Board of Director's report on the second item on the agenda of the extraordinary part of the meeting

Capital increase pursuant to article 2441, 4th paragraph, 2nd sentence, Italian Civil Code; related resolutions

Shareholders,

the Group's recent strategy to reposition itself in the aerospace, defence and security sectors has involved significant equity investments. The considerable resulting outflows have been prudently financed mainly by disinvestment operations, and with cash flows from operations and bond issues. The low level of financial indebtedness that has resulted, together with a positive outline for profit and cash flow generation, have allowed the Group to maintain its "investment grade" rating from the major credit rating agencies (Moody's, Standard & Poor's and Fitch)(1).
This rating has helped to strengthen Finmeccanica's credibility as a reliable partner for its financial and institutional counterparties, clients and suppliers.
Also for this reason, Finmeccanica's shareholders have recently benefited from a market revaluation of Finmeccanica stock, partly due to expectations of continued earnings and profit growth.

The question we now face is whether to adopt a similar prudent approach towards the financing of investments in tangible and intangible assets of the company and its subsidiaries. In the perspective of a strategic growth of the core business, such investments are deemed as essential in order to achieve the planned expansion of the Group, to be implemented by investing both internally and externally through the acquisition of shareholdings in other companies.

More specifically, the financial commitments arising from these investments must be compatible with maintaining the Group's financial strength and solid asset base. Accordingly, in addition to the aforementioned disinvestment operations, it is considered appropriate for the company to adopt measures involving forms of finance, over a short period of time, that do not increase its financial indebtedness. In this respect, we might look at issuing debt instruments, which the credit rating agencies – based on their subordinate characteristics, repayment method and coupon payment – view as equity instruments rather than debt instruments, or at issuing new company shares (through a capital increase partly aimed at servicing convertible or *cum warrant* bond issues that might be organised in the same way as the aforementioned equity instruments).

(1) BBB credit rating from Standard & Poor's and Fitch and A3 from Moody's, in this case partly due to Finmeccanica's special status as a Government-Related Issuer, without which the current Moody's rating would be Baa2. Said rating was obtained following financial analyses carried out by the rating agencies that, by including adjustments to the Group's financial indebtedness to take account of some of the equity items that analysts treat as financial indebtedness, such as pension funds, operating leases and some current liabilities (such as the employee severance indemnity fund), significantly reduce the company's ability to assume major financial debts without seeing its own credit rating downgraded.

In this respect, we consider it to be in the company's interests to authorise a paid capital increase pursuant to Article 2441, paragraph 4, 2nd sentence of the Italian Civil Code. This increase would exclude option right and would therefore be exclusively addressed to Italian and foreign institutional investors, subject to a maximum of 10% of the company's share capital and achieved, in whole or in part, if necessary in several tranches, by offering new shares or shares issued to service convertible or *cum warrant* bond issues, offered to the market of the international institutional investors and to be completed by 30 June 2009.

The capital increase submitted for approval is for a maximum nominal amount of €185,638,002, based on the issue of a maximum of 42,190,455 shares with a par value of €4.40 each, bearing ordinary dividends, and in any case for a maximum amount that allows our shareholder, the Italian Ministry of the Economy and Finance, to maintain its stake of no less than the minimum 30% of the share capital, as required by the Prime Ministerial Decree of 28 September 1999.

From a technical point of view, these offers to the market of the international institutional investors will take place: 1. subject to verification of demand for the securities to be placed as part of the offer; 2. using placing banks appointed following a special selection process that takes account of the fees charged, and 3. in accordance with standard practice for offers on the institutional investor market, aimed at minimising the offer period and maximising the issue price, and in any case subject to a maximum discount of 10% compared with the weighted average official price of Finmeccanica stock on the Italian stock market (*Mercato Telematico di Borsa Italiana Spa)* in the 30 trading days preceding the offer date in case of a capital increase, or subject to a premium of at least 15% compared with this average in case of issue of shares deriving from convertible or *cum warrant* bond issues.

The decision to exclude option right is based on the fact that under conditions of high demand for securities, the offer may be completed in a short amount of time and at a higher offer price than an offer on a pre-emptive basis, and with a minimum impact on current share price. Furthermore, it is estimated that the expansion of the shareholder base to include new institutional investors might increase the volumes traded and therefore the liquidity of the stock.

Finally, it is considered that the commitment to acquire stock issued by the placing banks will be decided around the time of the issue itself. In fact, under conditions of high demand for securities, the absence of early subscription could result in a higher offer price. Considering the offer procedure, no underwriting associations are planned.

Therefore, we recommend that you adopt the following resolution:

"The Extraordinary General Meeting of the shareholders of Finmeccanica – Società per azioni:

- having read the Board of Director's Report;
- acknowledging the declaration of the Board of Statutory Auditors with reference to Article 2438 of the Italian Civil Code, whereby the share capital of €1,869,854,448 represented by 424,966,920 ordinary shares with a par value of €4.40 each is fully paid-up;

- acknowledging Article 8.2 of the Articles of Association;
- acknowledging the provisions referred to in Article 2441, paragraph 4, 2nd sentence of the Italian Civil Code

resolves

to authorise a divisible capital increase in return for payment exclusively addressed to Italian and foreign institutional investors and for a nominal maximum amount of €185,638,002, subject to a maximum of 10% of the existing share capital of the company, by issuing a maximum of 42,190,455 shares with a par value of €4.40 each, bearing ordinary dividends, excluding option right pursuant to Article 2441, paragraph 4, 2nd sentence of the Italian Civil Code, to take place by and no later than 30 June 2009 and to be implemented according to the following procedures:

1. offered in whole or in part for subscription at an issue price aligned with the market value of the shares at the time of the offer, to be confirmed by a special report of the appointed Independent Auditors, on the sole condition that the issue price is more than 90% of the weighted average official price of Finmeccanica stock on the Italian stock market in the 30 trading days preceding the offer date; and/or in whole or in part

2. to service convertible or *cum warrant* bond issues issued by and no later than 30 June 2009, the main terms and conditions of which will be defined by the Board of Directors of the company, with the right to exercise the conversion option, or the purchase right attached to the *warrant*, at a share issue price of no less than the market value of the shares at the time of the offer, to be confirmed by a special report of the appointed Independent Auditors, on the sole condition that the issue price of the shares to be issued deriving from the convertible or cum warrant bond issues is more than 15% of the weighted average official price of Finmeccanica stock on the Italian stock market in the 30 trading days preceding the offer date;

3. to be executed, in accordance with the procedures described in the preceding paragraphs 1 and 2, in the event of the need to make the financial commitments arising from the investments of the company and its subsidiaries compatible with maintaining the Group’s financial strength and strong asset base. A combination of the various issue procedures described in paragraphs 1 and 2 above shall also take account of this criterion. Furthermore, with reference to the capital increase operation described in paragraph 1, pursuant to Article 2439, paragraph 2 of the Italian Civil Code, if this is not fully subscribed by the deadline of 30 June 2009, the share capital will be increased by the amount arising from such subscriptions as have been made by said date;

4. to grant the Board of Directors and in the Chairman of the Board of Directors and Chief Executive Officer, acting on its behalf, with broad powers in order to implement the resolution with a view to ensuring the satisfactory outcome of the operation, such powers including by way of an example, but not limited to:
   - the power to decide, subject to verification of the market opportunities and the maintenance by the Italian Ministry of the Economy and

Finance of a shareholding of no less than 30% of the share capital, as provided by the Prime Ministerial Decree of 28.9.1999, which procedures will be adopted for said divisible capital increase, by offering shares for subscription or to service convertible or *cum warrant* bond issues, according to the criterion laid down in the preceding paragraph 3; and in accordance with standard practice in similar operations and based on, *inter alia*, the indications given by Italian and foreign institutional investors and the quantity and quality of the demand, to decide the timeframe for the authorised increase, which in any case must be completed by the deadline of 30 June 2009, the definitive share issue price – including the share premium – based on the aforementioned criteria, and the definitive value of the issue premium, in the event of the issue of shares deriving from convertible or *cum warrant* bond issues;

- the power to prepare and present any document required for the purposes of implementing the authorised increase;
- the power to make any amendment and/or addition to the resolutions of the meeting that might be necessary and/or opportune, at the request of any competent authority, provided that such amendments and/or additions do not substantially modify the content of the resolutions;

5. to amend Article 5.1 of the Articles of Association of the company, as resulting from the resolutions referred to in the preceding paragraphs, adding the following to said Article: “The General Meeting of … authorised a divisible capital increase, in return for payment, exclusively addressed to Italian and foreign institutional investors, for a nominal maximum amount of €185,638,002, subject to a maximum of 10% of the existing share capital of the company, by issuing a maximum of 42,190,455 shares with a par value of €4.40 each, bearing ordinary dividends, excluding option right pursuant to Article 2441, paragraph 4, 2nd sentence of the Italian Civil Code, to take place by and no later than 30 June 2009 and to be implemented according to the following procedures: 1. offered in whole or in part for subscription at an issue price aligned with the market value of the shares at the time of the offer, to be confirmed by a special report of the appointed Independent Auditors, on the sole condition that the issue price is more than 90% of the weighted average official price of Finmeccanica stock on the Italian stock market in the 30 trading days preceding the offer date; and/or in whole or in part 2. to service convertible or *cum warrant* bond issues issued by and no later than 30 June 2009, the principal terms and conditions of which will be defined by the Board of Directors of the company, with the right to exercise the conversion option, or the purchase right attached to the *warrant*, at a share issue price of no less than the market value of the shares at the time of the offer, to be confirmed by a special report of the appointed Independent Auditors, on the sole condition that the issue price of the shares to be issued deriving from the convertible or *cum warrant* bond issues is more than 15% of the weighted average official price of Finmeccanica stock on the Italian stock market in the 30 trading days preceding the offer date.
The aforesaid General Meeting resolved that, pursuant to Article 2439, paragraph 2 of the Italian Civil Code, if the capital increase authorised according to the procedures described in paragraph 1 above should not be fully subscribed by 30 June 2009, the share capital will be increased by the amount deriving from such subscriptions as have been made by said date.

The General Meeting has also granted the Board of Directors with broad powers in order to implement the resolution with a view to ensuring the satisfactory outcome of the operation, hereby instructing the Chairman and Chief Executive Officer to complete the formalities required by law and to make any amendments/additions to resolutions of the General Meeting as might be required by the competent authorities, and any other amendments required during registration, and in general whatever may be necessary to implement fully the resolutions themselves, with any and all powers necessary and expedient for this purpose, without exclusions or exceptions."

For the Board of Directors
The Chairman and Chief Executive Officer
(Pier Francesco Guarguaglini)