

Rome, 20 October 2004

**Finmeccanica and BAE Systems sign a new agreement  
in principle on partnership in defence electronics**

Finmeccanica and BAE Systems have signed an agreement in principle on a new structure for the EuroSystems transaction that will give Finmeccanica full control of several key businesses and provide economic benefits for the Group.

The transaction will now comprise the following:

- The new avionics joint venture, including Galileo Avionica and BAE System's Avionics, will be controlled 75% by Finmeccanica. It will operate in the fields of sensors, airborne radar, mission systems, electro-optics and electronic warfare systems.
- The systems integration business, previously to be majority controlled by BAE Systems will be split into two autonomous units:
  - All the activities of AMS SpA and the British ATC activities including ASI Inc. and Gematronik will be fully owned by Finmeccanica.
  - AMS Ltd and C4ISR Networked Systems and Solutions of BAE Systems will be organized in a single System Integration unit fully controlled by BAE Systems.

As previously announced, BAE Systems' military and secure communications business will be acquired by Finmeccanica.

The result of this transaction is that Finmeccanica will have a full range of products in the defence electronics sector, making the Group the second-largest European company in this industry.

Following the completion of this transaction and the buyout of AgustaWestland, Finmeccanica will have 10,000 U.K. employees and consolidated U.K. sales of about €2.6 billion.