UAV and UCAV).

Finmeccanica is active in the civil aeronautics industry in (i) aerostructures (for Boeing B767, B777 and B787 aircrafts and for Airbus A380, A321 and A340 aircraft), (ii) regional transport aircrafts, both turboprop (ATR 42 and 72) and jets (SuperJet 100), and (iii) transformations passenger aircraft to aircraft for other uses. Further information on Finmeccanica's principal products and programmes in this segment is provided under "*Main Products and Programmes*" below.

Finmeccanica's subsidiaries and joint ventures in this segment operate through several facilities in Italy (Turin – Caselle, Turin – Corso Marche, Naples – Capodichino, Venegono Superiore (VA), Venice, Nola (NA), Pomigliano d'Arco (NA), Grottaglie (TA), Foggia and Brindisi), France (Toulouse) and in United States (Charleston, South Carolina). Each facility has a specific functional focus in the overall organisational structure of the Group in this segment.

## Analysis

The table below summarises the key financial and operating data of Finmeccanica's Aeronautics segment for the periods represented:

	Three months ended and as at 31 March 2010 (unaudited)	Year ended and as at 31 December	
		2009	2008
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	217	3,725	2,720
Order backlog.....	8,604	8,850	8,281
Revenue .....	592	2,641	2,530
Adjusted EBITA <sup>(1)</sup> .....	34	241	250
Return on sales (%) <sup>(2)</sup> .....	5.7%	9.1%	9.9%
Research & Development <sup>(3)</sup> .....	76	474	508
Workforce (No.).....	13,099	13,146	13,907

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

*Orders:* up 36.9 per cent. compared to 31 December 2008. This increase is mainly due to higher orders in the military segment for the Eurofighter Typhoon (EFA) programme and for the M346 Master trainer, with the first lot of six aircraft ordered by Italian Air Force. There was also growth in the civil segment, with orders from Boeing for B787 programme, which offset the decline in other programmes springing from the crisis in the air transport sector.

*Revenue:* up 4.4 per cent. compared to 31 December 2008. This increase is due to greater activity in the military segment, with higher production of Eurofighter Typhoon and C27J aircraft and the start of production of the M346.

*Adjusted EBITA:* substantially in line with 2008; profitability was slightly down compared to 31 December 2008 due to the impact of provisions for charges related to a number of export contracts and the different mix of products.

## Industry

The military aeronautics market has not directly felt in the impact of the economic crisis, but it could suffer over the next two or three years from a possible budget cutbacks in the United States and other industrialized nations. The military aeronautics is projected to be worth a total of approximately EUR 580 billion over the next ten years, including modernization, maintenance and logistics activities. The market should essentially remain stable from 2010 to 2012, to gradually rise thereafter across all major segments, such as combat aircraft, with growth supported by a limited number of significant manufacturing programs (Eurofighter, Rafale) and development programs (Joint Strike Fighter). Aircraft for special missions (particularly, maritime surveillance and in-air refuelling) and for tactical transport applications (non military government customers) are also areas of growth.

New operating requirements, together with limitations on spending, are driving demand for maintenance and retrofitting services in major countries. Important development programmes are underway in both Europe and the United States in relation to unmanned and unattended systems for combat applications and strategic reconnaissance and surveillance, which is expected to be a significant growth area in the medium-long term.

In the military aeronautics industry the five largest competitors by revenues, excluding Russian and Asian companies – Boeing, Lockheed Martin and Northrop Grumman in the United States and BAE and EADS in Europe – represented approximately 90 per cent. of the global market in 2009.

In the global *civil aeronautics market*, the drop in demand for passenger and goods air transport, due to sharp increase in oil prices and the financial crisis, has led to a consistent decline in orders for new aircraft, both commercial and regional, although it should be noted that in recent years demand has reached the peaks of the upward cycle.

In 2009, there were net orders for over 400 aircraft, compared to 1,439 units in 2008. The slow recovery of demand and the persistent financial problems plaguing the major airlines – traditional and low cost – lead Finmeccanica to believe that the civil aeronautics sector will begin to experience moderate growth starting in 2012.

According to the most recent projections, over the next ten years, the market should be worth more than EUR 500 billion for commercial aircraft and EUR 60 billion for regional aircraft. These values are about 8-10 per cent. lower than what had been projected for the same period before the effects of the economic crisis became apparent.

Anyway, the main trends in the various segments are confirmed, such as greater development of wide – body aircraft compared with narrow – body aircraft, the shift in demand in regional jet market towards the high-end of the market and the solidity of the turboprop segment. The trend towards increasingly outsourcing the production of components and structural sub-systems should continue although delays and problems in managing the B787 programme have led Boeing to partially modify its global strategy for outsourcing these types of production.

In the aerostructures business, the trend continues to be for an increase in the outsourcing of design and production. Its growth rates are higher than the civil aircraft sector as a whole.

In the civil aeronautics industry the five largest competitors by revenues – Boeing, General Dynamics, Bombardier and Embraer in the United States, Canada and Brazil, and Airbus in Europe – represented approximately 90 per cent. of the global market in 2009. Competition is characterized by a high level of consolidation in the United States market, while the European market is more fragmented. Competition is characterized by a high concentration of supply, as there are two companies with a monopoly in the commercial aircraft market (i.e. Boeing and Airbus), three significant players in the regional aircraft market (i.e. Embraer, EEIG ATR and Bombardier) and several players in the business jet market.

With respect to the outsourced aerostructure business, competition is highly fragmented. The main players are Spirit AeroSystems and Vought in United States, Alenia Aeronautica and GKN in Europe and Mitsubishi in Asia.

### *Strategy*

In the Aeronautics segment, Finmeccanica intends to strengthen Alenia Aeronautica's positioning as a global player in both the civil and military markets.

In the military aeronautics market, Finmeccanica is using its technology and capabilities to participate in the principal European programs for combat aircraft (e.g. Eurofighter) and unmanned aircraft (e.g. Neuron). In particular, Finmeccanica intends (i) to strengthen its current positioning in the combat aircraft area, (ii) to pursue a strong competitive position in the tactical transport aircraft area (through C27J) and in the trainer aircraft area (through M346) and (iii) to establish a significant position in the UAV and UCAV markets, which present significant prospects for future growth.

In the civil aeronautics market, Finmeccanica's main objective is to improve its role as independent prime partner in the civil aerostructures area, leveraging on its capabilities in (i) systems development and integration, and (ii) aerostructures technologies, in order to develop cutting-edge capabilities in composite materials structures. Furthermore, Finmeccanica intends to strengthen its position in the regional aircraft area, by pursuing selected partnerships.

### *Key Events and Recent Developments*

In February 2009, the Government of the United Arab Emirates (UAE) announced in Abu Dhabi during the International Defence Exhibition & Conference (IDEX 2009) that negotiations have

been started for the acquisition of 48 advanced M346 trainers from Alenia Aermacchi. According to the arrangements, a joint venture will be created in the UAE between Alenia Aermacchi and Mubadala Development Company for the development of a final assembling line for the M346.

In May 2009, Alenia Aeronautica completed the acquisition of 25 per cent. plus one share participation in SCAC, the Russian company responsible for the production of the regional jet propelled aircraft SuperJet 100.

In June 2009, Alenia Aeronautica and MAS Aerospace Engineering (“MAE”), a subsidiary of Malaysia Airlines, entered into an agreement for the creation of a joint venture to provide maintenance, repair and overhaul services for ATR commercial aircraft and turboprop aircraft in general. MAE will hold the majority interest in the joint venture, which will be based in Malaysia.

In November 2009, Finmeccanica completed the acquisition of 10 per cent. share capital in Atitech, a company active in the maintenance of civil and military aircraft. At the same time, the remainder of share capital was acquired by Alitalia – Compagnia Aerea Italiana S.p.A. (15 per cent.) and Manutenzioni Aeronautiche S.r.l. (75 per cent.).

In December 2009, Alenia Aeronautica (through its subsidiary Alenia North America Inc.) sold its 50 per cent. stake in Global Aeronautica, a US joint venture active in B787 aircraft assembly, to the other shareholder Boeing.

#### *Main Products and Programmes*

Finmeccanica’s principal products and programmes in the military aeronautics area include the following:

- C27J – Military aircraft for tactical transport. It carries over 11 tons and operates from short and rough airstrips in remote areas, without external support. Sharing the glass-cockpit, engines and propellers with the C130J, it has inbuilt communication systems to facilitate coordination with other military transports. The C27J has been ordered by Italy, Greece, Lithuania, Romania, Morocco, Bulgaria and United States (within the scope of JCA program);
- Eurofighter Typhoon (EFA) – European program for the development of advanced combat aircraft. Alenia Aeronautica has a 19.5 per cent. work share in the product, which is now deployed by the Italian, British, German and Spanish air forces and has also been ordered by Austria and Saudi Arabia and selected by Greece. Alenia Aeronautica is in charge of final assembly for the 121 Italian aircraft. Its responsibilities include the design and manufacturing of the left wing, rear fuselage and wing pylons and the system design of the navigation, armament, utility control, propulsion and secondary power systems for all aircraft;
- M346 (now named Master) – New generation advanced and lead-in fighter trainer, which was designed with a new generation avionics system, using innovative design-to-cost and design-to-maintain criteria. The M346 has a high thrust to weight ratio of almost 1 to 1, vortex-lift aerodynamics, full authority and a quadruple fly-by-wire flight control system which gives the M346 flying qualities similar to modern frontline fighters and also improve its teaching effectiveness. It is an ideal platform for integrated training of future generations;
- MB339 – Fully acrobatic, two-seater, single-turbojet advanced/LIFT trainer. The MB339 is in service with nine different nations and the 223 example models have already covered 600 thousand flight-hours. Due to its highly sophisticated on-board systems and manoeuvrability, this aircraft is particularly well-suited to advance and lead-in fighter phases of the training schemes for pilots and for training on managing military systems. A customized version (MB339 PAN) is operated by the Italian Air Force acrobatic team, “*Frecce Tricolori*”;
- SF260 – Fully acrobatic, two seater, side-by-side propeller-driven aircraft with an additional third seat. It is principally used for non-acrobatic missions. To date, the SF260 has covered 1,900,000 flight-hours; 880 units of the SF260 have been sold to 27 military clients thus far; and

- ATR42/72 – Family of turboprop regional aircraft: the MP Surveyor version is used for maritime and coastal surveillance and the ASW version is used for searching, detecting, identifying, tracking and attacking both underwater and surface targets. Negotiations for the sale of the ATR72 ASW are currently in progress with the naval forces of various countries. The ATR42 has been ordered by Italy, Nigeria and Libya; the ATR72 has been ordered by Italy and Turkey.

Finmeccanica's principal products and programs in the civil aeronautics area include the following:

*Aerostructures/Components:*

- Boeing 787 (B787) – Alenia Aeronautica participates as a risk sharing partner in the development of the aircraft and is responsible for development and manufacture of the centre-rear fuselage and the horizontal stabilizer. To this end, Alenia Aeronautica built a pre-integration plant in Charleston (South Carolina) for the assembly of the fuselage sections with Boeing (which has recently replaced Vought). In the Grottaglie (TA) plant, an innovative and automatic production line has been set up for the manufacture of the fuselage components (as a single piece), which are each made of 380 individual elements;
- Airbus 380 (A380) – Alenia Aeronautica participates as risk-sharing partner in this program for the world's largest commercial aircraft and the only twin-deck, four aisle airliner. The participation of Alenia Aeronautica in the program accounts for 4 per cent. of the airframe; and
- Airbus 321 (A321) /Airbus 340 (A340) – Alenia Aeronautica is responsible for a fuselage section and for the tail cone and mechanical components.

*Regional aircraft:*

- ATR42/72 – Family of turboprop, bimotor regional aircraft used for short haul passenger flights. This aircraft has a fast acceleration for take-off, low fuel consumption (about one-fifth of the usual amount) and the ability to use short runways. These aircraft are manufactured in joint venture with EADS by the EEIG ATR consortium; and
- SuperJet 100 – Family of new generation regional jets (75 – 100 seats) manufactured via a joint venture with the Russian company Sukhoi.

**Space**

*Overview*

In the Space segment, Finmeccanica's operations are mainly carried out through the Space Alliance between Finmeccanica and Thales, which comprises two joint ventures dedicated respectively to:

- *satellite services* – Telespazio Holding S.r.l., which is based in Italy and has its main industrial facilities in Italy (Rome, Fucino (AQ), Gera Lario (CO), Matera, Scanzano (PA)), France (Paris, Toulouse), Spain (Madrid, Barcelona) and Germany (Munich), in which Finmeccanica holds 67 per cent. and Thales 33 per cent.; and
- *satellite manufacturing* – Thales Alenia Space S.A.S., which is based in France and has its main industrial facilities in France (Toulouse, Cannes and Colombes), Italy (Rome, Turin, L'Aquila, Milan), Belgium (Charlesroi, Antwerpen) and Spain (Madrid), in which Finmeccanica holds 33 per cent. and Thales 67 per cent.

Telespazio Holding S.r.l. and its subsidiaries focus on (i) defence and security services, (ii) satellite navigation and info-mobility, (iii) Earth observation, (iv) provision of telecommunications networks and services, (v) in-orbit control of satellites and operations of ground centres and (vi) multimedia and value added applications, based on infrastructures.

Thales Alenia Space S.A.S. and its subsidiaries focus on the design, development and production of space systems, satellites, orbital infrastructures, space transport systems, equipment and instruments. Thales Alenia Space products are used for a range of applications (for example telecommunications, Earth observation, science and defence and security). Thales Alenia Space is also

a major contributor to the European Space Agency (ESA), the French space agency (CNES), the Italian space agency (ASI) and to the Italian, French and German Ministry of Defence. Moreover, Thales Alenia Space exports Koreasat 5 and Koreasat 6 satellites in South Korea, Star One in Brazil and Yahsat in the United Arab Emirates.

#### Analysis

The table below summarises the key financial and operating data of the Finmeccanica's Space segment for the periods represented:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December</b>	
		<b>2009</b>	<b>2008</b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	208	1,145	921
Order backlog.....	1,647	1,611	1,383
Revenue .....	194	909	994
Adjusted EBITA <sup>(1)</sup> .....	0	47	65
Return on sales (%) <sup>(2)</sup> .....	0.0%	5.2%	6.5%
Research & Development <sup>(3)</sup> .....	12	87	64
Workforce (No.).....	3,656	3,662	3,620

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Note that all figures refer to the two joint ventures (Thales Alenia Space SAS and Telespazio Holding S.r.l.) consolidated on a proportionate basis at 33 per cent. and 67 per cent., respectively.

*Orders:* up around 24 per cent. compared to 31 December 2008, due to the new orders from Turkey for Earth observation satellite system GokTurk and the good performance of the commercial segment.

*Revenue:* down about 9 per cent. compared to 31 December 2008, due to a lower level of production in the manufacturing segment, partly in relation to temporary work stoppages (financial difficulties in the Globalstar programme and damage to the L'Aquila facility caused by the earthquake on 6 April 2009 rendering it unfit for use), in addition to delays in the satellite services segment.

*Adjusted EBITA:* down 28 per cent. compared to 31 December 2008 due to lower production volumes, cost overruns in a number of manufacturing activities, and to lower profitability in satellite service due to different product mix.

#### Industry

The space systems market in 2009 was valued at roughly EUR 77 billion, of which 56 per cent. related to manufacturing (EUR 21 billion for the civil and government segment, EUR 18 billion for military and roughly EUR 4 billion for commercial applications), 23 per cent. to satellite services and the remaining for general space agency spending.

Government programmes are the driving factor in the market, accounting for almost 90 per cent. of manufacturing. The predominance of the United States is significant, accounting for over 50 per cent. of the global government budgets in the civil segment and nearly 90 per cent. of the budgets in the military segment. However, a number of emerging nations have launched important programs to acquire their own space-access capabilities (i.e. India, China). Furthermore Russia is also

redeveloping technological capabilities (especially in telecommunications and research sector), after years of reduced spending.

Although the space sector has been affected by the current financial crisis, —Finmeccanica believes its long-term growth potential remains unchanged. In fact, 1,000 new satellites are expected to be placed into orbit over the next ten years, considerably more than over the past decade. In addition, the European Space Agency (ESA) has expressed its willingness to support development of space programs along with the European Commission and confirmed the continuation of all current science programmes (including the ExoMars programme in which Italy is playing a leading role), activities dedicated to ensuring European access to space (Ariane 5, Vega, etc.), Earth observation programmes (Global Monitoring for Environment and Security (GMES) – Kopernikus; Meteosat), the Galileo global satellite navigation programme and advanced communications programmes (ARTES, EDRS, etc.).

Growth is expected in navigation and global positioning systems, communications systems for defense and security and Earth observation and homeland security systems. In all of these segments, Europe tends to play a significant role with programmes that are characterized by a high degree of dual – purpose (military and civil) applications, such as GALILEO (navigation), GMES-Kopernikus, COSMO SkyMed, Pleiades, and SAR-Lupe (Earth observation).

The only area where there remains a substantial separation between military and civil applications is in telecommunications, where a large part of the new systems originate from commercial customers. There are, however, European initiatives aimed at launching dual – use programmes, such as Italian and French Athena – Fidus programme, co-funded by the French (CNES) and Italian (ASI) space agencies.

The launch systems segment is also expected to experience slight growth over the next few years, both in the heavy payload launching systems (where Europe is leader with the Arian programme), and for launching systems dedicated to small satellites (Vega programme).

In the space services segment, which is based on the prevalent use of telecommunications, Earth observation, navigation and global positioning satellite platforms, the context is more varied. This market, excluding the television broadcasting segment, which has its own peculiar market dynamics, is worth approximately EUR 18 billion in 2009 and is expected to grow at a rate of around 5 per cent. annually for the period 2008 – 2018. The most dynamic markets are North America, Western Europe and Pacific Asia, representing almost 75 per cent. of the global market.

The greatest demand is for networking and connectivity applications, particularly for innovative solutions based on terrestrial mobile platforms and dual-purpose (civil and military) systems, as well as for Earth observation and, over the longer term, navigation and infomobility applications, particularly for critical safety systems in air, land and sea transport.

The demand for telecommunications systems, commercial, has remained substantially stable, although military telecommunications programs continue to increase in number. The new needs related to the digital divide are increasing, especially in Europe, where government institutions are implementing policies to support the expansion of network, including its satellite components, to make it easier for citizens to access the global internet and interact with government agencies.

The UK and France have already initiated programmes of this type, and even Italy is focusing on analogous government initiatives, such as the Sigma satellite system, funded by the Italian space agency, aimed at bolstering connectivity and satellite services available to citizens and government agencies.

The Earth observation segment includes all types of customers, although government use is predominant, while navigation, global positioning programs and scientific applications are almost always for government clients.

The space manufacturing industry is characterized by a highly concentrated supply structure both in the United States, with Lockheed Martin, Boeing and Northrop Grumman, and in Europe with EADS Astrium and Thales Alenia Space. The space service market is instead also highly fragmented, with specialized competitors in specific areas. These competitors often operate in the individual domestic markets and therefore tailor production of services and equipment to the

demands of such local markets. For instance, in telecommunication/television services area, Telespazio's competitors are Globecast, Arquiva and EADS Astrium. In the Earth observation area, the competitors are GeoEye, DigitalGlobe and Infoterra – Astrium and in the in-orbit satellite control area, the competitors are the European space agencies.

### *Strategy*

In the Space segment, Finmeccanica aims to strengthen its competitive positioning as a major European player in satellite and orbital infrastructures manufacturing and space services. In particular, in the space manufacturing area, Thales Alenia Space plans to strengthen its presence in the major European military programmes (i.e. SICRAL), participates in the global satellite navigation Galileo programme and maintains a primary role in European and national commercial and scientific programmes. In the space service area, Telespazio intends to (i) focus on the development of the ground segment of a number of important military programmes, (ii) develop services related to the Galileo programme, value-added services in the Earth observation and satellite navigation sector, leveraging on the Group's technologies and infrastructures.

### *Key Events and Recent Developments*

In June 2009, Telespazio completed the sale of its going concern "Osservazione della Terra" to e – Geos (80 per cent. of which is owned by Telespazio and 20 per cent. by Agenzia Spaziale Italiana – ASI), through a share capital increase of e – Geos, a company active in the supply of satellite services and applications for Earth Observation.

In October 2009, Telespazio completed the purchase of 49 per cent. of Eurimage from EADS Astrium, selling to it at the same time its 7.7 per cent. stake in the French company SpotImage.

### *Main Products and Programmes*

Finmeccanica's principal products and programmes in the Space segment include the following:

- Navigation and Infomobility – Telespazio is taking part in the development of the European satellite navigation programme Galileo, which involves launching a constellation of 30 satellites by the end of 2010. For this project, Telespazio will set up two control centres (one for the constellation, the other for the mission) at the Fucino Space Centre, as well as one of the two signal performance evaluation centres, located near Rome. Telespazio is also the responsible party in Italy for setting up the Galileo Test Range (GTR) – a technological infrastructure for validating the Galileo signal and developing new applications;
- COSMO-SkyMed – Low-orbit dual-use (for civil and military applications) Earth observation satellite system operating in the X-band. Co-funded by the Italian Ministry of Education, University and Research (MIUR) and Ministry of Defence, the programme is managed by the ASI and will exploit the most advanced remote sensing technology with the four SAR (Synthetic Aperture Radar) satellites – two of which launched in 2007, one within 2008 and one within 2009 – and a complex and geographically distributed ground segment. Thales Alenia Space, as prime contractor, is responsible for the development of the whole constellation;
- SICRAL – First Italian system for secure military communications, in UHF, SHF and EHF/Ka Band. The system has been in service since May 2001 and is based on innovative technologies that enable the satellite to adapt promptly to emergency conditions. It is also highly flexible, with a large capacity and can be used for land, sea and air operations. Thales Alenia Space has designed, built and integrated the satellite and its various elements – bus, payload and antennas – as well as the telecommunications networks with the radio stations for the Mission Control Centre and Satellite Control Centre. Thales Alenia Space is now building SICRAL 1B, to extend the operative capability of the first SICRAL up to 2019;

- Mars Express – European scientific probe designed to study the atmosphere of Mars and map the geology of its surface. Thales Alenia Space was responsible for the integration and testing of this satellite and the building of the MARSIS instrument, capable of detecting the presence of water beneath the surface with a high level of resolution, as well as the MARSIS Operation Centre;
- Cassini-Huygens – NASA/ESA/ASI program to study Saturn and its nine major moons. The spacecraft reached Saturn’s orbit in July 2004 and the Huygens probe descended on Titan in January 2005. Thales Alenia Space built the antenna and radar systems for the mission to provide high reliability and high performance; and
- Rosetta – Probe designed to reach and study the nucleus of Comet 67P/Churyumov Gerasimenko during one of its periodic visits to the inner solar system. It was launched in 2004 and should reach the comet in 2014. Thales Alenia Space was responsible for building the satellite’s special digital S and X band transponder, which is vital for the link between the probe and Earth, and was the main contractor for the integration and testing.

## ***Defence Systems***

### *Overview*

In the Defence Systems segment, Finmeccanica’s operations are mainly carried out through Oto Melara S.p.A. (OTO Melara) and its subsidiaries, WASS and MBDA, the joint venture with BAE and EADS, in which Finmeccanica holds a 25 per cent. stake and its subsidiaries.

OTO Melara operates in the field of land and naval armaments, with particular technological strengths in the development and production of naval guns and turrets. Furthermore, OTO Melara is active in the production of wheeled armoured vehicles and other tracked vehicles through CIO, a consortium with Iveco.

WASS is active in the field of underwater defence systems in selected market segments such as torpedoes (heavy and light weight) and countermeasures. With regards to light weight torpedoes (MU90), WASS operates through the EEIG Eurotorp, together with DCNS and Thales Underwater Systems.

The MBDA joint venture was created in 2001 by BAE (37 per cent.), EADS (37 per cent.) and Finmeccanica (25 per cent.) combining the missiles and missile systems activities of Matra BAE Dynamics, EADS Aerospatiale Matra Missiles and Alenia Marconi Systems. MBDA offers more than 40 missile systems in production or in development. The combination of air-to-air, air-to-surface, anti-ship and surface-to-air missile systems make MBDA by revenues the leading player in the European Union and the second in the world.

OTO Melara has its main facilities in Italy (La Spezia and Brescia), with local presence in Spain and in the United States.

WASS has its main facilities in Italy (Livorno and Naples), with an international presence in France (Sophia Antipolis) through the EEIG Eurotorp.

MBDA has its main plants in the United Kingdom (Stevenage, Bristol and Loughton), in France (Paris), in Italy (Rome, Fusaro (NA) and La Spezia) and in Germany (Schrobenhausen, Unterschleissheim, Ulm and Aschau).

The Finmeccanica Group is not involved in the, development, production, selling and testing of cluster bombs, anti personnel mines (APM ) or land mines.

## Analysis

The table below summarises the key financial and operating data of the Finmeccanica's Defence Systems segment for the periods represented:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December</b>	
		<b>2009</b>	<b>2008</b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	234	1,228	1,087
Order backlog.....	4,013	4,010	3,879
Revenue .....	231	1,195	1,116
Adjusted EBITA <sup>(1)</sup> .....	14	130	127
Return on sales (%) <sup>(2)</sup> .....	6.1%	10.9%	11.4%
Research & Development <sup>(3)</sup> .....	45	235	258
Workforce (No.).....	4,043	4,098	4,060

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

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

**Orders:** positive performance thanks to a new order for an additional lot of the programme to supply combat systems for the Italian and French FREMM frigates and for combat MAV programme for the Italian Army.

**Revenue and Adjusted EBITA:** growing volume of activity and a slight improvement in adjusted EBITA over the previous year, despite the decline in industrial profitability in missile systems and underwater defence systems.

## Industry

### (a) Land, naval and air armaments

The global market for land, naval and air armaments – estimated to be worth in 2009 approximately EUR 15 billion – is expected to remain substantially stable over the next ten years, with a total value of around EUR 160 billion, including programmes for upgrading and logistics support. The value of the market in 2008 and 2009 peaked in the land weapon systems sector (particularly in the wheeled-vehicles segment), due to significant new orders from the United States and other countries for mine resistant vehicles used in asymmetrical combat operations, (Iraq, Afghanistan) capable of ensuring greater protection for military personnel from landmines or attacks with explosives. Customers needs have changed, with greater emphasis on operational requirements, leaning towards modular configurations of platforms, versatility in their use, a high degree of interoperability between different armed forces and, as a result, logistics and support activities for the entire operating life.

The major development programmes in the primary Western nations were therefore conceived as based on completely digitalised network-centric architectures (Forza NEC programme in Italy, Future Rapid Effects System (FRES) programme in United Kingdom, etc.), integrating new electronic capability platforms (command and control, optoelectronics systems, etc.) for a variety of operating and application environments.

The assessment of the impact of the cancellation of the Future Combat Systems (FCS) programme in the United States is of enormous importance, both in terms the overall size of the market and due to the potential opportunities offered by the upgrading and modernization of

programmes that will replace it (Bradley and Stryker upgrade, Unmanned Ground Vehicles, Ground Sensors, Tactical UAVs).

In the naval systems segment, despite the continuing reduction in the number of new platforms produced, the weapon systems for surface vessels market should remain stable in all product areas over the next ten years. Small calibre guns represent the main solution for asymmetrical threat scenarios, thanks to their fast shooting rate and greater range, while developments in medium and large calibre guns have focused on implementing guided and intelligent ammunitions systems capable of ensuring greater flexibility, of broadening possible operating environments and of providing accuracy comparable to the most expensive missile systems.

The industry is dominated by two global competitors (General Dynamics in the United States and BAE Systems in Europe) and a small number of national players (KMW, Rheinmetall and Nexter) operating in major European countries. Several local companies are also active in the Middle East, Asia, Latin America and Eastern Europe, mainly focused on their respective domestic markets. Competition is characterized by fragmentation of supply and by the fact that national markets are often dominated by national players and penetration by international companies is difficult.

*(b) Underwater Defence Systems*

The global underwater defence systems segment, while limited overall in size, is expected to grow steadily over the next ten years to a value of approximately EUR 25 billion, including logistics.

Specifically the potential opportunities are due to (i) new requirements for the development and installation of a new generation of anti-torpedo protection systems for naval platforms and for integrated systems dedicated to the protection of both civilian and military ports for homeland security devices, (ii) rising demand for anti-torpedo protection systems for major surface and submarine naval units, both electronic and those based on a missile/anti-missile approach; and (iii) market opportunities for modernizing the torpedo fleets of the major international navies and for selling new weapons systems in newly industrialised countries.

In this sector there are significant, ongoing collaboration programmes underway in Europe for both torpedoes and countermeasure systems. Some of these programmes also form the basis of strategic collaboration agreements or agreements to form joint ventures among a number of the major operators in the sector.

The main competitors in the segment are Raytheon, Lockheed Martin, L – 3 Communications and Northrop Grumman in the United States and Thales Underwater Systems, DCNS, Atlas Elektronik, Ultra Electronics, BAE and WASS in Europe. Competition is driven by several factors such as price and performance ratio and the ability to provide integrated surveillance systems, including for homeland security purposes. Entry into several national markets is difficult due to the longstanding presence of local providers and the specific nature of demand, which is often tied to the local national security requirements.

In the missile systems segment, with a total market value of around EUR 10 billion in 2009, demand is expected to grow over the next few years in consideration of the gradual replacement of missiles around the world and the gradual introduction of more advanced systems for out-of-theatre operating scenarios and asymmetrical battle operations. The most promising sector is represented by surface-to-air missile systems, particularly the development of anti-ballistic missiles and cruise missile capabilities.

Supply in the area of missile systems is concentrated around three large global competitors, Raytheon, MBDA and Lockheed Martin, with a limited number of other European and Israeli companies, such as Thales, Saab SBD, and Diehl BGT Defence, Rafael and IAI operating in niche markets for certain product segments or areas of technological expertise on sub-systems (seekers, data links, propulsion and guidance systems). An increasing number of competitors from high growth economies, such as India and South Korea, are also entering the market.

Competition is characterized by (i) small number of missile systems prime contractors accounting for approximately 70 per cent. of the global market in 2009, (ii) a high level of competition in the area of technological sub-systems among a significant number of small players and (iii) a new requirement for integrated solution driven by a network-centric approach.

## *Strategy*

In the Defence Systems segment, Finmeccanica intends to exploit specific technological excellences to conclude wider strategic alliances. In particular, (i) in the land and naval armaments, to safeguard the positioning of OTO Melara as the principal supplier of the Italian Ministry of Defence, whilst consolidating its leadership in the niche naval gun market and leveraging on the technological skills acquired in turrets for land combat vehicles, (ii) in the underwater defence systems, to strengthen the worldwide leadership position of WASS and (iii) in the missile systems, to maintain and strengthen the position of MBDA.

## *Main Products and Programmes*

Finmeccanica's principal products and programmes in the Defence Systems segment include the following:

### *Land and naval armaments*

- Vehicles (through CIO consortium) – PUMA 4x4 and 6x6: light-wheeled armoured fighting vehicles suitable for combat roles such as reconnaissance and anti-tank. They also perform combat support roles like command post and ambulance; 8x8 CENTAURO AFV: highly mobile and protected vehicle that combines the firepower of a main battle tank with the speed and agility of a wheeled vehicle; DARDO: armoured IFV designed to provide infantry support; its armament consists of a 25 mm gun plus two TOW launchers that allow suitable firepower, even against MBTs; ARIETE: armoured fighting vehicles designed to satisfy the Italian army requirements, highly protected;
- Land Turrets – HitFact (105-120 mm): three-man, power operated turret armed with a 120mm, 45 calibre or 105 mm 52 calibre low-recoil-force gun for light and medium weight tanks and wheeled; HitFist (25-30 mm): two-man, power operated turret armed with a 25 or 30 mm automatic gun; HitRole (7.62, 12.7, 40 mm): one-man, electrically power-operated turret for light vehicles;
- Naval Guns – Large Calibres: 127/54 compact gun mount dual purpose, rapid fire, 5-inch for frigates and destroyers; 127/64 Lightweight: rapid fire suitable for large and medium size ships; Medium Calibres: 76/62 family in the Compact version (lightweight, rapid fire gun mount for all types of ships for anti-surface and anti-ship role) and Super Rapid version (lightweight, rapid fire for air-defence and anti-surface role); Small calibres: 12.7 mm, 25 mm, 30 mm and 40 mm naval guns; and
- Land and Naval Ammunitions – Vulcano family: Extended Range (ER) unguided ammunition and Long Range (LR) guided ammunition for 127 naval guns; Strales system: an evolution for the 76/62 naval artilleries, which uses the DART precision guided ammunition.

### *Underwater defence systems*

- MU90 – Light weight, “NATO standard” calibre torpedo developed through an international cooperation programme based on the requirements of the Italian and French navy. It is being sold in many countries within and outside Europe. MU90 can be launched from ships, helicopters and from naval patrol towers and, together with a similar product manufactured by the United States company Raytheon, it is the most significant product in its category on an international level;
- BLACK SHARK – Heavy weight torpedo: multipurpose weapon designed to be launched by surface vessels or submarines. It is meant to counter the threat posed by any type of surface or underwater target. The BLACK SHARK is a new generation of powerful, long-range, wire guided and self-homing heavy weight torpedoes;
- C310 – Anti-torpedo countermeasures system designed to cope with active and/or passive torpedoes, available both in non wire-guided and self-homing models; and
- C303/S – Anti-torpedo countermeasures system designed to counter attacks of acoustic homing torpedoes, active/passive, lightweight and heavyweight, wire and non wire-guided, through the use of, light weight, high-performance stationary jammers and mobile decoys.

### *Missile systems*

- Marte – Medium-range anti-ship missile designed for the new generation of naval anti-surface warfare helicopters employed to support maritime operations in coastal as well as in complex open water scenarios;
- ASTER – Family of vertically launched missiles is being developed by MBDA within the Franco-Italian FSAF programme. Aster 30 will feature in a family of air defence systems for the armed forces of both France and Italy as well as for the British Royal Navy;
- METEOR – Air-to-air missile system intended to meet the requirements of six European nations for future combat scenarios and capable of being integrated on Europe’s major platforms (Eurofighter Typhoon, Gripen and Rafale); and
- MEADS (Medium Extended Air Defense System) – Multi-national NATO programme to develop a future divisional air defence system to replace existing systems such as the Patriot and HAWK. The original partners of the programme included the U.S., Germany, France and Italy, but France withdrew from the programme due to budgets problems. Under the balance, the U.S. has 58 per cent. of the programme, with Germany 25 per cent. and Italy 17 per cent. The participants to the programme are EADS, EADS/LFK and MBDA Italia.

### *Energy*

#### *Overview*

In the Energy segment, Finmeccanica’s operations are mainly carried out through Ansaldo Energia S.p.A. and its subsidiaries (Ansaldo Nucleare S.p.A., Ansaldo Fuel Cells S.p.A., Ansaldo Ricerche S.p.A., Ansaldo ESG GmbH and Ansaldo Thomassen BV, Asia Power Projects Private Ltd.). In June 2009 Ansaldo Ricerche S.p.A. was merged with Ansaldo Energia S.p.A..

Finmeccanica is engaged in engineering and manufacturing activities in the field of power generation, such as (i) generation systems (“**New Units**”) (gas and steam turbines, generators, plants and applications), (ii) services (assistance and spare parts for gas and steam turbines and combined cycles), and (iii) nuclear (engineering for new plants, services, decommissioning).

The Group has installed capacity exceeding 180,000 MW in over 90 countries and covers a wide range of power generation plants technologies.

The Group has its main plants in Italy (Genoa), Netherland (Rheden) and Switzerland (Wuerenlingen).

## Analysis

The table below summarises the key financial and operating data of the Finmeccanica's Energy segment for the periods represented:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December</b>	
		<b>2009</b>	<b>2008</b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	178	1,237	2,054
Order backlog.....	3,211	3,374	3,779
Revenue .....	337	1,652	1,333
Adjusted EBITA <sup>(1)</sup> .....	31	162	122
Return on sales (%) <sup>(2)</sup> .....	9.2%	9.8%	9.2%
Research & Development <sup>(3)</sup> .....	7	36	32
Workforce (No.).....	3,440	3,477	3,285

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

*Orders:* down 40 per cent. compared to 31 December 2008, due to a numbers of delays in receiving important contracts, mainly in plants and components segments.

*Revenue:* up 24 per cent. compared to 31 December 2008, mainly due to higher production on plant orders and flow-type service contracts (maintenance, spare parts and solutions).

*Adjusted EBITA:* up 33 per cent. compared to 31 December 2008, as a result of the increase in production volumes and the greater industrial profitability of some projects of new unit segment.

## Industry

With regard to the world energy market, the demand for new plants depends on electricity consumption trends, both industrial and private, which are, in turn, linked to a number of macroeconomic and geopolitical variables, such as industrial production, population increase and urbanisation. In addition to these factors, technological developments related to improved flexibility increased efficiency and the need to reduce the plants' impact on the environment also have to be considered.

Despite the financial crisis, which caused a contraction of the market in 2009, it is estimated that the global demand for energy over the next ten years will be substantially stable, with an average annual market value of EUR 300 billion.

Over the last two years, the market has been dominated by coal-fuelled power plants, especially in China and India, while the market in Europe and Middle – East has been driven by gas – fuelled plants.

A massive replacement of obsolete plants is expected in the medium term in countries such as Russia and Eastern Europe. Furthermore, reduced investment in China and India should be offset by rising spending in other emerging economies in Southeast Asia, Africa and Latin America.

The demand for technologies having lower environmental impact is leading to a growing trend over the next decade in the nuclear and renewable energies markets.

While overall there has been a slight decline in the area of fossil fuel plants, demand will continue to focus on high – efficiency plants (natural gas combined-cycle plants).

The rising demand for flexibility, advanced technologies, along with the need to maintain plants over the long term is driving up the growth rate (about 4 per cent.) for the service agreement. The

demand for such activities is stronger in areas where larger numbers of less recent plants are installed, primarily the United States and Europe.

In the energy industry, the largest five original equipment manufacturers (OEM) by revenues – General Electric in the United States, Siemens and Alstom in Europe and Mitsubishi and Toshiba in Japan – represented 50 per cent. of the global market. Competition is characterized by the presence of increased number of small and medium players, such as BHEL, Rolls Royce and Ansaldo Energia.

### *Strategy*

In the Energy business, Finmeccanica intends to maintain the existing production capabilities of Ansaldo Energia and to increase the range of offering and profitability in the service area, as an Original Service Provider (OSP). Furthermore, Finmeccanica aims to (i) maintain its market share of new units in the Italian market, (ii) increase export activities, among others, to CSI and Middle East countries and (iii) strengthen the nuclear and renewable energy areas.

### *Key events and Recent Developments*

In April 2010, Ansaldo Energia and Ansaldo Nucleare, Enel and EDF entered into a Memorandum of Understanding for the development of nuclear plants in Italy. In particular, the aim of the agreement is to define areas of co-operation between Enel-EDF and Ansaldo Energia in developing and building at least four nuclear plants in Italy, using Evolutionary Pressurised Reactor (EPR) technology. Enel and EDF will play the role of investors and architect engineers, having the overall responsibility for the project and for managing the building of the plants and exploiting the Ansaldo Energia capabilities in designing, planning and commissioning the nuclear systems and in providing support to licensing operations. In addition, Ansaldo Energia will participate in the qualification and tender process carried out by Enel and EDF for the supply of the equipment, installation and engineering systems.

In the same data, Finmeccanica and AREVA entered into a Memorandum of Understanding to develop a progressive industrial partnership, starting with existing AREVA projects, and later extending to Italian projects planned in the future, as well as other projects planned in countries such as France and United Kingdom.

### *Main Products and Programmes*

Finmeccanica's main products and programmes in the Energy segment include the following:

- Power plants for energy generation – Conventional, co-generative, geothermal and simple and combined cycles, up to a power of 800 MW;
- Gas turbines (from 70 to 280 MW) – Featuring advanced technological solutions and designed to satisfy clients' requirements in terms of efficiency, reliability, flexibility and a low environmental impact;
- Steam turbines (from 810 to 1,200 MW) – Covering the entire range of applications for the generation of geothermal, co-generation, fossil fuel cycle and combined cycle energy; and
- Turbo-generators and hydro-generators – Including air, water and hydrogen cooling models using widely tested technological solutions.

## ***Transportation***

### *Overview*

In the Transportation segment, Finmeccanica's operations are carried out by Ansaldo STS group (in the Signalling and Transport Systems areas) and AnsaldoBreda S.p.A. and its subsidiaries (in the Vehicles areas). As from 31 March 2009, BredaMenarinibus S.p.A. is also included in the Transportation segment.

Ansaldo STS is active in the design manufacture, installation and maintenance of railway and mass transit of signalling and integrated "turn-key" transportation systems. Since 2006, Ansaldo STS has been publicly listed on the Milan Stock Exchange. Currently, its public float is 60 per cent. and its market capitalisation is EUR 1.3 billion as of 1 July 2010.

AnsaldoBreda is active in the manufacture of technologically advanced rolling stock for railway and urban transit systems. AnsaldoBreda builds complete trains, including high-speed trains, diesel and electrical locomotives, double-deck electric trains, electric multiple unit, diesel multiple unit, single and double deck passenger, metro vehicles and Sirio trams.

BredaMenarinibus is active in the manufacture of urban and intercity buses.

Ansaldo STS has its main facilities in Italy (Genoa, Naples, Tito Scalo (PZ) and Piosasco (TO)), France (Les Ulis, Riom), United States (Pittsburgh, Pennsylvania, Batesburgh, South Carolina) and Australia (Brisbane, Karratha). AnsaldoBreda operate through their main facilities located in Italy (Naples, Pistoia, Reggio Calabria). BredaMenarinibus has its main plant in Italy (Bologna).

#### Analysis

The table below summarises the key financial and operating data of the Finmeccanica's Transportation segment for the periods represented:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December</b>	
		<b>2009</b>	<b>2008</b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	330	2,834	1,595
Order backlog.....	5,900	5,954	4,858
Revenue .....	445	1,811	1,798
Adjusted EBITA <sup>(1)</sup> .....	20	65	117
Return on sales (%) <sup>(2)</sup> .....	4.5%	3.6%	6.5%
Research & Development <sup>(3)</sup> .....	10	110	55
Workforce (No.).....	7,293	7,295	7,133

(1) The Group has calculated Adjusted EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortization of the intangible assets identified in the purchase price allocation of the intangible assets amortization in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

*New orders:* up 78 per cent. compared to 31 December 2008, largely due to increased new orders in all segments. The most important new orders for the period include the order for Libya in the signalling and transport systems segment, the order for the double-decker cars for Trenitalia in the vehicles segment and joint orders by the signalling and transport systems segment and the vehicles segment relating to driverless metros for Taipei and Riyadh.

*Adjusted EBITA:* EUR 52 million down compared to 31 December 2008, mainly attributable to lower production volumes in the vehicle segment and to higher costs associated with the stabilisation of certain products.

#### Industry

The Transportation market includes (i) railways and mass transit rolling stock (vehicles) and (ii) signalling and complete transport systems.

Over the last few years the vehicles segment has presented an average value of roughly EUR 36 billion and an average annual growth rate of 3 per cent.

The railed-transport market (urban and railways) has shown stable growth, due to higher demand for mass transit by mounting congestion in newly urbanized nations and overpopulation in metropolitan areas. The sector has also benefited from incentives for investment in infrastructure in countries such as USA and China.

In the urban transport sector (equal to about 20 per cent. of the total), there have been significant orders for metro systems (traditional and driverless) and high growth rates are expected for tram systems.

Western Europe is traditionally the largest geographical market and the market from which the most significant technological and product-related innovation derives. Eastern Europe also presents growth opportunities driven by the need to replace obsolete and the development of new infrastructures.

In the railway sector, the most important segments are for high speed and regional trains in terms of market trends and expected volumes (40 per cent. of the total market).

The demand for maintenance and service activities continues to increase, driven by the growing tendency to outsource management and maintenance service and the gradual liberalisation of rail and urban transport operators.

The overall signalling and transport systems market has grown faster than the vehicle market, driven by increasing urbanisation and the need for high safety, efficiency and reliability. As a result, the signalling and traffic supervision systems market and the transport system design and building market are expected to have average growth rates respectively of 6 per cent. and 10 per cent. per year. Whereas this business was largely local in the past, with high levels of customisation and different design and implementation architectures in the various geographical areas, demand is now increasing for turn-key systems based on cross-border technology standards and modular architectures is now being seen. Thrust is also being imparted to the market by the growing demand for protection against non-accidental events, from a homeland security point of view.

#### *Strategy*

In the Transportations segment, with respect to the vehicles area, Finmeccanica is currently restructuring AnsaldoBreda in order to restore its profitability in the short term, while leveraging on a strong order backlog.

In the system and signalling areas, Finmeccanica intends to support Ansaldo STS in its stated growth strategy in order to increase its earning potential. In particular, Ansaldo STS intends to (i) pursue synergies by further integrating the signalling and transportation activities; (ii) access new markets with significant growth prospects (such as China, Saudi Arabia and Russia), and (iii) broaden its signalling and transportation systems offering in order to satisfy new demand relating to homeland security requirements.

#### *Main Products and Programmes*

Finmeccanica's main products and programmes in the Transportation segment include the following:

##### *Ansaldo STS*

- Interlocking Systems – Systems that manage the movement and position of trains in stations and the complex networks on which they operate;  
Automatic Train Control (ATC) – Systems that manage the movement of trains under security conditions, which automatically enforce a speed limit which is consistent with the circulation conditions ahead (block conditions) and, in specified circumstances, also enforces a penalty train stop with full brake application;  
European Railway Traffic Management System (ERTMS) – European standard applied to ATC systems. The system enables the supervision in real-time of the train operation according to the traffic conditions, taking into account the European network interoperability. The ERTMS standard contemplates three different level of application (ERTMS 1, 2 and 3);
- Centralised Train Control (CTC) – Modular system which allow supervision and command of train and metro traffic (for a single line or for an entire network) providing effective traffic optimization with forecasting and conflict display and resolution; and
- Automated metro, (i.e. Copenhagen, Brescia, Milan line 5, Salonicco, etc.).

## *AnsaldoBreda*

- SIRIO – Tram which originates from the modular platform of tram products developed by AnsaldoBreda. SIRIO features low internal noise levels, low floor on the entire inner surface, wide doors, devices for the disabled and an air conditioning system for passengers;
- 9000 and 7000 series vehicles – Metro vehicles designed by Pininfarina with clear and defined lines to increase aerodynamic efficiency and the design focused on two issues: passenger safety and access for the disabled;
- ETR 500 – Politensione features new generation locomotives to satisfy recent stricter requirements; the electric power part of the locomotive can be powered with three different voltages (3kV, 25kV and 1500 V). Each train can transport 590 passengers in first and second class carriages; and
- V250 – High-speed train characterized by increased services and compliance with European interoperability rules and for the reliability of its components parts. This train is currently being manufactured for the Dutch and Belgian Railways.

## *Other Activities*

The table below summarises the key financial and operating data of the Finmeccanica's Other Activities segment for the periods represented:

	<b>Three months ended and as at 31 March 2010 (unaudited)</b>	<b>Year ended and as at 31 December</b>	
		<b>2009<sup>(4)</sup></b>	<b>2008<sup>(4)</sup></b>
	<i>(EUR millions, unless otherwise stated)</i>		
New orders .....	13	113	75
Order backlog.....	139	172	348
Revenue .....	58	410	386
Adjusted EBITA <sup>(1)</sup> .....	(30)	(127)	(171)
Return on sales (%) <sup>(2)</sup> .....	n.s.	n.s.	n.s.
Research & Development <sup>(3)</sup> .....	—	14	—
Workforce (No.).....	798	799	774

(1) Adjusted EBITA is given by EBIT before exceptionals: (i) impairment in goodwill; (ii) amortisation of the portion of the purchase price allocated to intangible assets in relation to business combination, as required by IFRS 3; (iii) reorganisations costs that are a part of significant, defined plans; (iv) other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

(2) The Group has calculated return on sales as Adjusted EBITA divided by total revenue.

(3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

In Other Activities segment, Finmeccanica's operations are mainly carried out through:

Fata S.p.A.: a wholly owned Finmeccanica subsidiary, which operates in the area of plants for processing aluminium and steel flat rolled products and engineering design in the electricity generation area for engineering, procurement and construction (EPC) activities. Fata S.p.A. recently completed a reorganization process that began in 2005.

Avio S.p.A.: Finmeccanica Finance S.A. (formerly Aeromeccanica S.A.), a wholly owned Luxembourg subsidiary of Finmeccanica, holds an approximately 15 per cent. interest in BCV Investments S.A. which in turn holds 100 per cent. of the share capital of Avio S.p.A. The remaining interest is held by Cinven Funds, a private equity group. The company designs and produces components of aeronautical engines, space propulsion systems for launchers and control systems for naval devices. It also performs aeroengine, maintenance, repair and overhaul. Avio was formerly the aerospace division of FiatAvio S.p.A., the leading Italian manufacturer of aircraft and naval engines;

Other entities which provide financial support and management services to Finmeccanica are: Finmeccanica Group Services S.p.A. (the Group service management company), Finmeccanica Finance S.A. and Meccanica Holdings USA Inc. (which provide financial support to the Group).

## Employees

As of 31 December 2009, the Finmeccanica Group employed 73,056 employees consisting of 43,240 in Italy and 29,816 abroad.

The following table sets forth the number of Finmeccanica Group employees as at 31 December 2009, 2008 and 2007 and the number of those employees in Italy.

	<b>Total number of employees</b>	<b>Number of employees in Italy</b>	<b>Number of employees outside Italy</b>
31 December 2009 .....	73,056	43,240	29,816
31 December 2008 .....	73,398	43,267	30,131
31 December 2007 .....	60,748	42,666	18,082

Finmeccanica's employees worldwide include the categories set forth in the following table.

	<b>2009</b>	<b>2008</b>	<b>Net change</b>
Senior Manager <sup>(1)</sup> .....	2,224	2,328	-104
Middle Managers.....	8,012	8,232	-220
Clerical Employees <sup>(2)</sup> .....	40,674	43,569	-2,895
Manual Labourers.....	22,146	19,269	2,877
<b>Total</b> .....	<b>73,056</b>	<b>73,398</b>	<b>-342</b>

(1) Includes pilots.

(2) Includes temporary employees.

Finmeccanica's Italian employees are employed pursuant to collective bargaining contracts. Finmeccanica has experienced work stoppages from time to time, principally in connection with the renegotiation of national collective contracts. These stoppages have not had a material adverse effect on its operations. The national collective contract for metal engineering workers, which governs the terms and conditions of employment of most of Finmeccanica's employees, will expire on 31 December 2011.

Employees in Italy have the benefit of provisions of Italian law providing for severance payment upon termination of employment. Under law, these employees are entitled to receive a severance payment based on annual salary, length of employment and inflation. Finmeccanica maintains reserves for such payments in accordance with Italian law.

## Litigation

In the ordinary course of its activities, Finmeccanica and its subsidiaries are presently involved in a number of legal proceedings involving substantial litigation exposure. Finmeccanica believes that the extent of the litigation to which it is subject is a direct result of its size and history, as well as the business sectors in which it operates. Finmeccanica has conducted a review of its ongoing litigation and has made provisions considered appropriate in light of the circumstances when a loss is certain or probable and reasonably estimable, in accordance with accounting principles.

As of 31 December 2009 Finmeccanica has recognised provisions for legal proceedings amounting to EUR 126 million.

The Finmeccanica Group's most significant legal proceedings are summarized below.

### **Dennis A. Reid vs. Finmeccanica and Alenia Spazio (now So.Ge.Pa. S.p.A.)**

In 2001, Dennis Reid sued Finmeccanica and its subsidiary Alenia Spazio (now So.Ge.Pa. S.p.A.) in a Texas court to object to alleged breaches by the former Finmeccanica-Space Division of agreements relating to the implementation of the Gorizont satellite program. The Texas courts dismissed the case for lack of jurisdiction but Reid commenced a new lawsuit against Finmeccanica and So.Ge.Pa. S.p.A. before the Delaware Chancery Court. In the new suit, Reid claims the same damages he was claiming in the Texas lawsuit. On 29 June 2007, Finmeccanica filed a motion to dismiss the case for being time barred under the statute of limitations and the lack of jurisdiction of the Delaware Chancery Court. In March 2008, the Court issued an order accepting Finmeccanica's motion and ruling that the action is time-barred. The plaintiff filed an appeal before the Supreme Court of Delaware against such order. On 9 April 2009 the Supreme Court issued a ruling reversing the Court of Chancery's decision and remanding to the Delaware Chancery Court for the decision relating to the Finmeccanica's jurisdictional motion. The discovery phase has started and is still ongoing.

### **European Commission state aid investigations**

On 11 March 2008 the European Commission issued a ruling on the potential violation of EU rules on state aid with respect to certain loans granted by the Italian government under Law No. 808/1985. Following such decision, Finmeccanica repaid the portion of those loans being investigated which was already due, based on the agreed repayment schedule. In the context of that ruling, the Commission indicated it was continuing to review two helicopter projects of the Finmeccanica Group and their compliance with state aid rules. During the meeting of 28 October 2009, the European Commission concluded that these helicopter projects qualify as functional to national security and that as a consequence, pursuant to Article 296 of the EU treaty, they are not subject to Community regulations regarding State aids.

### **Finmeccanica vs. Procura Regionale of the National Audit Office (Corte dei Conti)**

In 1995 the public prosecutor with the National Audit Office, the Procura Generale, sued the directors of the company Azienda Tranvie Autofilovie Napoli (now called Azienda Napoletana Mobilità) and the company then known as Ansaldo Trasporti, for damages in a total amount of approximately EUR 100 million in relation to works undertaken to construct line 6 of the Naples underground rail network. In the first instance, the National Audit Office rejected the claim for lack of jurisdiction. The public prosecutor appealed against this ruling bringing an action against Finmeccanica, as successor entity to Ansaldo Trasporti following the merger of the latter into Finmeccanica in 2001. Finmeccanica objected that, prior to the merger, the contractual relationship underlying the dispute had been transferred to Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS) and that this company should bear any liability in connection with the claim. The appellate section of the National Audit Office affirmed that the National Audit Office held jurisdiction including with respect to the action against the directors of Ansaldo Trasporti and deferred the case to the Territorial Department to decide on the merits. The Supreme Court (Corte di Cassazione), affirmed this ruling in July 2008. The Procura Generale of the National Audit Office resumed the proceeding before the judges of the National Audit Office for it to decide on the merits and the hearing has taken place and a decision is currently pending.

### **Ansaldo Energia vs. Abengoa**

In November 1997, in relation to a contract commissioned by PREPA (the Puerto Rican Electric Power Authority), the Spanish company Abengoa awarded to Ansaldo Energia a subcontract for expansion work on the San Juan, Puerto Rican power plant. In connection with the contract between Abengoa and Prepa, the American International Insurance Company of Puerto Rico ("AIIP"), a member of the AIG group, issued a performance bond and an advanced payment bond, each in the amount of USD 125 million, in favour of PREPA which Ansaldo Energia, as a supplier, counter-guaranteed with respect to its activity. In 2000, Abengoa unilaterally terminated its contract without informing Ansaldo Energia and filed suit against the customer in a Puerto Rican court seeking compensation for damages it allegedly suffered. PREPA brought a claim requesting that Abengoa pay compensatory damages and in-pleaded AIIP for payment of the performance bonds.

Ansaldo Energia is not a party to that proceeding. In 2001, Ansaldo Energia initiated arbitration proceedings in Paris seeking a finding that Abengoa breached the contract by terminating its agreement with PREPA without notifying Ansaldo Energia in advance. The arbitration award, issued in March 2003, was in favour of Ansaldo Energia. In order to avoid enforcement of the aforementioned counter-guarantees, on 13 May 2005, Ansaldo Energia brought an action against Abengoa, AIG and AIIP before the Court of Milan, requesting that its counter-guarantees be found void, or, in the alternative, that the amount of the guarantee be capped at USD 36 million and that the indemnity by Abengoa be enforced. Finmeccanica believes that, even if the court does not accept Ansaldo Energia's arguments and if the counter-guarantees are called, Finmeccanica could seek indemnification against Abengoa, including in light of the arbitration award described above. The parties are waiting for the court's decision.

#### **Ansaldo Energia S.p.A. vs. Pont Ventoux S.c.a.r.l.**

In January 2009 Pont Ventoux introduced an arbitration proceedings against Temporary Association of Companies among Ansaldo Energia, as representative (31 per cent.), Alstom Power Italia S.p.A. (17 per cent.) and Voith Siemens Hydro Power Generation S.p.A. (52 per cent.) in connection with a contract (value of contract about Euro 15 million) to product two electric generators for the hydro-electric power station in Val di Susa. The plaintiff claims direct and indirect damages and image damages for a total amount of EUR 90 million, arguing that the liability limitation of contract value does not apply in the event of gross negligence. Ansaldo Energia believes that its tasks have been duly fulfilled and that the claims do not concern the activities performed by Ansaldo Energia.

#### **Alenia Aeronautica vs. EADS ATR**

In December 2007, EADS ATR initiated arbitration proceedings according to the rules of International Chamber of Commerce of Paris (seat of the arbitration is Lausanne, Switzerland) claiming that Alenia Aeronautica had not performed its contractual obligations under an agreement dated May 2001 for the provision of aircraft parts ATR 42 and ATR 72, manufactured by Alenia Aeronautica and EADS ATR, to GIE ATR. EADS ATR and Alenia each own 50 per cent. of the shares of GIE ATR. The plaintiff claims that Alenia Aeronautica failed to renegotiate the contractual sale prices, which were allegedly no longer applicable after the year 2003, as required by the contract. The plaintiff requested the defendant to pay damages of USD 32 million plus interest for the alleged contract violation and also asked the arbitration panel to establish the new sale prices based on production costs. Alenia Aeronautica is defending the claim and made certain counterclaims in its arbitration brief. On 29 September 2008, EADS ATR filed a Detail Statement of Claim asking for their requested damages to be increased from USD 32 million to USD 55 million. On 20 October 2009 the arbitration panel rendered its partial award rejecting EADS ATR's demands and upholding the demand that Alenia Aeronautica quantified in an amount of USD 2 million. EADS ATR appealed this award to the Federal Court in Losanna but the appeal was rejected on 18 March 2010. Based on the Company's evaluation, the arbitration proceedings is on going for the determination of the expenses.

#### **Fata Engineering S.p.A. and Fata S.p.A. vs. Hezar Aluminium Industries**

On 25 January 2001, Fata Engineering and the Iranian company Hezar Aluminium Industries ("Hezar") entered into a contract for the provision of a plant for production of aluminium continuous casting and rolling as well as supervision services to the erection and commissioning and training services in relation thereto for an aggregate value of approximately EUR 73 million. In January 2006, Fata Engineering initiated arbitration proceedings in Geneva, demanding compensation in an amount of approximately EUR 9 million in respect of delays in completion of the contract due to the counterparty's non-performance and failure to cooperate. With regard to that same contract, in 2007 Hezar initiated second arbitration procedure in Geneva for damages in an amount of about EUR 55 million, Hezar claiming that Fata Engineering and Fata S.p.A. are responsible for the delays (Fata S.p.A. as de facto contractor operating through Fata S.p.A.'s division, Fata Hunter). Both arbitration proceedings are now consolidated in a single one. Finmeccanica is confident on the grounds of Fata's claims. Even if Fata could be considered in default, Finmeccanica believes that the

liability cap of approximately EUR 11 million, established for the benefit of Fata Engineering, in the contract should not be exceeded, unless Hezar can prove that Fata Engineering acted with gross negligence. The investigation is on-going but neither evidence of gross negligence on the part of Fata Engineering, nor concrete evidence of any actual damage caused, has been provided to date. Moreover, Hezar has called the advance payment and performance bond issued by Fata Engineering S.p.A. in relation to the contract for the provision of services and the bond has been paid by the guarantor Bank Mellat in an amount of about EUR 8 million. Such amount was provided for in Finmeccanica's balance sheet as of 31 December 2009. Finmeccanica is disputing that such sum has to be paid or refunded to the above mentioned Bank because of the execution of the bond.

#### **Selex Service Management S.p.A vs. Istituto Poligrafico e Zecca dello Stato S.p.A.**

Selex Service Management, a Finmeccanica subsidiary, is a minority shareholder together with the Italian State Polygraph (Poligrafico dello Stato) and the Italian postal service (Poste Italiane) of Innovazione e Progetti S.p.A., a project company engaged in the Italian electronic identity card project. Following the dissolution of Innovazione e Progetti, the Poligrafico launched a public tender for the award of the project contract. In January 2008, Selex Service Management requested the Administrative Tribunal of Lazio to annul, and temporarily suspend, the public tender process. Subsequently, the Administrative Tribunal of Lazio annulled the public tender process and on 7 July 2009, the Council of State confirmed the judgement of the Administrative Tribunal. Selex Service Management is also requesting the Tribunal of Rome to annul the resolution dissolving Innovazione e Progetti. Such resolution was temporarily annulled by Tribunal's interim order. In consideration of the above mentioned judgements of the Administrative Tribunal and the Council of State, Poligrafico proposed to settle the legal proceedings and the hearing for the merits scheduled for 26 May 2010 is deferred to 26 January 2011.

#### **Finmeccanica and Calyon vs. Italian Internal Revenue Service (Agenzia delle Entrate)**

In May 2007, Finmeccanica joined Calyon S.p.A. in proceedings brought against the Tax Authorities (Agenzia delle Entrate) in the Tribunal of Rome (Tribunale di Roma) for the payment of a tax credit of EUR 71 million plus interest of EUR 34 million. Such tax credit was sold by Finmeccanica to Calyon in 2004. The Tax Authorities objected that Calyon would lack a right of action and that the claim is barred by the statute of limitations. Finmeccanica joined Calyon in the proceedings in light of its potential exposure to Calyon for any losses that may arise for Calyon in the litigation. On 31 December 2009, the Tax Authorities reimbursed the tax credit to Calyon due to the decisions in favour of Calyon rendered by the Tax Court of both first and second instance (Commissione Tributaria Provinciale di Roma and Commissione Tributaria Regionale del Lazio) in the parallel fiscal proceeding brought by Calyon on its own against the Tax Authorities. For this reason at the hearing held on 12 May 2010 the parties requested and the judge granted an adjournment of the hearing to 30 September 2010.

#### **Finmeccanica and Banca di Roma vs. Agenzia delle Entrate**

This proceeding relates to the sale of a receivable by Finmilano S.p.A., a former subsidiary of Finmeccanica S.p.A., in 1987. The receivable was sold at a discount to its face value against deferred payment by the buyer. The Tax Authorities claimed that the transaction had the nature of a financing transaction and that, accordingly, the loss recorded by Finmilano in connection with the sale could not be deducted in its entirety in the year of the sale but, rather, had to be recognized over the following periods until payment of the consideration by the buyer. Finmeccanica is part of these proceedings as a result of the indemnity provided to Banca di Roma, which subsequently acquired Finmilano from Finmeccanica. In 2009 the Supreme Court stated that the litigation has to be examined by the Tax Court of second instance (Commissione Tributaria Regionale). As of the date of this Prospectus Supplement, the hearing date has not yet been fixed.

#### **Finmeccanica vs. Agenzia delle Entrate**

This proceeding relates to stamp duty of EUR 10 million in connection with Finmeccanica's capital increase in 1998. Although a tax payable for that amount was recorded in Finmeccanica's balance sheet at the time, Finmeccanica subsequently declined to pay because it believed the payment

demand from the Tax Authorities had been invalidated by procedural violations. Both the Commissione Tributaria Provinciale and the Commissione Tributaria Regionale decided in favour of Finmeccanica. The Tax Authorities appealed against that decision and in December 2009 a decision was issued in favour of the Tax Authorities. In accordance with the laws, the Supreme Court stated that the litigation has to be examined by the Commissione Tributaria Regionale taking into account the guidelines released by the Supreme Court. As at the date of this Prospectus Supplement, the hearing has not yet been fixed.

#### **Finmeccanica vs. Agenzia delle Entrate**

This proceeding relates to a tax claim for EUR 11 million filed by the Tax Authorities against Oto Melara S.p.A. (merged with Finmeccanica in 1996) in respect of the tax assessment for VAT for the year 1988. The Tax Authority is challenging the right of the company to deduct the VAT related to the fees paid by the company in connection with a lease back contract. Such contract has been considered by the Tax Authorities a financial transaction and therefore they denied the right of the company to deduct the VAT associated to the lease back. The proceeding was in favour of the company till the decision rendered in October 2009 by the Commissione Tributaria Centrale in favour of the Tax Authorities. Finmeccanica intends to appeal such decision.

#### **Telespazio S.p.A. vs. Agenzia delle Entrate**

This proceeding relates to a tax claim for EUR 30 million filed by the Tax Authorities against Telespazio S.p.A. in respect of the tax assessment for direct income taxation (IIDD) for the year 2000. The Tax Authority is challenging the right of the company to deduct, for tax purposes, certain losses incurred in connection with a sale of receivables. No provision has been made in the financial statements for this claim as the Company believes the transaction was properly accounted for. In February 2008 the Company received a demand for the provisional payment of EUR 8.3 million for additional tax accrued plus interest pending the decision of the court of first instance. The Company requested that this payment be suspended until November 2008. The hearing at the tax court of first instance took place in May 2008 and on 25 September 2008 decision was issued in Telespazio's favour. In June 2009 the Tax Authorities appealed such decision which was rejected by the tax court of second instance pursuant a ruling issued on 30 March 2010. The Tax Authorities may appeal against the decision.

#### **So.Ge.Pa. S.p.A. vs. Agenzia delle Entrate**

This proceeding relates to a tax claim for EUR 18 million filed by the Tax Authorities against So.Ge.Pa. S.p.A. in respect of a tax assessment regarding direct income taxation (IIDD) for the year 2001. This relates to a tax audit completed in 2004 against ALS S.p.A., a Finmeccanica Group company that merged into So.Ge.Pa. in 2006. The Tax Authority alleged that So.Ge.Pa. improperly accounted for certain work in progress inventories relating to the long-term contract for the Atlantic Bird1 satellite in 2000. The case is currently pending before the Commissione Tributaria Regionale that shall decide on the appeal of the Tax Authorities against the decision issued by the Commissione Tributaria Provinciale favourable to the company. No provision has been made in the financial statements because So.Ge.Pa. believes that it can prove the transactions were properly accounted for. As at the date of this Prospectus Supplement the hearing has not yet been fixed.

## RECENT DEVELOPMENTS

### Key Agreements

In July 2009, Finmeccanica, the Libyan Investment Authority (“LIA”) – the Libyan sovereign wealth fund – and Libya Africa Investment Portfolio (“LAP”) – an Investment Fund owned by LIA – signed a Memorandum of Understanding (“MoU”) for the development of a strategic cooperation in Libya and other countries in the Middle East and Africa regions. Under this MoU investment opportunities will be pursued in the aerospace, electronics, transportation and energy sectors for commercial applications.

The MoU envisages the creation within a year of a Joint Venture Company, 50 per cent. held by each of Finmeccanica and LAP. The Joint Venture Company will be the main vehicle of the joint business initiatives and will be able to invest in the specific commercial and industrial initiatives by setting up dedicated companies in the relevant countries. Finmeccanica can involve the Joint Venture Company as preferred business partner in initiatives in which Finmeccanica will take a direct leading role.

In November 2009, the Kazakh company Sovereign Wealth Fund Samruk-Kazyna (a State company for industrial and financial management) and Finmeccanica signed a Memorandum of Understanding (MoU) for the development of industrial collaboration with the companies of the Group in the Transportation, Defence Electronics and Security (electro-optical) and the Helicopters divisions.

In particular, in the Transportation division, Ferrovie dello Stato and the company Temir Zholy (Kazakhstan’s railway company) signed a MoU for a broad cooperation for the development of the local railway sector. At the same time Ansaldo STS and the company Temir Zholy signed an agreement for the creation of a joint venture in railway signalling, electrification systems and for the implementation of command and control centres for the railway stations in Kazakhstan and the neighbouring countries.

In the Defence Electronics and Security division, the company KazEngineering and SELEX Galileo signed a collaboration agreement for the development of civil and military applications, also envisaging the use of the electro-optical systems of SELEX Galileo.

A possibility is also under consideration for the joint venture between AgustaWestland and Sovereign Wealth Fund Smaruk-Kazyana for the implementation of a maintenance and training centre for civil helicopters, as well as a joint venture for the assembly of natural gas buses with BredaMenarinibus.

In November 2009, Finmeccanica signed a MoU with Belarus for the development of collaboration agreements in civil operations, in particular in the Transportation, Energy and Space divisions and in the postal automation, security and, more generally, the high-tech sectors.

With regard to the Transportation divisions, the MoU provides for the possibility to develop common projects for the production, in Belarus, of natural gas buses for urban transportation and for the implementation of automated control systems in the railway and urban transportation sectors.

In the Homeland Security sector, Finmeccanica will provide Belarus, through SELEX Sistemi Integrati, with its technologies on an exclusive basis to ensure security in the Minsk area and for the 2014 Hockey World Championship.

In the Post sector, the agreement provides for the cooperation between Elsig Datamat and the Belarusian national company BelPostha for the implementation of postal automation systems.

Finmeccanica will also provide through Ansaldo Energia consulting services to Belarus on both conventional and nuclear Energy matters and the relevant security systems.

With regard to the cooperations in the MoU, Finmeccanica provides for the possibility of creating joint ventures or constructing local industrial infrastructures to promote common projects and develop products.

## Financial Transactions

2009 was marked by considerable provisioning of funds in the euro, pound sterling and US dollar bond markets with a variety of new issues to refinance maturing debt and extend the average life to over 10 years and, as a result, further strengthening the Group's capital structure.

Descriptions of specific transactions are set out below:

In January an early redemption was made on the major portion of the bonds of DRS Technologies (DRS), which initially possessed the following characteristics:

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

All three note issues contained change of control clauses that gave the bondholders a put option in the event of a change of control of the issuer. The acquisition of DRS by Finmeccanica triggered the change of control clause, resulting in the early redemption of most of the outstanding bonds, as stated above. The amounts remaining for the three issues at 31 December 2009 total \$20 million, partially as a result of subsequent redemptions made in 2009.

DRS paid the amounts owed using an intercompany loan granted by Finmeccanica, which has only been partly repaid from the proceeds of the dollar-denominated notes issued by Meccanica Holdings USA on the US market, as described below.

Additional repayments were made during the year on the Senior Term Loan Facility totalling EUR 3.2 billion, entered into in June 2008 to finance the purchase of DRS. At 31 December 2009, roughly EUR 639 million (nominal value) of this loan was still outstanding. Since the amount remaining has fallen below the threshold of 20 per cent. of the initial nominal amount, a number of clauses, including the requirement that early repayment be made in the event of new note issues, as well as several financial covenants originally contained in the loan facility, are no longer in effect. As explained in more detail below, the remaining amount of EUR 639 million was converted into a revolving credit facility for an equivalent amount and duration.

In February 2009, the subsidiary Pre-Merger Finmeccanica Finance, after completing the EUR 750 million note issue (EUR 750 million – maturity 2013) undertaken in December 2008 as part of the Programme, re-opened the note issue, issuing additional notes for an aggregate amount of EUR 250 million and increasing the total value of the issue up to EUR 1 billion.

The notes were issued with a yield to maturity of 7.121 per cent. and a re-offer price of 103.930 per cent. (with an annual coupon of 8.125 per cent.). The notes were placed with institutional investors on the international Eurobond market. Banca IMI, BNP Paribas, Merrill Lynch International, UBS Investment Bank and UniCredit Bank AG acted as joint lead managers, while Banca Finnat Euramerica acted as co-manager. The note issue, listed on the Luxembourg exchange, is secured by Finmeccanica.

In April 2009, Pre-Merger Finmeccanica Finance, issued under the Programme fixed-rate notes due on 16 December 2019 for a nominal amount of GBP 400 million. The notes, with a coupon of 8.00 per cent. paid every 6 months, were placed with a gross re-offer price of 99.022 per cent.. The notes were placed with institutional investors Barclays Capital, Deutsche Bank and Royal Bank of Scotland. The notes issued, listed on the Luxembourg exchange, are guaranteed by Finmeccanica.

In early July 2009, the subsidiary Meccanica Holdings USA issued notes on the US institutional investor market, in accordance with Rule 144A and Regulation S of the Securities Act. The notes were for an aggregate amount of \$800 million, divided into two tranches of US\$500 million (with a 10-year maturity (2019) and a coupon of 6.25 per cent.) and US\$300 million (with a 30-year maturity (2039) and a coupon of 7.375 per cent.). The gross re-offer price was 99.224 per cent. for the 10-year note and 98.728 per cent. for the 30-year note. The coupon is paid every 6 months. The notes are listed on the Luxembourg exchange and are guaranteed by Finmeccanica. The notes were placed by BofA Merrill Lynch, Citi, JP Morgan, Morgan Stanley, Barclays Capital, Royal Bank of Scotland and Société Générale.

In October 2009, Pre-Merger Finmeccanica Finance completed a new issuance of notes on the European market under the Programme. The notes issued are listed on the Luxembourg Stock Exchange and guaranteed by Finmeccanica. The issue, targeted at institutional investors, had a nominal amount of EUR 600 million, with maturity on 21 January 2022 and a coupon of 5.25 per cent. payable annually. The re-offer price of the notes was 99.191 per cent. The issue was placed by a pool of banks including Banca IMI, BNP Paribas, Deutsche Bank, Société Générale and Unicredit Bank AG as joint lead managers and BBVA, CALYON, Commerzbank, MPS Capital Services and Natixis as co-managers.

Finally, in October 2009, Meccanica Holdings USA issued notes on the US institutional investors market in accordance with Rule 144A and Regulation S of the Securities Act. The notes had an aggregate amount of US\$500 million, are due in 2040 and have a coupon of 6.25 per cent.. The gross re-offer price is 99.836 per cent. and the coupon is paid every 6 months. The notes are guaranteed by Finmeccanica and listed on the Luxembourg exchange. The notes were placed by BofA Merrill Lynch, Citi, JP Morgan, Morgan Stanley, Goldman Sachs, UBS Investment Bank, Nomura and Santander.

With this transaction Finmeccanica substantially completed its debt structure optimisation plan, aimed at strengthening its capital structure and guaranteeing adequate financial flexibility through the availability of long-term financial resources. In less than a year after the completion of the DRS acquisition, which required the use of short-term funding, Finmeccanica has extended the average life of its debt to over 10 years, repaying a large portion of the Senior Term Loan Facility.

As described in further detail in the footnotes on the individual note issues reported below, a series of rate transactions have been undertaken to convert a portion of the interest rate exposure from fixed-rate to floating rate, thereby minimising the total cost of the debt.

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

<b>Issuer</b>	<b>Year of issue</b>	<b>Maturity Nominal</b>	<b>Amount (EUR million)</b>	<b>Annual coupon</b>	<b>Type of offer</b>	<b>IAS recog. Amts EUR million<sup>(11)</sup></b>
Pre-Merger Finmeccanica Finance <sup>(1)</sup> .....	2003	2010	501	0.375%	European institutional	444
Pre-Merger Finmeccanica Finance <sup>(2)</sup> .....	2003	2018	500	5.75%	European institutional	505
Finmeccanica S.p.A. <sup>(3)</sup> .....	2005	2025	500	4.875%	European institutional	496
Pre-Merger Finmeccanica Finance <sup>(4)</sup> .....	2008	2013	1,000	8.125%	European institutional	1,028
Pre-Merger Finmeccanica Finance <sup>(5)</sup> .....	2009	2022	600	5.25%	European institutional	606

<b>Issuer</b>	<b>Year of issue</b>	<b>Maturity Nominal</b>	<b>Amount (GBP million)</b>	<b>Annual coupon</b>	<b>Type of offer</b>	<b>IAS recog. Amts EUR million<sup>(11)</sup></b>
Pre-Merger Finmeccanica Finance <sup>(6)</sup> .....	2009	2019	400	8.000%	European institutional	453

Issuer	Year of issue	Maturity Nominal	Amount (US\$ million)	Annual coupon	Type of offer	IAS recog. Amts EUR million <sup>(11)</sup>
DRS <sup>(7)</sup> .....	2003	2013	3	6.875%	American institutional	–
DRS <sup>(7)</sup> .....	2006	2016	12	6.625%	American institutional	9
DRS <sup>(7)</sup> .....	2006	2018	5	7.625%	American institutional	4
Meccanica Holdings USA Inc <sup>(8)</sup> ...	2009	2019	500	6.25%	American institutional Rule 144A/Reg. S	370
Meccanica Holdings USA Inc <sup>(9)</sup> ...	2009	2039	300	7.38%	American institutional Rule 144A/Reg. S	221
Meccanica Holdings USA Inc <sup>(10)</sup> ..	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	371

- (1) Exchangeable Notes with a maximum number of 20,000,000 shares in STMicroelectronics N.V. (“STM”) at a conversion price of EUR 25.07 per share. Starting from the third anniversary of the issue, Finmeccanica Finance can ask for the loan to be converted if the average price recorded during the 30 business days prior to the date of notice to noteholders exceeds 125 per cent. of the conversion price. At the maturity date Finmeccanica Finance can repay in cash or, upon 15-business days prior notice, through a combination of STM shares valued at the average prices recorded in the prior 5 business days. Transaction authorised pursuant to Article 129 of Legislative Decree No. 385/93. Notes are listed on the Luxembourg Stock Exchange.
- (2) Notes issued under the Programme for a maximum of EUR 3.8 billion. The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of the loan. The transaction was authorised pursuant to Article 129 of Legislative Decree No. 385/93. Notes listed on the Luxembourg Stock Exchange. Rate derivative transactions were made on these Notes and led to benefits throughout 2005 from low floating rates with an effective cost of some 3.25 per cent.. During 2006, the effective cost of the loan returned to a fixed rate equal to an average value of some 5.8 per cent..
- (3) Notes issued under the Programme for a maximum of EUR 3.8 billion. The transaction was authorised pursuant to Article 129 of Legislative Decree No. 385/93. Notes listed on the Luxembourg Stock Exchange. The amount of EUR mil. 250 million of this issue was converted to a floating rate to hedge against increases in the interest rate.
- (4) Notes issued under the Programme for a maximum of EUR 3.8 billion. Notes listed on the Luxembourg Stock Exchange. EUR 750 million was converted to a floating rate, with a benefit of over 2 percentage points. The proceeds of the issues (the US dollar equivalent) were originally used to refinance (through an intercompany loan agreement) the DRS notes redeemed early in January 2009.
- (5) Notes issued under the Programme for a maximum of EUR 3.8 billion. Notes listed on the Luxembourg Stock Exchange. No rate transactions on the issue were made. The proceeds of the issue were partly used to repay the Senior Loan Facility up to the current remaining amount of EUR 639 million (nominal value).
- (6) Notes issued under the Programme for a maximum of EUR 3.8 billion. Notes listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and were completely used to partially repay the Senior Loan Facility. Rate transactions were made to optimise the total cost of the debt. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the note into pound sterling to partially hedge strategic investments in Great Britain.
- (7) DRS requested and received permission to delist all the note issues on regulated US markets in December 2008. Therefore, the outstanding DRS Notes are no longer covered by the Securities Act of 1933 and are no longer registered with the Securities and Exchange Commission (SEC).
- (8) Notes issued under Rule 144A and Regulation S of the Securities Act. No rate transactions on the issue were made.
- (9) Note issued under Rule 144A and Regulation S of the Securities Act. The proceeds of this issue, as well as of that referred to in footnote (8), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.
- (10) Note issued under Rule 144A and Regulation S of the Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (9). No rate transactions on the issue were made.
- (11) The difference between the face value of Notes and book value is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt. Furthermore, as regards the issue of exchangeable notes in (1) above, IAS 39 provides for the separation of the financial debt component and the call option sold. The debt component is measured by applying the market interest rate at the issue date in place of the nominal interest rate, while the option component, excluded from the financial position, is subject to periodic measurement at fair value. At 31 December 2009, this valuation method led to posting a debt EUR 11 million less than the face value of the note. This differential will gradually come down as the maturity date draws near.

For the avoidance of doubt, all the notes issued by Pre-Merger Finmeccanica Finance have been assumed by Finmeccanica Finance S.A. pursuant to the Merger.

All the note issues of Pre-Merger Finmeccanica Finance, DRS and Meccanica Holdings, are, as mentioned, irrevocably and unconditionally guaranteed by Finmeccanica, and are given a medium-term financial credit rating by the three international rating agencies: Moody’s Investors Service,

Standard and Poor's and Fitch. More specifically, at the date of this report, these credit ratings were: A3 (Moody's), BBB+ (Fitch, which upgraded the credit rating from BBB on 22 July) and BBB (Standard and Poor's).

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

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

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

Furthermore, on 13 May 2009, the Programme was extended for a further 12 months. The amount was increased up to EUR 3.8 billion of which a total of around EUR 3,045 million was already used at 31 December 2009. The programme allows Finmeccanica and Finmeccanica Finance to act as issuer on the European bond market.

On 24 July 2009, Finmeccanica signed a EUR 500 million loan agreement with the European Investment Bank (EIB). The loan is intended for Alenia Aeronautica (100 per cent.-owned by Finmeccanica) to be used for the production and development of technologically innovative aeronautical components. Specifically, the loan will be used to expand production facilities in Campania (Pomigliano d'Arco) and Puglia (Foggia and Grottaglie) and to finance research and development activities. Repayment of the 12-year loan will begin in the third year. The loan will be disbursed by 31 January 2011, upon demand by Finmeccanica. The interest rate may be either variable or fixed, at the prior option of Finmeccanica.

In February 2010, Finmeccanica repurchased roughly EUR 51 million (nominal value) of notes exchangeable for STM shares out of the August 2003 issue of EUR 501 million, with maturity on August 2010. The purchase price was equal to 99.40 per cent. of the note's nominal value. This transaction, just one of the actions taken to optimise treasury resources, will make it possible to cancel a corresponding amount of the correlated debt.

Finally, in February 2010, Finmeccanica completed the transformation, begun in December 2009, of the remaining portion (EUR 639 million.) of the Senior Term Loan Facility (tranche C) into a revolving credit facility (same maturity June 2011), with a margin of 80 basis points over Euribor for the period and a commitment fee of 32 basis points on the unused amount. Also in February the loan was partially repaid.

The transformation of the loan into a revolving credit facility usable and repayable based on the Group's financial needs for the entire duration of the loan, will give the Group greater flexibility in structuring its debt, and will negate the clause contained in the Senior Term Loan Facility requiring early repayment out of proceeds from the sale of assets.

#### **Other transactions**

On 22 December 2009 the sale to Cassa Depositi e Prestiti SpA of the 33,707,436 remaining shares of STMicroelectronics NV (STM) indirectly held by Finmeccanica was completed at a price of EUR 5.10 per share. The sale contract also envisages an earn-out mechanism – on 29,768,850 shares – equal to 50 per cent. of the positive difference between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011, and EUR 7.00. As a result of this transaction, the Group does no longer hold STM shares.

## MANAGEMENT

### Board of Directors

Finmeccanica's Board of Directors is responsible for the management of Finmeccanica. The Board of Directors has the power to take all actions consistent with Finmeccanica's corporate purpose, except for actions reserved to the shareholders' meeting by law or by the by-laws. Certain powers have also been delegated to the Chairman and Chief Executive Officer. Each board member is elected by the shareholders' meeting for a three-year term.

The current Board of Directors consists of 11 members elected by the shareholders' meeting held on 6 June 2008 for the three-year term 2008-2010. The three-year term of these current board members will expire upon the approval of the financial statements for the year 2010. An additional member without voting rights has been appointed by the Ministry of Economy and Finance in agreement with the Minister of the Economic Development in accordance with Finmeccanica's by-laws.

The following table sets forth the name, age, position and date of appointment of the current members of the Board of Directors of Finmeccanica.

Name	Age	Management Position <sup>(1)</sup>	First Appointment to current Position	Principal Outside Activities
Pier Francesco Guarguaglini .....	73	Chairman and CEO	2002	Member of the Councils of Confindustria; Member of the Council of Assonime
Piergiorgio Alberti .....	67	Director	2005	Founder and senior partner of Alberti & Associati Law Firm; Director of Parmalat S.p.A.; Director of Ospedali Galliera; Hospital Trust, Genoa; Director of Ansaldo Foundation
Andrea Boltho Von Hohenback .....	70	Director	2008	Director of Oxford Economics Limited
Franco Bonferroni .....	71	Director	2005	Director of Alerion Industries S.p.A.; Director of Cassa di Risparmio di Bra
Maurizio De Tilla .....	69	Director	2000	Chairman of the Association of Private Social Security Bodies; Chairman of the Italian Institute of Forensic Culture; President of Organismo Unitario dell'Avvocatura; Member of Consiglio Generale di Assicurazioni Generali
Dario Galli.....	52	Director	2008	President of Provincia di Varese
Richard Greco.....	42	Director	2008	President of Filangieri Advisory Corp.; Director of Mediware Information Systems; Director of Boliven LLC

Name	Age	Management Position <sup>(1)</sup>	First Appointment to current Position	Principal Outside Activities
Francesco Parlato .....	49	Director	2007	Member of the Steering Committee of Cassa Depositi and Prestiti S.p.A.
Nicola Squillace .....	45	Director	2008	Director of Mediocredito Italiano
Riccardo Varaldo.....	74	Director	2005	Director of Piaggio S.p.A.; Member of the Supervisory Board of Intesa Sanpaolo S.p.A.; Chairman of the Italian Society of Marketing; Member of the Italian Society of Economists and of the Italian Academy of Company Economics
Guido Venturoni.....	76	Director	2005	—
Giovanni Castellaneta <sup>(2)</sup> ....	67	Director	2005	President of SACE S.p.A.

(1) The business address of each member of Finmeccanica's Board of Directors is Piazza Monte Grappa 4, 00195 Rome, Italy.

(2) Director appointed by the Italian Ministry of Economy and Finance in agreement with the Ministry of Economic Development through its special powers to granted by Law No. 474/1994. He does not have voting rights pursuant to article 5.1 ter, paragraph d) of Finmeccanica by-laws and will work alongside the 11 members of the Board of Directors appointed by the Shareholders' meeting held on 6 June 2008.

No conflicts of interest exist between any duties of the persons referred to above to Finmeccanica and their private interests and/or other duties.

### Stock Option Plan

- **2002-2004 Stock Option Plan** is an option-based plan addressed to approximately 300 Finmeccanica Group Key Executives. The vesting of the options is subject to the achievement of specific three-year targets relative to the performance of the Finmeccanica share and Finmeccanica Group VAE (Valore Aggiunto Economico – Economic Value Added). Following the review of 2002-2004 results, 60 per cent. of the granted options vested. All unexercised options will expire on 31 December 2011.
- **2008-2010 Performance Share Plan** is an approved share-based plan addressed to approximately 600 Finmeccanica Key and High Potential Executives. In continuity with the 2005-2007 Performance Share Plan, granted shares are released and transferred free of charge subject to the achievement of specific annual and cumulative Orders and VAE (Valore Aggiunto Economico – Economic Value Added) over the relevant performance period, at Finmeccanica Group or Operating Company level, as appropriate.

Finmeccanica's Shareholders' Meeting of 16 January 2008 revoked the previous authorisation to purchase and make available the share resulting from the unexercised option but guaranteed the availability of the same number of share to service all the stock incentive plans within the scope of a broader treasury share buy-back and use programme, approved under the proposal made by the Board of Directors on 21 November 2007 up to a maximum of about 8 per cent. of the share capital of Finmeccanica outstanding at that time (a maximum of 34 million ordinary shares) broken down as follows:

- approximately 2.6 per cent. is to be used for the stock incentive plans (up to 11.1 million ordinary shares, of which 7.5 million for grants to be made in the next few years).
- approximately 5.4 per cent. (up to 22.9 million ordinary shares) may be used to create value for the shareholders. Based on an assumed average unit price of EUR 20, the buy back should be worth about EUR 460 million.

The share buy back programme was to be carried out within a maximum period of 18 months, in accordance with the Italian law. Such 18 month-period expired on 16 July 2009.

### Board of Statutory Auditors

Under Italian law, in addition to electing the Board of Directors, Finmeccanica's shareholders also elect, according to the Articles of Association, a Board of Statutory Auditors composed of 5 members. Finmeccanica's shareholders also elect two alternate statutory auditors who will automatically be substituted for an auditor who resigns or is otherwise unable to serve as an auditor. The mandate of the current Board of Statutory Auditors will run from 2009 to 2011 until the approval of the annual results for the year 2011.

The following table sets forth the name, age, position and date of appointment of the current members of the Board of Statutory Auditors of Finmeccanica.

Name	Age	Management Position	First Appointment to Current Position
Luigi Gaspari .....	53	Chairman.....	2006
Giorgio Cumin.....	72	Auditor .....	2000
Maurilio Fratino.....	57	Auditor .....	2009
Antonio Tamborrino .....	70	Auditor .....	2003
Silvano Montaldo .....	53	Auditor .....	2006
Maurizio Dattilo.....	47	Alternate Auditor.....	2006
Piero Santoni .....	73	Alternate Auditor.....	2000

### External auditors

Under Italian securities regulations, Finmeccanica's accounts must be audited by external auditors appointed by the shareholders. The appointment is communicated to CONSOB. The external auditors examine Finmeccanica's accounts and issue an opinion regarding whether Finmeccanica's financial statements are presented fairly in all material respects. Their opinion is available to the shareholders prior to the annual shareholders' meeting.

Under Italian securities laws, as amended by Legislative Decree No. 303 of 29 December 2006, listed companies appoint their external auditors for a nine-year period; at the end of this period new auditors must be engaged. PricewaterhouseCoopers S.p.A. was Finmeccanica's external auditor in 2006 and in 2007 and will remain Finmeccanica's external auditor until 2011.

### Corporate Governance

Finmeccanica operates its Corporate Governance practices in accordance with the Italian Civil Code, CONSOB regulations, rules set forth by Borsa Italiana S.p.A. and rules set forth by the new Self-Regulatory Code for Listed Company dated 2006.

The rules of Corporate Governance followed by Finmeccanica have been reported in the document "Board of Directors – Role, Organisation and Operating Procedures".

The Board of Directors of Finmeccanica carries out periodic assessments of the independence of its non-executive members and those assessments are submitted to the Board of Statutory Auditors.

The Board of Directors has confirmed that 9 out of 10 non-executive Directors in charge out of 11 Directors (plus one who, however, is without voting rights, having been appointed by a ministerial decree) meet the independence requirements.

None of the non-executive Directors in charge has, directly or indirectly, a significant commercial, financial or professional relationship with Finmeccanica and/or its subsidiaries.

Independent Directors meet at least once a year without other Directors.

The Board of Directors has set up committees participated by Directors according to the Self-Regulatory Code for Listed Companies.

An Internal Audit Committee and a Remuneration Committee have been, amongst the others, appointed.

All members of the Internal Audit Committee, which supports the Board of Directors in the definition of the guidelines for the internal control system, are non executive and independent Directors.

The rules of the Internal Audit Committee reflect the procedures, organisation and provisions of the Self-Regulatory Code for Listed Companies as to internal audit.

The members of the Remuneration Committee are 5 non executive Directors, four of which are independent.

As far as the Finmeccanica's Board of Statutory Auditors is concerned, the Board of Statutory Auditors has ascertained that, on the basis of the provisions set forth in the Self-Regulatory Code for Listed Companies, all Regular Statutory Auditors satisfy the "independence" requirements.

With the exception of one regular auditor and one alternate auditor, all other members of the Board of Statutory Auditors do not hold any other directorship or auditorship in other companies listed on Italian regulated markets.

### **Code of Ethics**

Finmeccanica has approved a Code of Ethics (the "**Code**"), available on Finmeccanica's web site at <http://www.finmeccanica.com>, which sets forth the commitments and ethical responsibilities in the conduct of business and corporate affairs binding on, *inter alia*, the members of the Board of Directors and Board of Statutory Auditors, General Manager and Executives, employees and other co-workers whatsoever and representatives of directly or indirectly controlled companies.

One of the major rules of the Code relates to the prevention of any conflicts of interest, even potential.

According to that rule, Finmeccanica always requires its directors, employees, consultants and anyone who cooperates with the company to sign in advance a specific document representing that no conflict of interest occurs between that person and Finmeccanica.

Any person becoming aware of the occurrence of a conflict of interest must report that occurrence to the Surveillance Body pursuant to Legislative Decree No. 231/2001 and according to certain procedures.

In addition, directors, employees and co-workers of whatsoever nature of Finmeccanica must avoid any situation and refrain from any action that could cause their personal interest, either direct or indirect, to interfere with their offices.

Any situation of personal interest, even potential, shall be promptly communicated to Finmeccanica and any person incurred in such situation shall refrain from being involved or participating in any act that might prejudice Finmeccanica or any third party.

## CONSOLIDATED CAPITALISATION OF FINMECCANICA

The following table sets out the consolidated capitalisation and indebtedness of Finmeccanica extracted without material adjustment from the audited consolidated financial statements as of and for the year ended 31 December 2008 and 31 December 2009 and from the unaudited consolidated quarterly interim financial information as at and for the three months ended 31 March 2010.

	<b>31 March 2010 (unaudited)</b>	<b>31 Dec. 2009</b>	<b>31 Dec. 2008</b>
	<i>(EUR million)</i>		
Short-term borrowings .....	860	913	1,144
Medium/long-term borrowings .....	3,929	4,476	3,995
Cash and cash equivalents .....	(636)	(2,630)	(2,297)
<b>Bank Debt and Bonds</b> .....	<b>4,153</b>	<b>2,759</b>	<b>2,842</b>
Securities .....	(11)	(11)	(1)
Financial receivables from Group companies .....	(60)	(34)	(26)
Other financial receivables .....	(707)	(763)	(653)
<b>Financial Receivables and Securities</b> .....	<b>(778)</b>	<b>(808)</b>	<b>(680)</b>
Borrowings to related parties .....	660	679	652
Other short-term borrowings .....	217	312	469
Other medium/long-term borrowings .....	127	128	100
<b>Other Financial Payables</b> .....	<b>1,004</b>	<b>1,119</b>	<b>1,221</b>
<b>Net Financial Debt/(Cash)</b> .....	<b>4,379</b>	<b>3,070</b>	<b>3,383</b>
Share capital <sup>(1)</sup> .....	2,512	2,512	2,519
Retained earnings and consolidation reserves .....	4,685	4,605	4,183
Other reserves .....	(636)	(766)	(728)
Minority Interests .....	214	198	156
<b>Shareholders' equity</b> .....	<b>6,775</b>	<b>6,549</b>	<b>6,130</b>
<b>Total capitalisation</b> .....	<b>11,154</b>	<b>9,619</b>	<b>9,513</b>

(1) Ordinary shares as of 31 March 2010 with a nominal value of EUR 4.40 each. The Parent Company's share capital fully subscribed and paid-up is divided into 578,150,395 ordinary shares (578,150,395 authorised shares issued and 577,006,318 outstanding) with a par value of EUR 4.40 each, including 1,144,077 treasury shares.

## CONSOLIDATED FINANCIAL INFORMATION RELATING TO FINMECCANICA

The following tables set out:

- (i) the consolidated income statement for the three months ended 31 March 2010, the reclassified consolidated balance sheet as of 31 March 2010 and the consolidated net financial debt of Finmeccanica as of 31 March 2010, presented in the Finmeccanica standard format that is in accordance with Finmeccanica's management information and derived from the unaudited consolidated financial information as of and for the three months ended 31 March 2010 prepared in accordance with IAS 34, applicable to interim financial reporting;
- (ii) the Consolidated Income Statement for the years ended 31 December 2008 and 2009, the Reclassified Consolidated Balance Sheet as of 31 December 2008 and 2009 and Consolidated Net Financial Debt of Finmeccanica as of 31 December 2008 and 2009, presented in the Finmeccanica standard format that is in accordance with Finmeccanica's management accounts. The financial information is derived from the audited consolidated financial statements as of and for the year ended 31 December 2009 prepared for the Italian legal and statutory purposes in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Commission, and published in the EU regulations as of the date of the approval of the Consolidated Financial Statements by the Board of Directors of Finmeccanica. IFRS should be understood as the International Financial Reporting Standards, the International Accounting Standards, the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") and the interpretations of the Standing Interpretations Committee ("SIC").

The audited Consolidated Financial Statements of Finmeccanica as of and for the years ended 31 December 2009 and 31 December 2008 have been audited by PricewaterhouseCoopers S.p.A., Largo Angelo Fochetti, 29, 00154 Rome. PricewaterhouseCoopers S.p.A. is a member of "Albo Speciale della CONSOB delle Società di Revisione" (*Italian Institute of Auditors*).

*Consolidated Income Statement of Finmeccanica*

	For the three months ended 31 March		For the three months ended 31 March	
	2010	of which with related parties	2009	of which with related parties
	<i>(unaudited)</i>			
	<i>(EUR millions, unless otherwise stated)</i>			
Revenue.....	4,039	272	3,911	227
Purchase and Personnel costs .....	(3,649)	(17)	(3,515)	(17)
Amortisation, depreciation and impairment.....	(156)		(162)	
Other operating income (expenses) .....	(6)	1	(18)	
	<b>228</b>		<b>216</b>	
Finance income (costs).....	(63)	(2)	(39)	(4)
Share of profit (loss) of equity accounted investments .....	2		—	
<b>Profit before taxes and the effect of discounted operations .....</b>	<b>167</b>		<b>177</b>	
Income taxes .....	(76)		(69)	
<b>Net profit .....</b>	<b>91</b>		<b>108</b>	
<i>Equity holders of the Group</i> .....	82		98	
<i>Minority interests</i> .....	9		10	
<b>Earnings per share</b>				
<i>Basic</i> .....	0.141		0.170	
<i>Diluted</i> .....	0.141		0.169	
<b>Earning per share net of discontinued operations</b>				
<i>Basic</i> .....	0.141		0.170	
<i>Diluted</i> .....	0.141		0.169	

*Consolidated Income Statement of Finmeccanica*

For the year ended 31 December

	<b>2009</b>	<b>of which with related parties</b>	<b>2008</b>	<b>of which with related parties</b>
			<i>(EUR million)</i>	
Revenue.....	18,176	1,675	15,037	1,705
Other operating income .....	771	1	702	1
Raw materials and consumables used.....	(6,855)	(18)	(5,343)	(24)
Purchase of services .....	(5,661)	(105)	(4,944)	(121)
Personnel costs .....	(4,607)		(3,928)	
Amortisation, depreciation and impairment.....	(727)		(622)	
Other operating expenses .....	(684)	(2)	(686)	(2)
Changes in inventories of work in progress, semi-finished and finished goods .....	217		281	
(-) Work performed by the Group and capitalised .....	762		713	
	<b>1,392</b>		<b>1,210</b>	
Finance income .....	1,007	6	1,017	2
Finance costs.....	(1,321)	(7)	(1,255)	(26)
Share of profit (loss) of equity accounted investments .....	17		16	
<b>Profit before taxes and the effect of discontinued operations .....</b>	<b>1,095</b>		<b>988</b>	
Income taxes .....	(377)		(367)	
(Loss) Profit from discontinued operations .....	—		—	
<b>Net profit .....</b>	<b>718</b>		<b>621</b>	
Equity holders of the Company.....	654		571	
Minority interests .....	64		50	
<b>Earnings per Share</b>				
Basic.....	1.134		1.294	
Diluted .....	1.133		1.293	
<b>Earnings per share net of discontinued operations</b>				
Basic.....	1.134		1.294	
Diluted .....	1.133		1.293	

*Reclassified Consolidated Balance Sheet of Finmeccanica*

	For the three months ended 31 March 2010	For the year ended 31 December	
	(unaudited)	2009	2008
		(EUR million)	
Non-current assets.....	13,445	12,956	13,113
Non-current liabilities.....	(2,638)	(2,639)	(2,655)
	<b>10,807</b>	<b>10,317</b>	<b>10,458</b>
Inventories .....	4,867	4,662	4,365
Trade receivables .....	9,034	8,481	8,329
Trade payables .....	(12,121)	(12,400)	(12,134)
<b>Working capital</b> .....	<b>1,780</b>	<b>743</b>	<b>560</b>
Provisions for short-term risks and charges.....	(597)	(595)	(632)
Other net current assets (liabilities).....	(843)	(853)	(873)
<b>Net working capital</b> .....	<b>340</b>	<b>(705)</b>	<b>(945)</b>
<b>Net invested capital</b> .....	<b>11,147</b>	<b>9,612</b>	<b>9,513</b>
Group shareholders' equity .....	6,561	6,351	5,974
Minority interests .....	214	198	156
<b>Shareholders' equity</b> .....	<b>6,775</b>	<b>6,549</b>	<b>6,130</b>
<b>Net financial debt</b> .....	<b>4,379</b>	<b>3,070</b>	<b>3,383</b>

*Consolidated Net Financial Debt of Finmeccanica*

	<b>As at 31 March</b>	<b>For the year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(unaudited)</i>		
	<i>(EUR million)</i>		
Short-term borrowings .....	860	913	1,144
Medium/long-term borrowings .....	3,929	4,476	3,995
Cash and cash equivalents .....	(636)	(2,630)	(2,297)
<b>BANK DEBT AND BONDS</b> .....	<b>4,153</b>	<b>2,759</b>	<b>2,842</b>
Securities .....	(11)	(11)	(1)
Financial receivables from Group companies .....	(60)	(34)	(26)
Other financial receivables .....	(707)	(763)	(653)
<b>FINANCIAL RECEIVABLES AND SECURITIES</b> .....	<b>(778)</b>	<b>(808)</b>	<b>(680)</b>
Borrowings to related parties .....	660	679	652
Other short-term borrowings .....	217	312	469
Other medium/long-term borrowings .....	127	128	100
<b>OTHER BORROWINGS</b> .....	<b>1,004</b>	<b>1,119</b>	<b>1,221</b>
<b>NET FINANCIAL DEBT (CASH)</b> .....	<b>4,379</b>	<b>3,070</b>	<b>3,383</b>

**Trend Information**

There has been no material adverse change in the prospects of Finmeccanica since 31 December 2009.

**No significant change in Finmeccanica's financial or trading position**

There has been no significant change in the financial or trading position of Finmeccanica since 31 March 2010.

## TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

### **Luxembourg**

*The following is a general description of certain tax considerations, under the existing laws of Luxembourg as currently applied by the Luxembourg tax authorities of Luxembourg relating to a holding of Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of any other jurisdiction of acquiring, holding, redeeming and disposing of Notes and receiving any amounts under the Notes. This summary is based upon the law as in effect on the date hereof and is subject to any change in law that may take effect after such date, and may be retroactively applicable. Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only.*

#### 1. *Income tax*

A holder of a Note who derives income from such Note or who realises a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on income or capital gains unless:

- such holder is, or is deemed to be, resident in Luxembourg; or
- such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

In those cases:

- if the holder is a natural person resident of Luxembourg, income derived from a Note will bear individual income tax at a progressive rate up to 38 per cent., plus an unemployment fund contribution levied thereon at a rate of 2.5 per cent., unless the law of 23 December 2005 (the “**Law**”) applies. Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent. Capital gains will only be taxable if they occur on a sale of Notes which takes place up to six months after these were acquired. In addition, Luxembourg tax resident individuals, acting in the course of the management of their private wealth, can now opt to self-declare and pay a 10 per cent. tax on interest payments made by certain paying agents (defined in the same way as in the EU Savings Directive described below) not established in Luxembourg, i.e. paying agents located in a Member State other than Luxembourg or in a state which has concluded an international agreement directly related to the EU Savings Directive. In case this option is exercised, such interest does not need to be reported in the annual tax return.
- if the holder is a legal entity, or if the Notes are attributable to a permanent establishment or permanent representative in Luxembourg, subject to corporate income tax, such income or gain will bear corporate income tax and municipal business tax. The combined rate for these two taxes is 28.59 per cent. in the City of Luxembourg.

2. *Withholding tax*

- No Luxembourg withholding tax is imposed on any payments on the Notes, except as described above in respect of the Law or as provided under “*European Union Savings Directive*” below in respect of income paid or attributed to, or collected (in the cases foreseen by articles 4(2) and 11(5) of the Directive) for, a beneficial owner who is an individual resident in another Member State.

3. *Net wealth tax*

Luxembourg net wealth tax will not be levied on a holder of a Note unless:

- (i) such holder is, or is deemed to be, a corporate entity resident in Luxembourg and subject to net wealth tax (the Law has abolished net wealth tax in respect of natural persons from 1 January 2006);

or

- (ii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;

Net wealth tax is levied annually at the rate of 0.5 per cent. on the net wealth of enterprises resident of Luxembourg.

4. *Estate and gift tax*

No Luxembourg inheritance tax is levied on the transfer of Notes upon the death of a holder thereof in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Luxembourg gift tax will be levied in the event that a gift of Notes is made pursuant to a notarial deed signed before a Luxembourg notary or recorded in Luxembourg.

5. *Other taxes*

It is not compulsory that the Notes be filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of Luxembourg) of the Notes, in accordance therewith, except that, in case of use of the Notes, either directly or by way of reference (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (autorité constituée), registration may be ordered which implies the application of a fixed or an *ad valorem* registration duty and calculated on the amounts mentioned in the Notes.

6. *European Union Savings Directive*

By a law of 21 June 2005 (the “**Savings Law**”), Luxembourg has implemented a directive adopted on 3 June 2003 by the Council of Economic and Finance Ministers of the European Union (the “**EU**”) regarding the taxation of savings income (the “**Directive**”). Under the Savings Law, which is in effect as of 1 July 2005, Luxembourg will levy a withholding tax on payments of interest or other similar income paid by a person within its jurisdiction to, or collected (in the cases foreseen by articles 4(2) and 11(5) of the Directive) for, an individual resident in another EU member state unless such individual agrees to an exchange of information regarding the interest or similar income it received between the tax authorities of Luxembourg and the relevant EU member state. The rate of the withholding tax is equal to 20 per cent. as from 1 July 2008 and 35 per cent. as from 1 July 2011.

**Republic of Italy**

*The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to your decision to purchase, own or dispose of the Note, does not purport to deal with the tax consequence applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules and does not deal with the tax consequences of any substitution under Condition 22 “Substitution” of the*

“Terms and Conditions of the Notes” and with the tax treatment of any payments under the Notes following any such substitution.

This summary is based upon tax laws and practice of Italy in effect on the date of this Prospectus, which are subject to change potentially retroactively.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

#### 1. Tax Treatment of Notes – General

Legislative Decree No. 239 of 1 April 1996 as amended and supplemented (“**Legislative Decree No. 239**”), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as “**Interest**”) from notes issued, *inter alia*, by Italian publicly listed companies and non-Italian resident issuers. The provisions of Legislative Decree No. 239 only apply to those Notes issued by Finmeccanica with a maturity of eighteen months or more and to the Notes issued by Finmeccanica and Finmeccanica Finance which qualify as *obbligazioni* or *titoli similari* pursuant to Article 44, paragraph 2(c) of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (“**Presidential Decree No. 917**”).

#### 2. Italian Resident Noteholders

Where the Italian resident Noteholder who is the beneficial owner of Notes (issued by Finmeccanica or by Finmeccanica Finance) with a maturity of eighteen months or more is (i) an individual not engaged in entrepreneurial activity (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 as amended (“**Legislative Decree No. 461**”) – the “**Asset Management Option**”); (ii) a partnership, other than a *società in nome collettivo* or *società in accomandita semplice* or similar non-commercial partnership, (iii) a private or public institution not carrying out commercial activities; and (iv) an investor exempt from Italian corporate income taxation, Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when Interest is paid, or when payment therefor is obtained by the holder on a sale of the relevant Notes). In case of Notes issued by Finmeccanica Finance with an original maturity of less than eighteen months the *imposta sostitutiva* is levied at the rate of 27 per cent. All the above categories are qualified as “net-recipients”.

In case the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

Payments of Interest in respect of Notes (issued by Finmeccanica or by Finmeccanica Finance) with a maturity of eighteen months or more are not subject to 12.5 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of non resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, SICAVs, Italian resident pension funds and Italian resident real estate investment funds; (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option. To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent. *imposta sostitutiva* investors indicated above must (i) be the beneficial owners of payments of Interest on the Notes and (ii) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial intermediary (or permanent establishment in Italy of foreign intermediary).

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitute tax (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes with an original maturity

of eighteen months or more). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian resident collective investment funds and SICAVs are subject to an annual substitute tax at a rate of 12.5 per cent. or, in certain cases, pursuant to Article 9, paragraph 2, of Law No. 77 of 23 March 1983 as amended by Article 12 of Law Decree No. 269 of 30 September 2003, converted into law by Law No. 326 of 24 November 2003 (“**Decree No. 269**”) of 5 per cent. (the “**Collective Investment Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes with an original maturity of eighteen months or more).

Italian resident pension funds are subject to a 11 per cent. annual substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes with an original maturity of eighteen months or more).

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the “status” of the Noteholders, also in the net value of production) of beneficial owners who are Italian resident corporations and permanent establishments in Italy of foreign corporation, subject to general Italian corporate taxation.

Pursuant to Law Decree No. 351 of 25 September 2001, converted with amendments by Law No. 410 of 23 November 2001 (“**Decree No. 351**”), payments of Interest to beneficial owners of Notes who are Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree 24 February 1998, No. 58, and to Article 14-bis of Law 25 January 1994, No. 86, starting from 26 September 2001 or before such date, **provided that** in the latter case the managing company has opted for the application of the regime provided for by Decree No. 351, are not subject to the 12.5 per cent. or 27 per cent. *imposta sostitutiva* provided for by Legislative Decree No. 239.

Moreover, as clarified by Circular No. 47E of the Italian Revenue Agency of 8 August 2003 (“**Circular No. 47/E**”), the 12.5 per cent. or 27 per cent. *imposta sostitutiva* provided for by Legislative Decree 239 in general should not apply with respect to Interest on the Notes derived by all Italian resident real estate investment funds, including any real estate investment funds not subject to the tax treatment provided for by Decree No. 351, always **provided that** the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of foreign intermediary).

However a 1 per cent. property tax has been introduced by Law Decree No. 112 of 25 June 2008 (converted into Law No. 133 of 6 August 2008) which applies, upon certain conditions, on the net value of certain real estate investment funds.

Such categories are qualified as “gross-recipients.”

Pursuant to Legislative Decree No. 239, *imposta sostitutiva* is applied by banks, società di intermediazione mobiliare (“**SIMs**”), fiduciary companies, stock brokers, società di gestione del risparmio (“**SGRs**”) and other entities identified by a Decree of Ministry of Economy and Finance (each an “**Intermediary**”). An Intermediary must (i) be resident in Italy or (ii) a permanent establishment in Italy of an intermediary resident outside Italy and in any case intervene, in any way, in the collection of Interest or in the transfer of the Notes.

For the purposes of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of Intermediary with which the Notes are deposited or in a transfer from a deposit to a different deposit held with the same Intermediary, and with respect to Notes issued by Finmeccanica Finance transfer of Notes also includes withdrawals from deposits with the Intermediaries.

Where the Notes are not deposited directly or indirectly with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any Italian intermediary, including the Issuer in the case of Notes issued by Finmeccanica, paying Interest to a Noteholder.

Where Interest on Notes issued by Finmeccanica Finance or Finmeccanica and beneficially owned by Noteholders qualifying as net recipients, as defined above, are not collected through the

intervention of an Italian resident withholding agent and as such no *imposta sostitutiva* is applied, the Italian resident beneficial owners qualifying as net recipients will be required to declare Interest in their yearly income tax return.

### 3. *Non-Italian Resident Noteholders*

According to Legislative Decree No. 239, as amended by Law Decree No. 350 of 25 September 2001 converted into law by Law No. 409 of 23 November 2001 (“**Decree No. 350**”) and by Article 41 of Decree No. 269, payments of Interest in respect of the Notes issued by Finmeccanica with a maturity of eighteen months or more will not be subject to the *imposta sostitutiva* at the rate of 12.5 per cent. if made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected, **provided that**:

- such beneficial owners are resident, for tax purposes, in a country which recognises the Italian fiscal authorities’ right to an adequate exchange of information; and
- all the requirements and procedures set forth in Legislative Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met or complied with.

Legislative Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes issued by Finmeccanica with a maturity of eighteen months or more made to (i) international bodies and organisations established in accordance with international agreements ratified in Italy; (ii) foreign institutional investors not subject to income tax or to other similar taxes, which are resident in countries which allow for an adequate exchange of information; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

To ensure payment of Interest in respect of the Notes issued by Finmeccanica with a maturity of eighteen months or more without the application of 12.5 per cent. *imposta sostitutiva*, non-Italian resident investors must (i) be the beneficial owners of payments of Interest on the Notes; (ii) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial intermediary; and (iii) timely file with the relevant depository a self-declaration stating, *inter alia*, to be resident, for tax purposes, in a country which recognises the Italian fiscal authorities’ right to an adequate exchange of information. Such self-declaration is valid until withdrawn or revoked and must not be submitted in case that a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository.

Interest payments relating to Notes issued by Finmeccanica Finance and received by non-Italian resident Noteholders are not subject to Italian taxation. Although not required by law, Italian resident intermediaries intervening in the payment of interest or other proceeds on the Notes issued by Finmeccanica Finance or through which the Notes issued by Finmeccanica Finance are sold or with which such Notes are deposited may require non-Italian resident Noteholders to produce a self-declaration confirming their non-Italian resident status and/or a copy of their passports.

### 4. *Early Redemption*

Without prejudice to the above provisions, Notes with an original maturity of eighteen months or more which are made subject to an early redemption within eighteen months from the date of issue are subject to an additional tax at the rate of 20 per cent. in respect of Interest accrued on the Notes up to the date of the early redemption. Such tax is due by Finmeccanica for Notes issued by it and by the Italian resident recipient of Interest for Notes issued by Finmeccanica Finance. In such latter case, the additional 20 per cent. tax is withheld by the Italian withholding agent intervening in the payment of the Interest or in the redemption of the Notes. This provision does not apply if the holder of the Notes issued by Finmeccanica Finance subject to this early redemption is a non-Italian resident.

### 5. *Notes with a maturity of less than eighteen months*

Notes issued by Finmeccanica with an original maturity of less than eighteen months do not fall within the provisions of Legislative Decree No. 239. Such Notes are subject to a withholding tax at the rate of 27 per cent. in respect of interest and premium (if any) pursuant to Article 26, paragraph 1 of Presidential Decree No. 600 of 29 September 1973, as subsequently amended (the “**Presidential**

**Decree No. 600**”), final or provisional depending on the category of the Noteholders or such lower rate pursuant to any applicable double taxation treaty. If Notes having an original maturity of less than eighteen months are issued by Finmeccanica Finance *imposta sostitutiva* at the current rate of 27 per cent., according to Article 2, paragraph 1 ter, of Legislative Decree No. 239, shall apply in respect of Interest received by Italian resident Noteholders qualifying as “net-recipients” as defined in paragraph 2 above in the case the payment is made through an Italian resident qualified intermediary. If the payment is not made through an Italian resident qualified intermediary, such Italian resident Noteholders must declare any interest received on the Notes in the relevant annual income tax return. In case of Notes issued by Finmeccanica Finance with an original maturity of less than eighteen months, the 27 per cent. *imposta sostitutiva* also applies, *inter alia*, to payments of Interest made to Italian resident collective investment funds, SICAVs and Italian resident pension funds. The 27 per cent. *imposta sostitutiva* does not apply in respect of interest paid to a non-Italian resident Noteholder.

#### 6. *Payments made by the Guarantor*

There is no authority and no courts’ precedent directly on point regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments made by the Guarantor under the guarantee in respect of the Notes issued by Finmeccanica Finance, in accordance with one interpretation of Italian fiscal law, any payments may be subject to Italian withholding tax at the rate of 12.5 per cent. levied as a final tax (*a titolo d’imposta*) or a provisional tax (*a titolo di acconto*), depending on the “status” and tax residence of the Noteholder, pursuant to Art. 26, paragraph 5 of Presidential Decree No. 600. In the case of payments to non-Italian residents, the withholding tax should be final and may be applied at the rate of 27 per cent. if, in certain circumstances, payments are made to non-Italian residents who are resident in tax haven countries as defined in Article 110 (previously Article 76) of Presidential Decree No. 917 and in the Ministerial Decree of 23 January 2002 both as amended from time to time. Double taxation treaties entered into by Italy may apply allowing for a lower (or in certain cases, nil) rate applicable of the withholding tax in the case of payments to non-Italian residents. In accordance with another interpretation, any such payment made by the Guarantor will be treated, in certain circumstances, as a payment by the guaranteed Issuer and made subject to the tax treatment described above.

#### 7. *Capital Gains*

Pursuant to Legislative Decree No. 461, a 12.5 per cent. capital gains tax (referred to as *imposta sostitutiva*) will be applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are effectively connected on any sale or transfer of the Notes for consideration or redemption thereof.

Individuals may opt among the tax declaration regime, the Risparmio Amministrato regime and Risparmio Gestito regime.

Under the tax declaration regime the 12.5 per cent. *imposta sostitutiva* on the capital gains will be chargeable, on a cumulative basis, on all capital gains net of any incurred capital losses realised by the Noteholders who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are effectively connected pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are effectively connected together with any income tax due for the relevant tax year. Capital losses that exceed capital gains may be carried forward against capital gains for up to the fourth subsequent fiscal year.

Alternatively to the tax declaration regime, Noteholders, who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are effectively connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes (the Risparmio Amministrato regime). Such separate taxation of capital gains is allowed subject

to (i) the Notes being deposited with Italian qualified intermediaries and (ii) an express election of separate taxation being made in a timely manner in writing by the relevant Noteholder. The separate taxation election lasts for the entire fiscal year and unless revoked prior to the end of such year will be deemed valid also for the subsequent one. The intermediary is responsible for accounting for capital gains tax in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities by the sixteenth day of the following month on behalf of the Noteholders, deducting a corresponding amount from proceeds to be credited to the Noteholders. Where a particular sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains subsequently realised on assets held by the Noteholder within the same relationship of deposit in the same tax year and in the following tax years up to the fourth. Under the Risparmio Amministrato regime the Noteholder remains anonymous and is not required to report capital gains realised in its annual tax return.

Finally, under the Risparmio Gestito regime, capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 12.5 per cent. *imposta sostitutiva* but will contribute to determine the annual accrued appreciation of the portfolio. The annual accrued appreciation of the portfolio, even if not realised, is subject to final substitute tax of 12.5 per cent. required to be applied on behalf of the taxpayer and remitted to the tax administration by the asset management company. Any depreciation of the investment portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth. Under the Risparmio Gestito regime the Noteholders remain anonymous.

The 12.5 per cent. capital gains tax may be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected if the Notes are held in Italy.

However, pursuant to Legislative Decree No. 259 of 21 July 1999 any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected, through the sale, transfer or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market, in Italy or abroad, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double taxation treaty.

In case the Notes are not listed on a regulated market in Italy or abroad, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are (i) resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information; or (ii) international entities or bodies set up in accordance with international agreements which have entered into force in Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; or (iv) institutional investors not subject to income tax in their country of residence which are resident in a country which allows for an adequate exchange of information with the Republic of Italy, or (v) resident in a country which has entered into a double taxation treaty with the Republic of Italy which provides that capital gains realised upon the sale or redemption of the Notes shall be taxed only in the country of residence of the recipient.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations from any disposal of the Notes shall be treated as part of their business income subject to tax in Italy according to the relevant tax provisions.

#### 8. *Transfer Tax*

Article 37 of Law No. 31 of 28 February 2008 abolished the transfer tax previously regulated by Legislative Decree No. 435 of 21 November 1997.

## 9. *Italian inheritance, and gift tax*

Law No. 286 of 24 November 2006 which has converted into law, with amendments, Law Decree No. 262 of 3 October 2006, has reintroduced inheritance and gift tax to be paid on the transfer of assets (such as the Notes) and rights by reason of death or gift.

As regards the inheritance and gift tax to be paid on transfer of bonds and other securities by reason of death or gift, the following rates apply:

- (1) transfers in favour of spouses and direct descendants or ancestors are subject to a tax of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000 for each beneficiary;
- (2) transfers in favour of brothers or sisters are subject to a tax of 6 per cent. on the value of the inheritance or the gift exceeding EUR 100,000 for each beneficiary;
- (3) transfers in favour of relatives up to the fourth degree or relatives-in-law to the third degree, are subject to a tax of 6 per cent. on the entire value of the inheritance or the gift;
- (4) any other transfer is subject to a tax of 8 per cent. on the entire value of the inheritance or the gift.

## **EU Savings Directive**

Under European Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg will, subject to certain exceptions, apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

By a law of 21 June 2005, Luxembourg has implemented the EU Savings Directive. Under this law, which is in effect as of 1 July 2005, Luxembourg will levy a withholding tax on payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in another Member State unless such individual agrees to an exchange of information regarding the interest or similar income it received between the tax authorities of Luxembourg and the relevant Member State. The rate of the withholding tax is equal to 20 per cent. as from 1 July 2008 and 35 per cent. as from 1 July 2011.

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (the “**Decree No. 84**”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 (including the case of interest accrued on

the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian paying agents (i.e. banks, *società di intermediazione mobiliare* (SIMs), fiduciary companies, *società di gestione del risparmio* (SGRs) resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 85/611/EC.

## SUBSCRIPTION AND SALE

Notes governed by English law may be sold from time to time by the relevant Issuer to any one or more of Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Mediobanca-Banca di Credito Finanziario S.p.A., Merrill Lynch International, Mizuho International plc, MPS Capital Services Banca per le Imprese S.p.A., Natixis, Société Générale, UBS Limited and UniCredit Bank AG (the “**Dealers**”). The arrangements under which Notes governed by English law and Notes governed by Italian law may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 20 July 2010 (the “**Dealer Agreement**”) and made between the Issuers, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Article 2412 of the Italian Civil Code provides that any joint stock company may issue notes up to an amount representing double the sum of its paid up share capital, its legal reserves and its distributable reserves as shown in the most recent financial statements approved. Amounts of guarantees issued by a joint stock company in connection with notes issued by other companies, even located outside Italy, must be included in the calculation of such limit. These limits do not apply, *inter alia*, in respect of any notes issued by a company whose shares are listed on a regulated stock market (like Finmeccanica) to the extent that the notes are intended to be listed, either on the same or another regulated stock market.

### **United States of America**

Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the relevant Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the relevant Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)).

*The following selling restrictions relating to The Republic of Italy, and The Republic of France will only be applicable until the Prospectus Directive is implemented in each of these Member States of the European Economic Area and the relevant implementation measures have entered into force.*

### **Republic of Italy**

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation. Each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

## **Republic of France**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and that offers and sales of Notes in France will be made only to providers of investment services relating to portfolio management for the account of third parties and/or to qualified investors (*investisseurs qualifiés*), as defined in Articles L.411-2 and D.411-1 to D.411-3 of the French Code monétaire et financier, but excluding individuals referred to in Article D.411-1 II 2°.

In addition, each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in France may be made as described above.

## **The Netherlands**

Zero Coupon Notes (as defined below) in definitive form of any Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member firm of Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (i) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (ii) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (iii) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (iv) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein “**Zero Coupon Notes**” are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

## **General**

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “*General*” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Prospectus.

## GENERAL INFORMATION

### **Listing and Admission to Trading**

Application has been made for Notes issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system, or which will be admitted to listing, trading and/or quotation on such competent authority, stock exchange and/or quotation system as the relevant Issuer and the relevant Dealer(s) may agree.

### **Authorisations**

The update of the Programme and the issue and performance of the Notes thereunder was authorised by a resolution of the Board of Directors of Finmeccanica Finance passed on 16 July 2010 and a resolution of the Board of Directors of Finmeccanica passed on 29 April 2010.

Each of the Issuers and the Guarantor (as the case may be) will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and, where relevant, the giving of the guarantee in relation to them.

### **Clearing of the Notes**

The Notes governed by English law have been accepted for clearance through Euroclear and Clearstream, Luxembourg. Notes governed by Italian law will be cleared through Monte Titoli. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Use of proceeds**

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuers to meet part of their general financing requirements.

### **Competitive statements**

The basis for any statements in this Prospectus made by the Issuers regarding their competitive positions originate from the Issuers' evaluations of market trends and reflect market views.

### **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, and their affiliates in the ordinary course of business.

### **Documents available for inspection**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected (and in the case of (g), obtainable free of charge) during normal business hours at the registered offices of the Issuers and the Guarantor and the Specified Office of the Fiscal Agent and of the Paying Agent in Luxembourg (and in the case of (h) on Finmeccanica's website at <http://www.finmeccanica.it>), namely:

- (a) the Agency Agreement;
- (b) the Deed of Guarantee;
- (c) the Italian Guarantee(s);
- (d) the Deed of Covenant;

- (e) the Dealer Agreement;
- (f) the Programme Manual (which contains the forms of the Notes in global and definitive form);
- (g) the Prospectus and any supplements thereto and any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system. (In the case of any Notes which are not admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders);
- (h) the by-laws of Finmeccanica – Società per azioni; and
- (i) the articles of association of Finmeccanica Finance.

**Financial statements available**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered offices of the Issuers and the Guarantor, and may be obtained free of charge during normal business hours at the Specified Office of the Fiscal Agent and of the Paying Agent in Luxembourg or (only in the case of the documents under (a) below) on Finmeccanica's website at <http://www.finmeccanica.it>, namely:

- (a) the most recently published reclassified Consolidated Accounts (audited, consolidated annual financial statements and any unaudited consolidated interim financial statements published subsequently to such annual financial statements of Finmeccanica presented in the Finmeccanica standard reclassified format) derived from the Consolidated Accounts (audited annual consolidated financial statements and unaudited interim consolidated financial statements prepared for Italian legal and statutory purposes in accordance with IFRS) beginning with such financial statements for the years ended 31 December 2008 and 31 December 2009 and the Consolidated Quarterly Information beginning with such financial information for the quarter ended 31 March 2010;
- (b) the most recently published audited, unconsolidated annual financial statements of Pre-Merger Finmeccanica Finance, beginning with such financial statements for the years ended 31 December 2008 and 31 December 2009; and
- (c) the most recently published audited, unconsolidated annual financial statements of Aeromeccanica as incorporating company under the Merger, beginning with such financial statements for the years ended 31 December 2008 and 31 December 2009.

Finmeccanica Finance does not prepare consolidated financial statements.

The Issuer does not intend to provide post-issuance information, if not otherwise required by any applicable laws and regulations.

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