

## Finmeccanica: Shareholders' Meeting Approves the 2004 Financial Statements

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### Resolution Made Concerning Stock Splitdown

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The Finmeccanica SpA shareholders' meeting, held today in Rome, approved the company's financial statements for FY 2004 and also viewed the consolidated financial statements.

The financial statements showed positive results with a sizeable increase compared to those recorded in the previous financial year, thus guaranteeing suitable levels of return on investments as well as the capacity to create a good return for shareholders. This growth has allowed us to increase the dividend by 30% compared to 2003.

The meeting was in favour of the group's consolidation strategy for the Aerospace and Defence Sector. Appreciation was also shown for the satisfying levels of industrial profitability and the healthy assets and financial management which led to a significant rise in investments, including those in research and development (EUR 1,477 million, amounting to 16% of the value of production) which once again for 2004 confirm Finmeccanica as one of the main investors in high technology in the Aerospace, Defence and Security Sectors.

#### **Main Balance Sheet Figures**

2004 closed with a net consolidated profit of EUR 548 million, compared to the 199 million of 2003. A figure which, if we are to exclude the STM (EUR 69 million) and Avio (-9 million) pro-quota results, equals EUR 488 million and has therefore more than tripled compared to the 160 million of 2003. The increase of EUR 328 million is due in part (51 million) to a definite improvement in operations management, confirmed by the growth in earnings before interest and tax (EBIT) – which rose to EUR 518 million compared to the 467 million of 2003 – and in part due to the repercussions of the equity investments.

The value of production recorded a significant increase (+8.6%), reaching 9,387 million, compared to the 8,646 million of 2003. The net return on investment (ROI) went up to 23.1% compared to the 20.2% of 2003; the return on equity (ROE) went up to 15.6% compared to the 6.0% of 2003. Also showing a clear improvement were the earnings before interest, taxes, depreciation and amortisation (EBITDA), totalling EUR 878 million compared to the 790 million of 2003, with a consequent increase in the percentage return which rose to 9.3% compared to the 9.1% of 2003 as well as earnings before interest, taxes and amortisation (EBITA), totalling EUR 614 million compared to 549 million in 2003, with a ratio between EBITA and the value of production of 6.5% compared to 6.4% in 2003.

The orders acquired in 2004 were EUR 1,666 million higher than those of 2003 (EUR 10,802 million compared to 9,136 million) with more than 50% of the total referring to the defence market, a percentage substantially in line with the previous financial year. The orders portfolio at the end of 2004 grew by EUR 3,601 million, coming in at EUR 25,877 million, compared to the 22,276 million of 2003, ensuring the group cover equivalent to around two and a half years of production. The net financial debt, as at 31st December 2004 amounted to EUR 371 million compared to the 256 million at the end of 2003. The value for 2004 – equal to 10% of the consolidated shareholders' equity – is below the sector average and within the limits laid down by careful and prudent financial management.

### **Dividend for Shareholders**

In light of the 2004 results, the shareholders' meeting approved the payment of a dividend of 1.3 cents per share (+30% compared to the dividend paid last financial year). The dividend will be paid on 23rd June 2005 (date for detachment of coupons: 20th June).

### **Stock Splitdown**

The meeting also approved the splitdown of the company's stock with the ratio of one ordinary share with the nominal value of EUR 4.40 to every twenty ordinary shares with a present nominal value of EUR 0.22. It was decided to split down the number of Finmeccanica shares in order to simplify the administrative management of the stock and to favour exchanges on the Stock Exchange, making the unit value of the single share more legible. The split down operations will start in the period between 15th and 25th July 2005.

### **Amendments to Article 8 of the Articles of Association**

The meeting also approved the amendment of art. 8 of the company's Articles of Association in order to include the right introduced for listed companies by the corporate law reform to resolve increases in share capital excluding the pre-emptive right within the limits of 10%. In relation to the need to be able to make free increases in capital in favour of employees pursuant to art. 2349 of the Civil Code, also due to the incentives plans to adopt in the future, the meeting also resolved to make a further amendment to art. 8 of the company's Articles of Association in order to include this.

### **Incentives Plan**

Approval was also given to the renewal of the authorisation to acquire own shares pursuant to art. 2357 of the Italian Civil Code to assign to a three-year incentive plan (2005-2007) for the group's key resources. The new plan, which will be instituted by the Board of Directors after the meeting's resolution, includes the free attribution of shares upon the fulfilment of performance goals that will be established by the board when the plan is instituted.

### **Update on the IAS/IFRS Change-over Project**

As requested by CONSOB communication no. DME/5015175 of 10th March 2005, we provide an update of what was already published by the Board of Directors upon approval of the 2004 budget.

Finmeccanica is pursuing the following change-over strategy:

- publication of the Finmeccanica group's consolidated financial statements laid out on the basis of the new IAS/IFRS principles is due to begin as of the 2005 semi-annual report;
- the Finmeccanica S.p.A. disclosed financial statements will be prepared in accordance with the current Italian accounting principles for FY 2005, and the new international accounting principles will be adopted as of 1st January 2006;
- the principles of reference for showing the financial instruments (IAS32 "Financial instruments: presentation in the financial statements and additional information" and IAS39 "Financial instruments: recognition and measurement"), approved definitively by the European Union in the month of December 2004 in a shorter version compared to the original, will be applied in this version by the Gruppo Finmeccanica group as of 1st January 2005, analysing the effects on the initial shareholders' equity reserves until that date.

In order for the process to adopt the new international accounting principles to develop in the correct manner, in the month of November 2003 Finmeccanica started a complex project for the change-over to the IAS/IFRS principles which involved both the parent company and the controlled companies, the first stage of which is the task of defining the new accounting principles to use for the consolidated financial statements and the parent and controlled companies' disclosed financial statements. Instead, the second stage of the project is concentrated on implementing the management and administrative processes and the computer systems needed to adopt the new principles, both on a consolidated level and for the effects on the single disclosed financial statements. This last activity, in line with the adoption strategy outlined

before, is still underway and includes the successive developments in the project to adopt the new IAS/IFRS principles.

The activity to prepare the consolidated financial statements as at 31st December 2004, drawn up again on the basis of the new IAS/IFRS principles, which will be subject to auditing by PricewaterhouseCoopers S.p.A., the group's current auditing company, is still underway. The results of this re-writing, together with the comparative situation relating to the 2004 semi-annual report, drawn up again in accordance with the IAS/IFRS standards, will be made public in line with the adoption strategy outlined before.

The analysis carried out so far lead us to believe that in the current state of affairs there are not any particular updates to point out with respect to what was already communicated by the Board of Directors upon approval of the 2004 draft budget and the quarterly situation as at 31st March 2005.