

Rome, 26 May 2004

Finmeccanica: Heads of Agreement signed for acquisition of GKN's 50% stake in AgustaWestland

Finmeccanica today announces that it has signed a Heads of Agreement (HoA) with GKN p.l.c. containing the main terms for the acquisition of the latter's 50% shareholding in AgustaWestland, the world's leading helicopter company, which was established in 2001 as a fifty-fifty joint venture.

Under the terms of the HoA, Finmeccanica would acquire GKN's shareholding in AgustaWestland on the basis of a cash consideration of £1,001,5 million (approximately Euros 1,506 million) subsequent to obtaining all the normal regulatory clearances, as well as approval by GKN shareholders. Finmeccanica will furthermore acquire real estate assets currently owned by GKN and already utilised by the joint venture for a sum of £62 million (approximately Euros 93 million).

The agreed consideration presupposes the award by the UK Ministry of Defence (MoD) of the "Future Lynx" contract to re-equip the British Army and Royal Navy with a fleet of re-manufactured Lynx helicopters. In the event that the contract is not awarded the consideration will be adjusted downward by £35 million (approximately Euros 53 million).

Finmeccanica and GKN expect to achieve completion of the transaction by year end.

Finmeccanica intends to strengthen its industrial positioning by pursuing its growth strategy in the Aerospace & Defence sectors in line with its stated strategic objectives. Finmeccanica will acquire full control of a high quality asset which it already knows very well from both an operational and strategic standpoint. At the same time, Finmeccanica will directly increase its exposure to the US and UK defence budgets.

The operation will be financed with recourse to long term debt, and through the monetisation of a part of Finmeccanica's stake in STMicroelectronics N.V. ("STM", listed on the Milan, Paris and New York Stock Exchanges). Between 50 and 55 million shares will be placed by Finmeccanica, through operations carried out at market conditions, with eligible Italian counterparties, as defined in the current Shareholders Agreement, in order to assure the joint management of the stake in STM by the French and Italian shareholders

Finmeccanica has been assisted by Merrill Lynch as the sole financial advisor on this transaction.