

OFFERING CIRCULAR

# FINMECCANICA

**FINMECCANICA S.p.A.**

*(incorporated with limited liability in Italy)*

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

**FINMECCANICA FINANCE S.A.**

*(incorporated under the laws of Luxembourg)*

**as Issuer**

**EURO 1,100,000,000  
Euro Medium Term Note Programme**

Application has been made to list notes (“Notes”) issued under the Euro Medium Note Programme (the “Programme”) described in this Offering Circular during the period of twelve months after the date hereof on the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.

Notes issued under this Programme may only be sold to professional investors (or their equivalent in the relevant jurisdiction). For further information, see “Subscription and Sale”.

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**Arrangers**

**LEHMAN BROTHERS**

**MERRILL LYNCH INTERNATIONAL**

**Dealers**

Barclays Capital

BNP PARIBAS

Caboto

Citigroup

Commerzbank Securities

Crédit Agricole Indosuez

Credit Suisse First Boston

Deutsche Bank

HSBC

Lehman Brothers

MCC

Mediobanca S.p.A.

Merrill Lynch International

Mizuho International plc

Natexis Banques Populaires

SG Corporate & Investment Banking

UBM – UniCredit Banca Mobiliare S.p.A.

UBS Investment Bank

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9 December 2003

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## IMPORTANT NOTICES

Each of Finmeccanica Finance S.A. (“Finmeccanica Finance”) and Finmeccanica S.p.A. (“Finmeccanica”) (each an “Issuer” and together the “Issuers”) and Finmeccanica S.p.A. as guarantor in respect of Notes issued by Finmeccanica Finance (in such capacity, the “Guarantor”) accepts responsibility for the information contained in this document and to the best of the knowledge and belief of each of them (which have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement (as defined herein).

Each of the Issuers and the Guarantor has confirmed to the Dealers named under “Subscription and Sale” below that this Offering Circular (including for this purpose, each relevant Pricing Supplement) 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 Offering Circular 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 Offering Circular 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.

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 Offering Circular. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular 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 Offering Circular 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 Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement 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 Offering Circular or any Pricing Supplement 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. In addition, the Issuers have not authorised any offer of Notes having a maturity of one year or more to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the “Regulations”). Notes may not lawfully be

offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

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 Offering Circular nor any Pricing Supplement 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 Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement 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 (a) Notes outstanding and guaranteed at any one time under the Programme and (b) any indebtedness of the Issuers represented by any bond, note, debenture, certificate or other instrument (other than Notes) issued pursuant to the authority of board resolutions of Finmeccanica Finance and of the Guarantor dated 1 December 2003 and 12 November 2003 respectively (“Other Debt”) under the Programme will not exceed EUR1,100,000,000 (and for this purpose, any Notes or Other Debt denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes or Other Debt (calculated in accordance with the provisions of the Dealer Agreement)). 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 Offering Circular, unless otherwise specified, references to “EUR”, “€” or “euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

*Certain figures included in this Offering Circular 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.*

**In connection with the issue of any Tranche of Notes under the Programme, the Dealer (if any) which is specified in the relevant Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any person acting for the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (1) the most recently published audited unconsolidated annual financial statements and any unconsolidated unaudited interim semi-annual financial statements published subsequently to such annual financial statements, of Finmeccanica Finance from time to time;
- (2) the most recently published audited, consolidated annual financial statements and any unaudited\* consolidated interim financial information of Finmeccanica published subsequently to such annual financial statements from time to time, prepared for Italian legal and statutory purposes in accordance with Italian accounting regulations, as interpreted by, and integrated with, the accounting principles established by the Italian accounting profession (“Italian accounting principles”) (the “Consolidated Accounts” with respect to the 31 December and 30 June financial statements and the “Consolidated Quarterly Information” with respect to the 31 March and 30 September financial information) also presented in any reclassified format derived from them as may be published by Finmeccanica from time to time (the “Reclassified Consolidated Accounts”);
- (3) the most recently published audited, consolidated annual financial statements of Finmeccanica presented in a format which is consistent with international practice derived from the above-mentioned Consolidated Accounts (the “International Consolidated Accounts”); and
- (4) all amendments and supplements to this Offering Circular prepared by the Issuers and the Guarantor from time to time,

save that any statement contained in this Offering Circular or in any of the documents incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Issuers will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Offering Circular (or any document incorporated by reference in this Offering Circular). 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.

\* The financial statements for the six month period ended 30 June represented by the interim consolidated balance sheet and interim consolidated income statement and related notes, are reviewed in accordance with auditing standards governing the review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of 31 July 1997.

## SUPPLEMENTARY OFFERING CIRCULAR

The Issuers and the Guarantor have undertaken, in connection with the listing of the Notes on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuers or the Guarantor or any change in the information set out under “Terms and Conditions of the Notes”, that is material in the context of issuance under the Programme, the Issuers will prepare or procure the preparation of an amendment or supplement to this Offering Circular or, as the case may be, publish a new Offering Circular, for use in connection with any subsequent issue by the relevant Issuer of Notes to be listed on the Luxembourg Stock Exchange.

## SUMMARY OF THE PROGRAMME

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

|                           |  |
|---------------------------|--|
| Issuers:                  | Finmeccanica S.p.A.<br>Finmeccanica Finance S.A.   |
| Guarantor:                | Finmeccanica S.p.A. (in respect of Notes issued by Finmeccanica Finance)   |
| Arrangers:                | Lehman Brothers International (Europe)<br>Merrill Lynch International  |
| Dealers:                  | Barclays Bank PLC, BNP Paribas, Caboto SIM S.p.A., Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Indosuez, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, HSBC Bank plc, Lehman Brothers International (Europe), MCC S.p.A. – Capitalia Gruppo Bancario, Mediobanca-Banca di Credito Finanziario S.p.A., Merrill Lynch International, Mizuho International plc, Natexis Banques Populaires, Société Générale, UniCredit Banca Mobiliare S.p.A., UBS Limited 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:             | HSBC Bank plc in respect of Notes governed by English law  |
| Luxembourg Listing Agent: | Dexia Banque Internationale à Luxembourg, société anonyme  |
| Listing:                  | Each Series may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and the relevant Dealer and specified in the relevant Pricing Supplement or may be unlisted.   |
| 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 Pricing Supplement.  |
| Initial Programme Amount: | Up to EUR1,100,000,000 (or its equivalent in other currencies) aggregate principal amount of (a) Notes outstanding and guaranteed at any one time and (b) Other Debt.  |
| 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.  |

Pricing Supplements: Each Tranche will be the subject of a Pricing Supplement which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Pricing Supplement.

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 Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement 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.

Form 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 Decree No. 213 of 24 June 1998 and CONSOB Regulation No. 11768 of 23 December 1998 as amended by CONSOB Resolution No. 12497 of 20 April 2000, CONSOB Resolution No. 13085 of 18 April 2001, CONSOB Resolution No. 13659 of 10 July 2002, CONSOB Resolution No. 13858 of 4 December 2002, CONSOB Resolution No. 14003 of 27 March 2003 and CONSOB Resolution No. 14146 of 25 June 2003. 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 EUR1,100,000,000.

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.

Issues of Notes with a maturity of more than one year denominated in Swiss Francs or carrying a Swiss Franc-related element (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8 November 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2 December 1996. Under these regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the “Swiss Dealer”), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the date of issue of the relevant Notes.

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| 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 Pricing Supplement.  |
| Maturities:              | Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.   |
| Redemption:              | <p>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 Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.</p> <p>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.</p> |
| 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 Pricing Supplement.  |

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| Tax Redemption:                      | Except as described in “Optional Redemption” above, early redemption will only be permitted for tax reasons as described in Condition 10 ( <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.  |
| Denominations:                       | Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.   |
| 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. |
| Redenomination:                      | In respect of any Tranche of Notes, if the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Notes may be redenominated in euro in accordance with Condition 22 ( <i>Redenomination, Renominalisation and Reconventioning</i> ) if so specified in the relevant Pricing Supplement.   |
| Governing Law:                       | English law or Italian law, as specified in the relevant Pricing Supplement.   |
| 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 9 December 2002, 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, Luxembourg, the Republic of Italy, Japan, Switzerland, The Netherlands, Germany and France, see “Subscription and Sale” below. Notes will not be offered to investors in The Netherlands except in compliance with the Act on the Supervision of Credit Institutions 1992 ( <i>Wet toezicht Kredietwezen 1992</i> ), as amended.                                      |

## 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 Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “Global Note”) will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) and/or any other relevant clearing system.

The relevant Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement 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 Pricing Supplement), 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement), 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 Pricing Supplement 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 Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement 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 Pricing Supplement), 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.

#### **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 Pricing Supplement 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 Decree No. 213 of 24 June 1998 and CONSOB Regulation No. 11768 of 23 December 1998 as amended by CONSOB Resolution No. 12497 of 20 April 2000, CONSOB Resolution No. 13085 of 18 April 2001, CONSOB Resolution No. 13659 of 10 July 2002, CONSOB Resolution No. 13858 of 4 December 2002, CONSOB Resolution No. 14003 of 27 March 2003 and CONSOB Resolution No. 14146 of 25 June 2003. 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, amended and/or replaced by the relevant Pricing Supplement, 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 S.p.A. (“Finmeccanica”) and Finmeccanica Finance S.A. (“Finmeccanica Finance”) have established a Euro Medium Term Note Programme (the “Programme”) for the issuance of up to EUR1,100,000,000 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) Pricing Supplement:*

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 pricing supplement (the “Pricing Supplement”) which supplements these terms and conditions (the “Conditions”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement 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 9 December 2002 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuers, the Guarantor, HSBC Bank plc 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 9 December 2002 (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 Pricing Supplement. Copies of the relevant Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement;

“Business Centre(s)” means the city or cities specified as such in the relevant Pricing Supplement;

“Financial Centre(s)” means the city or cities specified as such in the relevant Pricing Supplement;

“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 Pricing Supplement and, if so specified in the relevant Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement;

“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 Pricing Supplement and:

- (i) if “Actual/Actual (ISMA)” 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) if “Actual/365” or “Actual/Actual (ISDA)” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “Actual/365 (Fixed)” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “30E/360” or “Eurobond Basis” is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

“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 Pricing Supplement;

“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 Pricing Supplement;

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

“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 Pricing Supplement;

“Fixed Coupon Amount” has the meaning given in the relevant Pricing Supplement;

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

- (i) any obligation to purchase such indebtedness;
- (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;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

“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 Pricing Supplement;

“Interest Determination Date” has the meaning given in the relevant Pricing Supplement;

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

- (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 Pricing Supplement 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 2000 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 Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” has the meaning given in the relevant Pricing Supplement;

“Maximum Redemption Amount” has the meaning given in the relevant Pricing Supplement;

“Margin” has the meaning given in the relevant Pricing Supplement;

“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 Pricing Supplement;

“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 depository banks appointed by Euroclear and Clearstream, Luxembourg;

“Minimum Redemption Amount” has the meaning given in the relevant Pricing Supplement;

“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 Pricing Supplement;

“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 Pricing Supplement;

“Optional Redemption Date (Call)” has the meaning given in the relevant Pricing Supplement;

“Optional Redemption Date (Put)” has the meaning given in the relevant Pricing Supplement;

“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 Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

“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 Pricing Supplement;

“Reference Banks” has the meaning given in the relevant Pricing Supplement 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 Pricing Supplement;

“Reference Rate” has the meaning given in the relevant Pricing Supplement;

“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 Pricing Supplement;

“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 and Moneyline Telerate Service) specified as the Relevant Screen Page in the relevant Pricing Supplement, 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 Pricing Supplement;

“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 Pricing Supplement;

“Specified Denomination(s)” has the meaning given in the relevant Pricing Supplement;

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

“Specified Period” has the meaning given in the relevant Pricing Supplement;

“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 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 Pricing Supplement.

(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 Pricing Supplement 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 Pricing Supplement 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*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement 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 Pricing Supplement, 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 Decree No. 213 of 24 June 1998 and CONSOB Regulation No. 11768 of 23 December 1998 as amended by CONSOB Resolution No. 12497 of 20 April 2000, CONSOB Resolution No. 13085 of 18 April 2001, CONSOB Resolution No. 13659 of 10 July 2002, CONSOB Resolution No. 13858 of 4 December 2002, CONSOB Resolution No. 14003 of 27 March 2003 and CONSOB Resolution No. 14146 of 25 June 2003. 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 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.

## **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 Pricing Supplement 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:*

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

*(d) Calculation of interest amount:*

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; 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 Pricing Supplement.

(e) *Index-Linked Interest:*

If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement 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 Pricing Supplement.

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

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, 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 for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction.

(h) *Calculation of other amounts:*

If the relevant Pricing Supplement 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 Pricing Supplement.

(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 listing 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement.

## 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, 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 listing 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 Pricing Supplement, 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 Pricing Supplement 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 moneys 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 option of Noteholders*) above.

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

Unless otherwise specified in the relevant Pricing Supplement, 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 Pricing Supplement 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) (*Purchase*) 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 Pricing Supplement 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 Pricing Supplement 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 further 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 its 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 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 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; or
- (ix) in connection with Notes (governed by Italian law only) having a maturity of less than 18 months.

“*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 Euro 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 listing 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 listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing 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 Pricing Supplement. 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) if European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is brought into force, the Issuer and the Guarantor 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 the EU Savings Directive; and
- (c) if a Calculation Agent is specified in the relevant Pricing Supplement, 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 listing 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 listing 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 board of 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 the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) 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 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 Pricing Supplement), (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. Redenomination, Renominalisation and Reconventioning

(a) *Application:*

This Condition 22 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.

(b) *Notice of redenomination:*

If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "Redenomination Date"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

(c) *Redenomination:*

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Fiscal Agent then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and, where applicable, Couponholders, each listing 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 Paying Agents of such deemed amendments;
- (ii) if Notes have been issued in definitive form:
  - (A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "Euro Exchange Date") on which the Issuer gives notice (the "Euro Exchange Notice") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (*provided that* such Notes and Coupons are available) and no payments will be made in respect thereof;
  - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 22) shall remain in full force and effect; and
  - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Union.

(d) *Interest:*

Following redenomination of the Notes pursuant to this Condition 22, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

(e) *Interest Determination Date:*

If the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable and Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

### **23. 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 23(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 23, 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 23(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*).

## **24. Governing Law and Jurisdiction**

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

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

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 (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 200 Aldersgate Street, London EC1A 4JJ 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) Switzerland; or (iii) the relevant jurisdiction of incorporation of any Issuer or the Guarantor from time to time, not 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 Pricing Supplement 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 Pricing Supplement.

## 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 9 December 2002

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### BY

- (1) **FINMECCANICA S.p.A.** (the “Guarantor”)

### IN FAVOUR OF

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

### WHEREAS

- (A) Finmeccanica S.p.A. 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 9 December 2002 (the “Dealer Agreement”) and an amended and restated issue and paying agency agreement dated 9 December 2002 (the “Agency Agreement”) and the Issuers have executed a deed of covenant dated 9 December 2002 (the “Deed of Covenant”) and (2) for the issuance of notes governed by Italian law.
- (B) Notes may be issued on a listed or unlisted basis. The Issuers have made an application to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange.
- (C) In connection with such applications, the Issuers and the Guarantor have prepared an offering circular dated 9 December 2002 (the “Offering Circular”, which expression includes any further offering circular prepared in connection with the admission to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system by which any Notes may from time to time be admitted to listing, trading and/or quotation together with any information incorporated therein by reference).
- (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.

**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 Offering Circular, 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 Offering Circular, 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, 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 Offering Circular shall be construed as a reference to the Offering Circular as supplemented and/or amended by the relevant Pricing Supplement.

#### 1.5 *Statutes*

Any reference in this Deed of 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.

#### 1.6 *Headings*

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of 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 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 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 to, or any variation, 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; 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; or

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 two years 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 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. 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 is governed by, and shall be construed in accordance with, 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 (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 200 Aldersgate Street, London EC1A 4JJ 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 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 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) Switzerland; or (iii) 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 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 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 in London  
by **FINMECCANICA S.p.A.**  
acting by

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## FORM OF ITALIAN GUARANTEE

The following is an English translation of the form of 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. Investors should be aware that if there is any discrepancy between the Italian and English language versions of this form of Italian Guarantee, the Italian version shall take priority.

### THE ITALIAN LAW GUARANTEE

**THIS ITALIAN LAW GUARANTEE** is made on [ ]

\_\_\_\_\_

**BY**

- (1) **FINMECCANICA S.p.A.** (the “Guarantor”)

**IN FAVOUR OF**

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

**WHEREAS**

- (A) Finmeccanica S.p.A. and Finmeccanica Finance S.A. (“Finance”) (each an “Issuer” and together the “Issuers”) and the Guarantor established a Euro Medium Term Note Programme (the “EMTN Programme”) for the issuance of notes for a maximum amount of Euro 1,000,000,000 on 6 December 2001.
- (B) The Issuers and the Guarantor resolved, on 22 October 2002 and 14 November 2002 respectively, to update the EMTN Programme, by, among other things, increasing its amount up to Euro 1,100,000,000 (the “EMTN Programme Amount”) and increasing the relevant guarantee granted by the Guarantor.
- (C) Finance and the Guarantor have prepared a *Prospetto Informativo* relating to the issue of Euro [ ] Notes to be offered in Italy to the public and governed by Italian law (the “Italian Law Notes”) to be published according to Article 8 of the Regulation issued by CONSOB by Resolution. No. 11971 of 14 May 1999 as further amended the amount of which falls within the EMTN Programme Amount (the “Prospetto Informativo”). The Prospetto Informativo contains the terms and conditions of the Italian Law Notes (the “Terms and Conditions of the Italian Notes”).
- (D) The Guarantor, under this guarantee governed by Italian law (“Italian Law Guarantee”), shall guarantee the obligations of Finance under the Italian Law Notes to be issued by 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 Prospetto Informativo 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 Prospetto Informativo, the Offering Circular 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 Prospetto Informativo shall be construed as a reference to the Prospetto Informativo 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 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 Finance in respect of such Italian Law Note, any and every sum or sums which Finance is at any time liable to pay in respect of such Italian Law Note and which 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 Euro [ ] 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 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 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 Finance in respect of the Italian Law Notes have been paid, and all other actual or contingent obligations of 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 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 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 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 Finance or any other person on 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 Finance in respect of any Italian Law Note or 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 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 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.

#### 4.6 *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 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 admitted to listing on the Luxembourg Stock Exchange) until the date which is two years after all the obligations of 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 HSBC Bank plc, acting through its office at Mariner House, Pepys Street, London EC3N 4DA, which will act as Fiscal Agent in respect of this Clause, in the situation where the Italian Law Notes have to be admitted to listing on 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 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 is governed by, and shall be construed in accordance with, 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 Investors, for which the Tribunal of Rome will be the exclusive venue.

**10. Language of the Guarantee and prevailing version**

This Italian Law Guarantee has been executed in Italian and translated into English, and in the case of conflict between the two versions, the Italian text of this Italian Law Guarantee shall prevail.

EXECUTED in Rome  
by FINMECCANICA S.p.A.  
acting by

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## FORM OF PRICING SUPPLEMENT

The Pricing Supplement 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 Pricing Supplement but denotes directions for completing the Pricing Supplement.

Pricing Supplement dated [ ]

**FINMECCANICA S.p.A./FINMECCANICA FINANCE S.A.**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Guaranteed in respect of Notes issued by Finmeccanica Finance S.A. by  
FINMECCANICA S.p.A.  
under the EUR1,100,000,000  
Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 9 December 2003. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular 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 Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplemental Offering Circular dated ●], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.

[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 directions for completing the Pricing Supplement.]

1. [(i)] Issuer: Finmeccanica S.p.A. / Finmeccanica Finance S.A.  
[(ii)] Guarantor: Finmeccanica S.p.A.]
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:  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]
5. [(i)] Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]  
[(ii)] Net proceeds: [ ] (Required only for listed issues)]

6. Specified Denominations: [ ]  
[ ]
- [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).]
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: [[ ] % Fixed Rate]  
[[specify reference rate] +/- [ ] % Floating 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
14. Listing: [Luxembourg/other (specify)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

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

16. 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 Note of [ ] Specified Denomination and per Note of [ ] Specified Denomination]
- (iv) Broken Amount(s): [*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 (ISMA)/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.*)
- 17. 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 Day 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, Telerate page 3750 for LIBOR / 248 for EURIBOR*]
  - 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*]
  - Relevant Time: [*For example, 11.00 a.m. London time/Brussels 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: [ ]
- 18. 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)]
- 19. Index-Linked Interest Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [ ]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]
- (iv) Specified Period(s): [ ]
- (v) Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/ other (give details)]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]
- 20. 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: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

- 21. 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) of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period:<sup>1</sup> [ ]
- 22. 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) of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) Notice period: [ ]
- 23. Final Redemption Amount of each Note:** [ ] per Note of [ ] Specified Denomination
- 24. Early Redemption Amount**
- Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default 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**

- 25. 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]
- 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 16(ii), 17(iii) and 19 (vi) 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*]

<sup>1</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.

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. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 22 (*Redenomination, Renominatisation and Reconventioning*)] [annexed to this Pricing Supplement] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition 18 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
32. Other terms or special conditions: [Not Applicable/give details]

#### DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(ii) Stabilising Manager (if any): [Not Applicable/give name]
34. If non-syndicated, name of Dealer: [Not Applicable/give name]
35. TEFRA: [Not Applicable/The [C/D] Rules are applicable]
36. Selling restrictions:  
(i) Netherlands Selling Restrictions<sup>1</sup>: [*High denomination Notes: selling restrictions I (A) (i) applies*] [*Professional Investors only: selling restriction I (A) (ii) applies*]  
(ii) Additional Selling Restrictions: [Not Applicable: give details (*specify for Italian Law Notes*)]

#### OPERATIONAL INFORMATION

37. ISIN Code: [ ]
38. Common Code: [ ]
39. Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
40. Delivery: Delivery [against/free of] payment
41. Additional Paying Agent(s) (if any): [ ]

#### GOVERNING LAW OF THE NOTES

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

#### [FURTHER INFORMATION IN RESPECT OF FINMECCANICA S.p.A.]

Further information in respect of Finmeccanica S.p.A. is provided pursuant to Article [2413/2414] [2413 if drawdown occurs before the coming into force of Legislative Decree No. 6 of 17 January 2003 (expected on 1 January 2004), 2414 if it occurs after its coming into force] of the Italian Civil Code, in the Schedule (*Further information in respect of Finmeccanica S.p.A.*) hereto.<sup>2</sup>

**[LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the EUR1,100,000,000 Euro Medium Term Note Programme of Finmeccanica S.p.A. and Finmeccanica Finance S.A.]

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

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

[Signed on behalf of the Guarantor:

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

- 1 Select for each issue of Notes which may be offered in The Netherlands.
- 2 Select where Finmeccanica S.p.A. is the Issuer.

## SCHEDULE<sup>1</sup>

### FURTHER INFORMATION IN RESPECT OF FINMECCANICA S.p.A.

#### The Issuer

1. Name: Finmeccanica S.p.A.
2. Objects: The objects of the Finmeccanica S.p.A., 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] [insert reserves if drawdown occurs after the coming into force of Legislative Decree No. 6 of 17 January 2003 (expected on 1 January 2004)] as at the date hereof: Euro [ ], consisting of [ ]. [Reserves: [insert if drawdown occurs after coming into force of Legislative Decree No. 6 of 17 January 2003 (expected on 1 January 2004)]]
6. Date of resolutions authorising the issue of the Notes: Resolutions passed at meetings of the shareholders on [ ] and of the Board of Directors on [ ], the latter filed at the Companies' Registry of [ ] on [ ].

<sup>1</sup> Include and complete for each Pricing Supplement where Finmeccannica S.p.A. 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 for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary.

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, 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 Pricing Supplement), 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 9 December 2002 (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 Pricing Supplement), 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 at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant 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 relevant Issuer shall procure that the same is noted in a schedule thereto.

*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 relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions.

*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 depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, 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.

*Redenomination:* If the Notes are redenominated pursuant to Condition 22 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the relevant Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Fiscal Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

### **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 and CONSOB Regulation No. 11768 of 23 December 1998 as amended by CONSOB Resolution No. 12497 of 20 April 2000, CONSOB Resolution No. 13085 of 18 April 2001, CONSOB Resolution No. 13659 of 10 July 2002, CONSOB Resolution No. 13858 of 4 December 2002, CONSOB Resolution No. 14003 of 27 March 2003 and CONSOB Resolution No. 14146 of 25 June 2003. No physical document of title will be issued in respect of the Notes.

## FINMECCANICA FINANCE S.A.

### Introduction

Finmeccanica Finance, formerly “Asterisque S.A.”, was incorporated as a *société anonyme* under Luxembourg law on 2 October 1991 for an unlimited duration and its articles of incorporation were published in the *Mémorial C, Recueil des Sociétés et Associations* in 1992 at page 5.483. Its registered office is at 31 Boulevard du Prince Henri, L-1724 Luxembourg and its registered number is B 38.184. The objects of Finmeccanica Finance are to hold shareholdings in other companies and to raise finance to be on-lent within and outside of the Finmeccanica Group. These are set out in Article 3 of the bylaws of Finmeccanica Finance.

In late 2002, Finmeccanica Finance acquired Meccanica Finanziaria International S.A. (“Meccanica”), a Finmeccanica Group company, by means of a merger by incorporation pursuant to Luxembourg law (the “Merger”). Meccanica was a wholly owned subsidiary of Finmeccanica incorporated under Luxembourg law providing funding for the general corporate purposes of Finmeccanica and its operating subsidiaries and participating in trade financing for the benefit of Finmeccanica Group companies. Under the terms of the Merger, Meccanica transferred to Finmeccanica Finance all of its assets and liabilities and the shareholders of Meccanica received in exchange 28,934 ordinary shares of Finmeccanica Finance. The proposal documents relating to the Merger were published in the *Mémorial C, Recueil des Sociétés et Associations* on 23 September 2002 and the Merger was completed on 12 November 2002 and the minutes of the extraordinary general meeting approving the merger were published in the *Mémorial C, Recueil des Sociétés et Associations* on 13 January 2003.

### Ownership and Capital Structure

Finmeccanica Finance is, partly directly and partly indirectly, a substantially wholly-owned subsidiary of Finmeccanica (see “The Finmeccanica Group” for further details of Finmeccanica and its subsidiaries). Finmeccanica Finance’s issued share capital is EUR57,247,700 consisting of 36,934 ordinary shares of EUR1,550 each, all of which are fully paid up. As at 31 December 2002, Finmeccanica Finance had three wholly-owned subsidiaries: Mecfint (Jersey) Ltd (currently dormant), Mecfin Nederland B.V. (dissolved during the first quarter of 2003) and Mecfin International S.A. (newly created at the end of 2002 and currently dormant).

### Recent Developments

By resolution of the Board of Directors held on 24 July 2003 and as per the Subscription Agreement dated 29 July 2003, Finmeccanica Finance issued EUR438,725,000 0.375% guaranteed exchangeable notes due 2010, increased up to EUR501,400,000 pursuant to exercise of the over-allotment option, unconditionally and irrevocably guaranteed by Finmeccanica S.p.A. and exchangeable for common shares of STMicroelectronics N.V.. Following to this transaction, Finmeccanica Finance has entered into the following agreements:

- an Escrow Account with ST Microelectronics Holding II B.V. for the purpose of putting in trust with the Trustee up to 20 million ordinary shares of ST Microelectronics N.V., as required in connection with the potential exchange of the notes against such shares;
- a Call Option Agreement with ST Microelectronics Holding II B.V., granting to Finmeccanica Finance the right to purchase from the latter, at the then prevailing market price, such number of shares given in trust pursuant to the Escrow Agreement, as may be required to satisfy the exchange requests of the noteholders.

Finmeccanica Finance benefits from a guarantee from Finmeccanica S.p.A. that any gain or loss resulting from the exchange of shares will not affect Finmeccanica Finance. The only financial and accounting impact of the exchangeable notes will be the interest margin, which is fixed over the period of the notes (0.0625%).

In parallel, Finmeccanica Finance has lent the proceeds of this notes issue to Finmeccanica S.p.A. in the form of a loan agreement.

## Capitalisation of Finmeccanica Finance S.A.

The following table sets out the unconsolidated capitalisation and indebtedness of Finmeccanica Finance as at 31 December 2002 and 30 September 2003, in both cases subsequent to the merger with Meccanica Finanziaria International. Save as set out below, there has been no material change in the unconsolidated capitalisation or indebtedness of Finmeccanica Finance since 30 September 2003.

|   | <b>30 September<br/>2003<br/>(unaudited)</b> | <b>As at<br/>31 December<br/>2002</b> |
|---|--|---------------------------------------|
|   | <i>(EUR thousands)</i>                       |                                       |
| Provision for risk and charges.....               | 6,073  | 7,851                                 |
| Other payables.....                               | 27,543                                       | 16,284                                |
| <b>Short-term liabilities<sup>(1)</sup>.....</b>  | <b>630,163</b>                               | <b>476,526</b>                        |
| <b>Long-term liabilities<sup>(2)</sup>.....</b>   | <b>803,059</b>                               | <b>325,138</b>                        |
| Stockholders' equity                              |  |                                       |
| Share capital.....                                | 57,248                                       | 57,248 <sup>(3)</sup>                 |
| Legal Reserve.....                                | 894  | 849                                   |
| Merger Premium.....                               | 15,277                                       | 15,277 <sup>(3)</sup>                 |
| Retained earnings.....                            | 2,253  | 2,400                                 |
| Profit for the year/period.....                   | 3,645  | 898                                   |
| Total stockholders' equity.....                   | <u>79,317</u>                                | <u>76,672</u>                         |
| <b>Total capitalisation and indebtedness.....</b> | <b><u>1,546,155</u></b>                      | <b><u>902,471</u></b>                 |

1 Short-term liabilities include bank overdraft, other debt, amounts owed to affiliated companies and debt securities with a residual maturity of less than one year.

2 Long-term liabilities include debt securities with a residual maturity of more than one year.

3 The merger premium includes the difference between the adjusted net assets of Meccanica as at 30 June 2002 and the share capital increase resulting from the share exchange ratio, increased by the net profit of Meccanica for the period 1 January 2002 to 12 November 2002.

## Management of Finmeccanica Finance

The Board of Directors, which is responsible for managing the affairs of Finmeccanica Finance and is elected by general meeting of the shareholders.

The following table sets out details of the Directors of Finmeccanica Finance:

| <b>Name</b>         | <b>Position</b>         |
|---------------------|-------------------------|
| Paolo Santoponte    | Chairman                |
| Luigi Calabria      | Vice Chairman           |
| Umberto D'Agostino  | Chief Operating Officer |
| Andrew Simms        | Director                |
| Lino Berti          | Director                |
| Alessandro Caldera  | Director                |
| Claudio De Giovanni | Director                |

## FINMECCANICA FINANCE S.A.

### SUMMARY FINANCIAL INFORMATION

The following tables set out in summary form certain balance sheet and income statement information relating to Finmeccanica Finance. This information has been derived from the unaudited unconsolidated interim financial statements of Finmeccanica Finance as at and for the nine months ended 30 September 2003, and from the audited unconsolidated financial statements of Finmeccanica Finance as at and for the years ended 31 December 2002 and 31 December 2001. Those unconsolidated financial statements of Finmeccanica Finance have been prepared in accordance with Luxembourg legal and regulatory requirements and under Luxembourg accounting principles and, together with the reports of Finmeccanica Finance's auditors and the accompanying notes, are incorporated by reference into this Offering Circular. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

#### BALANCE SHEET

|  | As at<br>30 September<br>2003<br>(unaudited) | As at<br>31 December<br>2002<br>(audited) | As at<br>31 December<br>2001<br>(audited)<br>(pre merger) |
|--|--|---|---|
|  | (EUR)  | (EUR)                                     | (EUR)   |
| Formation expenses.....                      | 9,965  | 13,553                                    | —   |
| Tangible assets.....                         | 5  | 5   | —   |
| Financial assets.....                        | 841,607,035                                  | 326,008,852                               | 451,742,460   |
| <i>Current assets</i>                        |  |   |   |
| Loans to other companies.....                | 16,483,650                                   | 20,569,468                                | —   |
| Loans to affiliated companies.....           | 513,668,914                                  | 384,593,556                               | 24,790,378  |
| Other loans.....                             | 4,523,799                                    | 294,264                                   | 8,825   |
| Other securities.....                        | 37,755,419                                   | 37,755,419                                | —   |
| Cash at bank.....                            | 110,008,296                                  | 106,094,591                               | 55,079  |
| <i>Other receivables</i> .....               | 22,097,702                                   | 27,140,910                                | 6,236,296   |
| <b>Total Assets</b> .....                    | <b>1,546,154,785</b>                         | <b>902,470,618</b>                        | <b>482,833,038</b>  |
| <i>Shareholders' equity</i>                  |  |   |   |
| Share capital.....                           | 57,247,700                                   | 57,247,700                                | 12,195,921  |
| Merger premium.....                          | 15,276,564                                   | 15,276,564                                | —   |
| Legal reserve.....                           | 894,167                                      | 849,228                                   | 794,121   |
| Retained earnings.....                       | 2,253,438                                    | 2,399,601                                 | 2,471,345   |
| Profit for the year/period.....              | 3,644,837                                    | 898,776                                   | 1,102,136   |
| Total stockholders' equity.....              | 79,316,706                                   | 76,671,869                                | 16,563,523  |
| <i>Provision for risks and charges</i> ..... | 6,073,035                                    | 7,851,100                                 | —   |
| <i>Debt</i>                                  |  |   |   |
| Debt securities.....                         | 825,573,658                                  | 325,138,145                               | 451,742,460   |
| Bank overdrafts.....                         | 241  | 168                                       | 62  |
| Amount owed to affiliated companies.....     | 607,538,681                                  | 476,382,218                               | 8,398,324   |
| Other debt.....                              | 109,049                                      | 143,536                                   | 22,770  |
| <i>Other payables</i> .....                  | 27,543,415                                   | 16,283,582                                | 6,105,899   |
| <b>Total Liabilities</b> .....               | <b>1,546,154,785</b>                         | <b>902,470,618</b>                        | <b>482,833,038</b>  |

# FINMECCANICA FINANCE S.A.

## INCOME STATEMENT

|   | Nine months<br>ended<br>30 September<br>2003<br>(unaudited) | Year ended<br>31 December<br>2002<br>(audited) | Year ended<br>31 December<br>2001<br>(audited)<br>(pre merger) |
|---|---|--|--|
|   | (EUR)   | (EUR)  | (EUR)  |
| <b>CHARGES</b>  |   |  |  |
| Personnel.....  | 24,878  | 15,144   | —  |
| Value adjustments in respect of formation expenses.....                                 | 3,588   | 797  | 439  |
| Value adjustments in respect of loans to group companies<br>held as current assets..... | 1,778,065   | —  | —  |
| Other charges.....  | 1,921,032   | 622,468  | 134,055  |
| Value adjustments in respect of shares in affiliated<br>undertakings.....               | —   | 25,751   | —  |
| Interests and similar charges .....   | 37,258,712  | 7,980,207                                      | 19,792,601   |
| Provision for risks and charges .....   | —   | 1,000,000                                      | —  |
| Other taxes.....  | 286,136   | 80,020   | —  |
| Profit for the year/period.....   | 3,644,837   | 898,776  | 1,102,136  |
| Total charges .....   | <u>44,917,248</u>   | <u>10,623,163</u>                              | <u>21,029,231</u>  |
| <b>INCOME</b>   |   |  |  |
| Other income .....  | 535,747   | 111,916  | 14,352   |
| Income from fixed assets .....  | 5,011,847   | 5,429,904                                      | 19,685,381   |
| Income from current assets .....  | 36,726,293  | 5,055,592                                      | 1,329,498  |
| Income from the writing back of the provision for risks<br>and charges.....             | 1,778,065   | 25,751   | —  |
| Extraordinary income.....   | 865,296   | —  | —  |
| Total income.....   | <u>44,917,248</u>   | <u>10,623,163</u>                              | <u>21,029,231</u>  |

## THE FINMECCANICA GROUP BUSINESS

### Overview

The Finmeccanica Group (Finmeccanica S.p.A, together with its subsidiaries) is Italy's largest aerospace and defence company. The Finmeccanica Group's activities include designing and manufacturing helicopters, aircraft, satellites, missile systems, high technology radar control systems and the provision of related services. The Finmeccanica Group is also involved in the energy, IT services and transportation sectors (the latter including signalling systems, rolling stock and systems).

Finmeccanica was incorporated on 20 June 1897 with registration number 00401990585 under the name Società Immobiliare e Finanziaria per Azioni. The objects of Finmeccanica are to carry out (directly or indirectly and through the participation in companies and enterprises) manufacturing, systems design, systems construction, research and training activities in advanced technology sectors, in particular the electronic, information technology, aerospace, transportation, energy, electro-mechanical and mechanical sectors and supply of services related to such activities. Its objects are also the technical and financial coordination of its subsidiaries and the supply to them of management and financial services. These are set out in Article 4 of Finmeccanica's bylaws.

Finmeccanica currently indirectly owns approximately 17.6% of the share capital of STMicroelectronics, one of the leading global semiconductor manufacturers. STMicroelectronics' other principal shareholders, Areva and France Telecom are ultimately related to the French Government.

In 2002, Finmeccanica's consolidated revenues and net income before minority interests totalled EUR7.811 million and EUR203 million, respectively. As at 31 December 2002, Finmeccanica had an order backlog amounting to EUR21,708 million. Finmeccanica's ordinary shares are listed on the Italian Mercato Telematico Azionario ("Telematico") and are included in the MIB 30 stock index. Finmeccanica's total market capitalisation as at 30 October 2003 was EUR5.1 billion.

As of the date of this Offering Circular, approximately 32.30% of Finmeccanica's share capital is owned by the Italian Ministry of Economy and Finance and the remaining approximately 67.70% is publicly held. To Finmeccanica's knowledge, based on information available to it, including any information given pursuant to Article 120 of the *Testo Unico dell'Intermediazione Finanziaria* (Consolidated Financial Act), no other shareholder owns more than 2% of Finmeccanica's share capital.

### Organisation and Structure

Finmeccanica's operations are currently divided into several main business segments, grouped as follows:

- (i) Aeronautics; space; helicopters; defence electronics; and defence systems: these segments represent the core activities of the Finmeccanica Group in the aerospace and defence industry, where Finmeccanica is among the leading European players;
- (ii) Transportation; and energy and IT services and other: these segments represent diversified industrial and service activities.

Other assets and companies in liquidation are grouped under the sub-segment "other operations". This sub-segment includes companies in the process of being restructured or seeking alliances with third parties, companies no longer deemed as strategic to the Finmeccanica Group and companies that provide support services to the Finmeccanica Group's operating units, such as real estate and financial management.

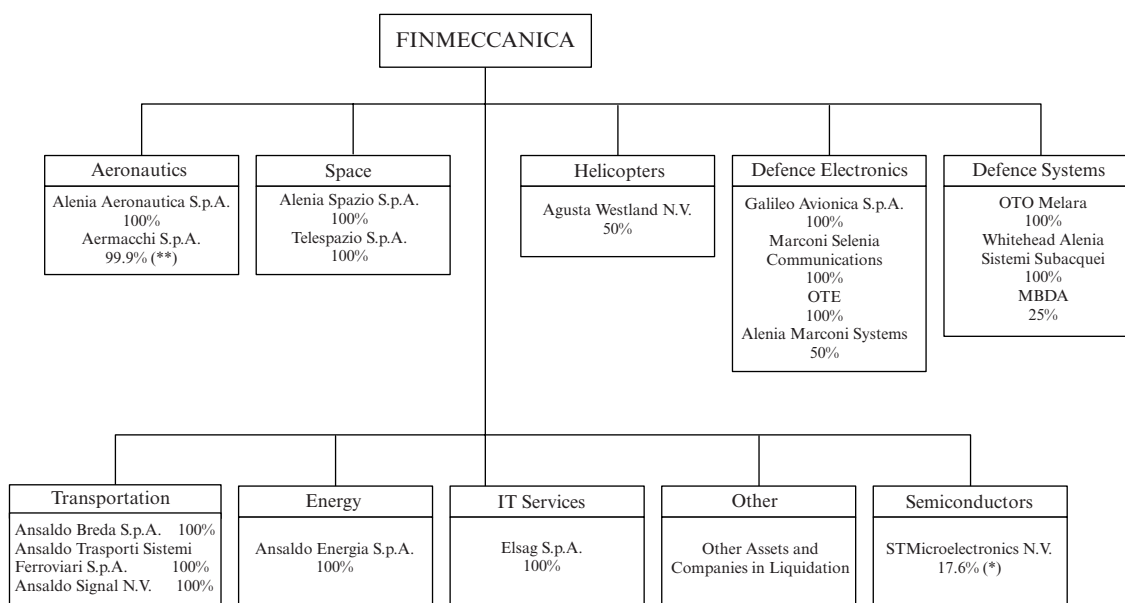
The indirect shareholding in STMicroelectronics is accounted for under the equity method and contributes to the net profit of the Finmeccanica Group accordingly.

The operational structure of the Finmeccanica Group consists of:

- an industrial holding company (Finmeccanica), which manages strategic planning and oversight of Finmeccanica Group companies and international joint ventures already existing or to be developed. The only operational activity carried out directly by Finmeccanica is in connection with the International Naval Division's activity whose management is expected to be granted to Orizzonte S.p.A., a joint venture with Fincantieri S.p.A.;
- operating companies (*società per azioni*) responsible for the management of the key segments of the Finmeccanica Group's business;
- involvement in the semiconductor industry through the indirect shareholding in of STMicroelectronics; and
- other non-core activities.

The Finmeccanica Group's current corporate structure is the product of a comprehensive restructuring process, which was implemented through the transfer to separate companies of the businesses formerly carried out through divisions of Finmeccanica. This process allowed the segregation of non-strategic and non-core businesses to facilitate their divestment.

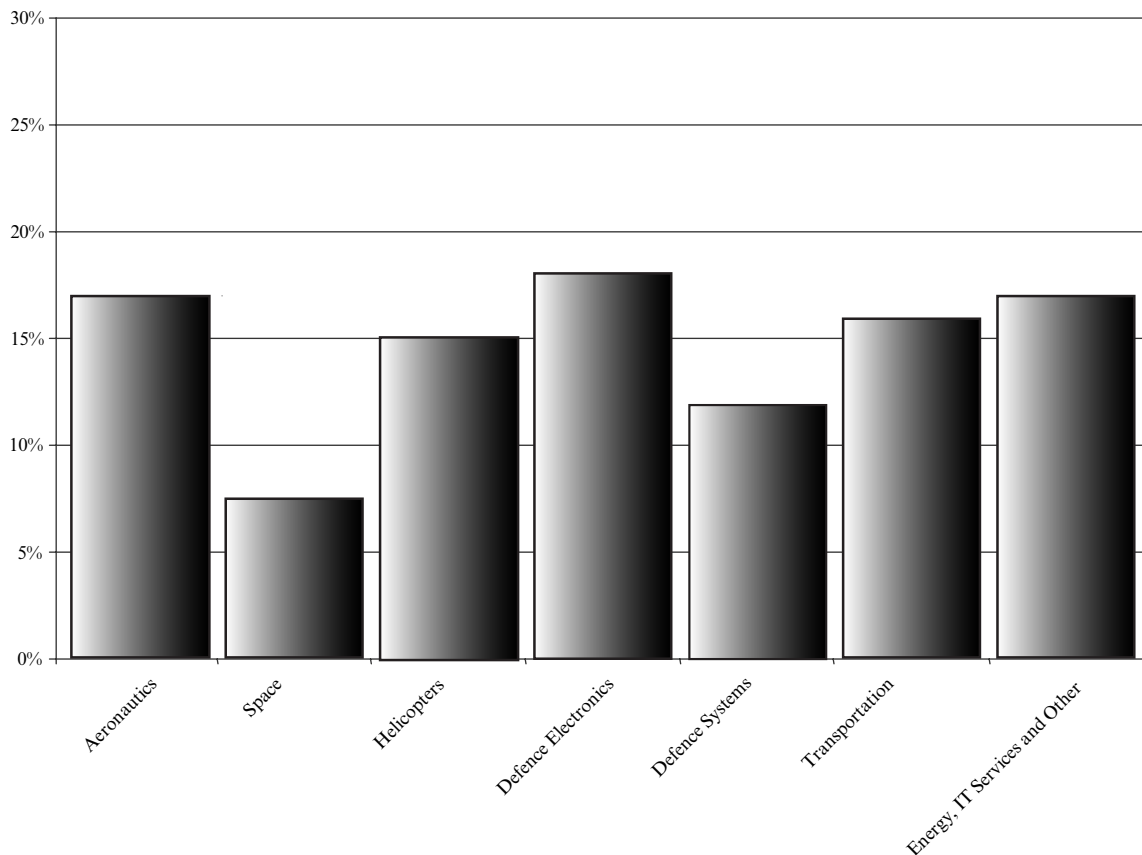
The following chart illustrates the organisational structure of the Group's principal operating segments and other activities, including its percentage ownership in certain subsidiaries.



(\*) Indirect Shareholding

(\*\*) Direct and Indirect Shareholding

The following chart shows the net revenues of the Finmeccanica Group's business segments, as a percentage of the total consolidated value of production for 2002 (excluding non-core businesses disposed of and reclassifications):



### Strategy

As Italy's largest aerospace and defence company, the Finmeccanica Group has developed numerous areas of expertise in which it ranks among the world leaders.

Finmeccanica is committed to the goal of creating shareholder value by leveraging its critical mass in industrial applications and its technological excellence in numerous complementary sectors.

Finmeccanica is completing the transition from a financial holding into a strategic and industrial group to:

- Establish a strong and distinctly recognisable industrial identity.
- Provide strategic and industrial direction, maximising the synergies within the business portfolio.
- Pursue centrally the coordination of strategic initiatives, technology, marketing and product policy.

To achieve this goal, Finmeccanica has recently reviewed its activities, its competitive position and market conditions, and intends to retain its focus on aerospace and defence, while committing itself to increasing the value of its other activities. Finmeccanica intends to grow a focused aerospace & defence portfolio, leveraging available financial resources and deconsolidating non core business to:

- Achieve the critical mass required to sustain R&D investment and guarantee satisfactory returns on invested capital.
- Leverage its technologically advanced assets.
- Serve effectively the defence and security needs of its customers.

- Play a key role in future European and international programmes.
- Compete selectively on the world market.
- Achieve a domestic presence in the US market.

In the aerospace and defence sector, where it is a leading European player renowned for its technological expertise, Finmeccanica intends to pursue a strategy of selective growth designed to add value in the businesses in which it excels and in which it demonstrates strong leadership potential. This growth strategy will be based on the multi-business and diversified technologies and competencies of the Finmeccanica aerospace & defense portfolio, through which Finmeccanica aims:

- To reinforce leadership as a platform and subsystems “prime” or “first tier supplier” (helicopters, military trainers, aerostructures, torpedoes).
- To strengthen role as major player in defence electronics (avionics, communications, sensors, system architecture), providing integrated systems solutions to end user and acting as preferred supplier to system of system primes.
- To protect and develop strategic assets and technologies in the other Finmeccanica Group businesses (space systems, military aircraft, missiles, vehicles and guns).
- To access faster growing US and UK markets while maintaining its role of supplier of preference in the Italian market and a strong presence in major European projects.

In businesses where it does not have the critical mass necessary to compete globally, Finmeccanica intends to form strategic partnerships with other operators.

- In the aeronautics business, Finmeccanica intends to actively pursue external growth opportunities in the civilian sector, in order to further strengthen Alenia Aeronautica’s market position and productive capacities; and to seek further alliances in the military sector, aimed at increasing the value of its assets through access to new programmes and technologies.
- In its space activities, where it is a recognised leader following its acquisition of Telespazio and its participation in a series of programmes in which Italy has a key role, Finmeccanica is actively seeking a new partner in order to safeguard its expertise and productive capacity.
- In helicopters, where AgustaWestland is one of the world’s largest players due to its innovative and technologically advanced product range, Finmeccanica intends to consolidate its competitive position on both sides of the Atlantic.
- In defence electronics, where it believes the market still offers significant growth potential, Finmeccanica intends to extend its strategy of joint ventures to all areas of the sector and is currently holding talks with other key operators aimed at leveraging its position as the Italian national operator.
- In defence systems, where it has already well positioned its stake in MBDA, WASS and OTO Melara as well as the *Orizzonte* programme, Finmeccanica plans to further leverage complementarities with its defence electronics in order to benefit from the shift of military strategy towards network-based defence systems.

In its activities outside the aerospace and defence sectors, Finmeccanica intends to continue to reposition and restructure its industrial capabilities while actively considering strategic opportunities in certain areas designed to enhance shareholder value.

- In transportation, where its businesses possess considerable technological expertise, Finmeccanica intends to capitalise on the expected recovery in the Italian market through agreements with other operators aimed at increasing investment.

- In energy, Finmeccanica is considering strategic opportunities while continuing to reposition and restructure its industrial and business capacity. In IT services, where it has historically been focused primarily on traditional applications, Finmeccanica plans to refocus its business in order to increase profitability. Specifically, Finmeccanica aims to leverage synergies with its aerospace and defence businesses and is currently evaluating strategic steps designed to increase its portfolio of defence and security services in the IT services segment.

### **History of the Finmeccanica Group**

Finmeccanica was created in 1948 as a holding company for the Italian government's automotive, mechanical, electromechanical and shipyard industrial activities. In 1992, Finmeccanica was merged into Società Immobiliare e Finanziaria per Azioni, or SIFA, a company created in 1897 and listed on Mercato Telematico Azionario, the automated screen-based trading system of Borsa Italiana S.p.A. Thereafter, SIFA changed its name to Finmeccanica Società per Azioni.

Over time, Finmeccanica has transformed itself from a diversified conglomerate into an industrial holding company focused on specific sectors with a high technology content. For over 30 years, Finmeccanica operated as the development arm of IRI (Istituto per la Ricostruzione Industriale S.p.A., now in liquidation) in the mechanical industry. In 1959 IRI divested its business in the shipbuilding industry, by transferring it to Finmeccanica. Following the divestiture in 1986 of its automobile operations Alfa Romeo S.p.A. and VM Motori S.p.A., in 1989 Finmeccanica began coordinating IRI's activities in the high technology manufacturing industry. In 1993, Finmeccanica acquired the defence companies of the EFIM Group, which served to consolidate its leading position in the Italian defence industry.

In the early and mid 1990s, the industries in which certain of Finmeccanica's segments operated (particularly aeronautics, defence and energy) underwent significant restructuring and industry consolidation. During that period, Finmeccanica experienced margin erosion and accumulated substantial debt. This debt increase was also attributable to investments aimed at diversifying its portfolio of assets, particularly in the process automation business through the creation of Eltag Bailey Process Automation N.V. ("EBPA").

Following a strategic review of its activities in 1997, Finmeccanica adopted a restructuring plan designed to strengthen its competitiveness, profitability and financial position. As part of these restructuring efforts, Finmeccanica sold its process automation activities in 1998 and substantially completed the divestiture of its industrial automation activities. 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. In that respect, Finmeccanica began negotiations for the creation of strategic alliances in aerospace and defence, with the view of improving its competitive positioning and international presence.

In 1998, Finmeccanica and GEC plc (through Marconi Electronics Systems) created Alenia Marconi Systems ("AMS"), a 50/50 joint venture for the production of radar, air traffic management, missile, simulation and control systems. Following BAE Systems' purchase of GEC Marconi's interest in AMS in 1999, Finmeccanica signed a memorandum of understanding with BAE Systems on 4 April 2000 to strengthen the AMS joint venture as well as its other joint ventures with BAE Systems.

Effective 31 December 1999, Finmeccanica merged with Microelettronica Italiana—MEI S.r.l. ("MEI"), a company formerly owned by IRI and the Italian Treasury. As a result of the merger, Finmeccanica acquired a 50% interest in ST Holding. ST Holding indirectly held approximately 44.8% of STMicroelectronics on a pre-diluted basis. This acquisition significantly enriched Finmeccanica's portfolio of high technology assets.

Following the merger with MEI, the Italian government owned approximately 85% of the share capital of Finmeccanica, with the remaining shares distributed among other investors.

On 28 September 1999 a decree of the Italian Prime Minister formally initiated Finmeccanica's privatisation process by permitting the sale of over 50% of Finmeccanica's share capital. 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% minority interest (on a fully-diluted basis) in

Finmeccanica's share capital. In June 2000, IRI sold over 50% of Finmeccanica's outstanding share capital in the market. Following that offering, IRI transferred additional shares to the Ministry of Economy and Finance. As a result, the Ministry of Economy and Finance currently owns 32.30% of the share capital of Finmeccanica. In accordance with Italian Privatisation law (Law 474/94), because Finmeccanica operates in strategic sectors such as defence, the same Prime Ministerial decree provided for the insertion in Finmeccanica's by-laws of special powers to be attributed to the Ministry of Economy and Finance, to be exercised in conjunction with the Ministry of Industry.

On 8 November 1999 the Ministry of Economy and Finance determined that such special powers would consist principally of (i) the power to veto and merger, liquidation, transfer of assets and other matters relating to Finmeccanica, (ii) the right for the Minister of Economy and Finance, in conjunction with the Minister of Industry, to nominate up to four members of the Board of Directors and the Chairman of the Board of Statutory Auditors of Finmeccanica and (iii) the power to expressly approve any shareholding ownership in excess of 3% of the share capital of Finmeccanica, and whether to allow such shareholding to exercise its voting rights. The special powers have been included in the by-laws of Finmeccanica, which now also include a provision stating that no shareholder other than the Ministry can own more than 3% of the share capital of the company.

In addition to these restrictions, in light of the requirements of the Italian *Testo Unico dell'Intermediazione Finanziaria* (Integrated Securities Law), Finmeccanica's shareholders have approved the inclusion in Finmeccanica's by-laws of certain corporate governance provisions.

In April 1998, Finmeccanica entered into a memorandum of understanding with the UK company GKN to form a joint venture in the helicopter business. In early 2001 the merger between the Agusta and Westland helicopter units was completed, and Finmeccanica's joint venture subsidiary in the helicopter segment, AgustaWestland, became operational.

On 26 April 2001, Finmeccanica, BAE Systems and EADS agreed to pool all of their respective missile and missile systems activities, including those of AMS (the 50/50 joint venture company between Finmeccanica and BAE Systems), in a new joint venture company named MBDA s.a.s. ("MBDA"). The transaction creating MBDA was completed on 18 December 2001. Finmeccanica's contribution to MBDA amounted to EUR678 million in cash, in exchange for which Finmeccanica received a 25% indirect interest in MBDA, which is held through its 50% interest in AMS Holdings N.V. MBDA is currently the world's second largest missile producer.

As part of a restructuring plan announced by Finmeccanica and Ansaldo Trasporti S.p.A. ("Ansaldo Trasporti") in order to reorganise the Finmeccanica Group's transportation industry business, Finmeccanica merged in September 2001 with its subsidiary Ansaldo Trasporti. The activities of Ansaldo Trasporti were then organised into three separate businesses:

- AnsaldoBreda S.p.A. ("AnsaldoBreda"), for vehicles;
- Ansaldo Trasporti Sistemi Ferroviari S.p.A. ("Ansaldo Trasporti Sistemi Ferroviari"), for turnkey systems integration projects; and
- Ansaldo Signal N.V. ("Ansaldo Signal") for signalling.

Following the agreement signed on 10 December 2001 with French shareholders Areva and France Telecom, Finmeccanica, through ST Holding, indirectly sold in the market 30 million ordinary shares of STMicroelectronics, which represented approximately 3.3% of the outstanding share capital of STMicroelectronics. Following this transaction, Finmeccanica's indirect shareholding in STMicroelectronics decreased to 18.3%. In July 2003 Finmeccanica disposed of an additional 20 million shares, the potential exchange of notes issued by Finmeccanica Finance S.A. and subsequently until 5 December 2003, indirectly sold in the market 8,173,411 ordinary shares of STMicroelectronics. The shareholders' agreement created a tracking stock mechanism (as permitted by Dutch law) in the structure of ST Holding and ST Holding II. Under this structure, two different classes of shares were created, and the assets of ST Holding (in particular the shares of STMicroelectronics) were attributed equally to each class of shares. By separating the assets held by the two shareholders, this mechanism allows for independent sales of shareholdings and provides for the apportionment of the proceeds, while the shareholders' voting rights are exercised at the ST Holding level. Moreover, the agreement, provides, *inter alia*, that each shareholder may, prior to 31 December 2003, independently dispose of

additional portions of its respective shareholding, provided that each maintains a minimum of 11% ownership of the share capital of STMicroelectronics. The shareholders will have no selling restrictions after 10 December 2003, with the exception of reciprocal rights of first refusal and tag-along rights.

In 2002, Finmeccanica agreed to acquire Marconi Mobile Holding S.p.A. (“Marconi Mobile Group”) and Telespazio S.p.A. (“Telespazio”), respective leaders in the defence communications and satellite services sectors as described in greater detail below. The two acquisitions were aimed at consolidating Finmeccanica’s activities in the aerospace and defence sector, thereby strengthening its competitive position as Italy’s largest operator and one of the top players in the sector at a European level.

On 2 August 2002, Finmeccanica announced the acquisition of Marconi Mobile Group (then renamed Marconi Selenia Communications Group (“Marconi Selenia”), for EUR571 million in cash plus the assumption of EUR60 million of net debt. Marconi Selenia, based in Genoa, operates in three defence communications sectors: (i) naval, terrestrial and satellite communications; (ii) avionics systems for communication, navigation and identification; and (iii) secure communications, encrypted connection and communication systems, network protection systems and secure communications certification. Based on 2002 sales, Finmeccanica believes that Marconi Selenia is Europe’s second largest military communications operator. The acquisition of Marconi Selenia was approved by the European Antitrust Commission on 31 October 2002. Marconi Selenia is strategic for Finmeccanica, enabling it to enter the high-growth military communications sector and thus strengthen its core business. The acquisition is also a good business fit with Finmeccanica, completing the Finmeccanica Group’s range of products and technological expertise in the defence electronics sector.

On 2 August 2002, Finmeccanica also announced the acquisition of Telespazio for an acquisition price of EUR127 million in cash, plus the assumption of EUR93 million of net debt and EUR20 million of lease obligations. Telespazio offers satellite and space operations management services and operates in two main sectors, space systems and operations and satellite services, with its key operations in Rome and Como. Finmeccanica believes that this acquisition will allow it to improve its position in the European space business. The acquisition of Telespazio was approved by the European Antitrust Commission on 29 October 2002 and was finalised on 29 November 2002. The acquisition of Telespazio, which offers satellite and space operation management services, allows Finmeccanica to achieve an important position in the European space business, which is growing rapidly especially in the services area.

## **Description of Business by Segment**

### *Aeronautics*

Alenia Aeronautica S.p.A. (“Alenia Aeronautica”), is one of the leading European designers, engineers and producers of civil and military aircraft. The activities of Alenia Aeronautica include design, engineering, fabrication, integration, assembly, delivery, support maintenance, overhaul and modification of military aircraft, commercial aircraft, regional aircraft and executive jets.

Alenia Aeronautica manufactures fixed-wing aircraft and provides related support services for civilian and military applications. In the civilian sector, Alenia Aeronautica designs, manufactures and assembles structural components for aircraft, acts as a subcontractor for other manufacturers and as a risk sharing partner in consortia. The principal initiatives in the civilian sector are:

- Finmeccanica’s 50% partnership in ATR (with EADS), which produces the ATR 42 and ATR 72 turboprop aircraft;
- the production of civil aerospace components for Boeing (B767/B777/B717/B757), Dassault (business jets) and Airbus (shared production of the A318/319/320/321 and A330/340/500/600); and
- participation in new programs with Airbus (A380) and Boeing 7E7.

In the military sector, Finmeccanica holds a share in the Tornado consortium, and an approximately 20% share in the Eurofighter programme. It also participates with Aermacchi and Embraer in the development and manufacture of the AMX and with Lockheed Martin in the C-27J

military transport aircraft. As a result of a memorandum of understanding concluded in June 2002 between the U.S. and Italian governments, Alenia Aeronautica expects to also have the opportunity to participate in development of the next generation F35 Joint Strike Fighter.

In 2002, approximately 50% of the aeronautics segment's revenues was derived from the manufacture and sale of civilian aircraft parts (including parts for wide- and narrow-body planes and regional aircraft) and from revisions and overhauls. The remaining 50% was derived from the design, manufacture, sale and support of aircraft for military combat, training, transportation and special missions. These military activities have recently related mainly to production and logistics work on the Eurofighter (the first Italian-production aircraft made its maiden flight on 14 February 2003), retrofits and upgrades to Tornado aircraft, and modifications to the AMX aircraft to reduce fatigue. Eurofighter represented approximately 59% of backlog at 31 March 2003.

Prior to 1 January 2002, the Finmeccanica Group carried out its aeronautics operations directly through Alenia Aerospazio – Aeronautics Division and indirectly through Finmeccanica's subsidiary, Officine Aeronavali di Venezia S.p.A.. As of 1 January 2002, Finmeccanica transferred assets of Alenia Aerospazio – Aeronautics Division to its wholly owned subsidiary Alenia Aeronautica. Alenia Aeronautica now holds the fixed wing airframe and components construction and servicing operations of Finmeccanica. The Finmeccanica Group's aeronautics segment operates eight specialised facilities in Italy.

The table below shows selected data for the aeronautics segment for the first six months of 2003 and for the fiscal years ended 31 December 2002 and 2001.

|  | <b>Six months<br/>ended and as<br/>at 30 June<br/>2003</b> | <b>Year ended and as at<br/>31 December</b> |             |
|--|--|---|-------------|
|  |  | <b>2002</b>                                 | <b>2001</b> |
|  | <i>(EUR million, except employee data)</i>                 |   |             |
| Value of production <sup>(1)</sup> .....               | 575  | 1,261                                       | 1,328       |
| Operating income <sup>(2)</sup> .....                  | 35   | 139   | 175         |
| New orders .....                                       | 350  | 1,142                                       | 1,210       |
| Order backlog.....                                     | 3,553  | 3,688                                       | 3,810       |
| Capital expenditures <sup>(3)</sup> .....              | 36   | 103   | 63          |
| Research and development expenses <sup>(4)</sup> ..... | 81   | 135   | 146         |
| Number of employees .....                              | 8,746  | 9,055                                       | 9,350       |

(1) Segment revenues include changes in inventories of semi-finished and finished goods and capitalised internal costs for fixed or intangible assets.

(2) Operating income does not include expense related to the amortisation of goodwill.

(3) Capital expenditures include expenditures incurred with respect to fixed and intangible assets.

(4) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalised as intangible assets or contracts in progress.

As a result of continuing difficulties in the trading environment, Alenia Aeronautica is currently operating on a reduced headcount basis using temporary layoff programme implemented in accordance with applicable Italian regulations.

### *Space*

Finmeccanica operates in the space industry through Alenia Spazio (involved in the manufacturing of space infrastructure, scientific telecommunications and remote sensing satellites) and, since 29 November 2002, through Telespazio (involved in space telecommunications services). Operations include the design, engineering, production and sale of logistical systems for space and land stations, the development and sale of on-board equipment for commercial satellites, telecommunication systems and the manufacturing of sensors for satellite observation and the transmission of images. The complementary activities of Alenia Spazio and Telespazio improve the competitive positioning of Finmeccanica's Space business, enabling it to offer integrated "turnkey" solutions to its clients.

Alenia Spazio S.p.A. (“Alenia Spazio”) designs and manufactures scientific, military and telecommunications satellites, satellite sub-systems (payload), orbital infrastructures and transportation for:

- numerous space agencies such as the Agenzia Spaziale Italiana (the Italian Space Agency or “ASI”), the European Space Agency (“ESA”) and NASA;
- international private consortia such as Globalstar; and
- the Italian military sector.

Alenia Spazio has an attractive skill set and asset base in the satellite manufacturing industry, is the leading supplier to ASI and is also one of ESA’s principal suppliers through the development and construction of Artemis (a telecommunications satellite that provides advanced communication technologies to be used for future space missions). Alenia Spazio is also participating in the Galileo project (the first integrated satellite-based navigation system for civilian use) and the Cosmo-SkyMed earth observation programme (providing satellite images and scans of geographic areas for civilian use). Alenia Spazio also has core competencies in antennas, Ka-band technology, small satellite manufacture and pressurised structures (such as the International Space Station programme for NASA), and has a technological lead in small telecommunications satellites. Alenia Spazio and its subsidiaries operate through five facilities in Italy.

Telespazio operates in two main sectors: space systems and operations (consisting of the conception, engineering and installation of satellite systems and the management of space missions) and satellite services. In the European satellite services market, Telespazio operates in satellite navigation (where it is part of the Galileo project), the Cosmo-SkyMed satellite system for earth observation, television services (selling satellite capacity to the leading Italian and international television and radio broadcasters); and telecommunications services (managing stations, transmitters and terrestrial gateways for telecommunications operators).

Net revenues for the space segment in 2002 derived from the following sources: telecommunications (approximately 40%); orbital infrastructures and transport systems (approximately 28%); earth observation (approximately 20%); and scientific satellites (approximately 12%). The Telespazio business has been consolidated in Finmeccanica’s accounts since December 2002, reflecting its acquisition date.

The table below shows selected data for the space segment for the six months of 2003 and for the fiscal years ended 31 December 2002 and 2001.

|  | <b>Six months<br/>ended and as<br/>at 30 June<br/>2003</b> | <b>Year ended and as at<br/>31 December</b> |             |
|--|--|---|-------------|
|  |  | <b>2002</b>                                 | <b>2001</b> |
|  | <i>(EUR million, except employee data)</i>                 |   |             |
| Value of production <sup>(1)</sup> .....               | 336  | 528   | 497         |
| Operating income <sup>(2)</sup> .....                  | (40)   | (2)   | 29          |
| New orders .....                                       | 359  | 371   | 373         |
| Order backlog.....                                     | 1,295  | 1,277                                       | 528         |
| Capital expenditures <sup>(3)</sup> .....              | 6  | 127   | 11          |
| Research and development expenses <sup>(4)</sup> ..... | 45   | 104   | 106         |
| Number of employees .....                              | 3,784  | 3,920                                       | 2,880       |

(1) Segment revenues include changes in inventories of semi-finished and finished goods and capitalised internal costs for fixed or intangible assets.

(2) Operating income does not include expense related to the amortisation of goodwill.

(3) Capital expenditures include expenditures incurred with respect to fixed and intangible assets.

(4) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalised as intangible assets or contracts in progress.

As a result of a persistently difficult trading environment, during the first nine months of 2003, Finmeccanica continued to restructure and rationalise the space division, and to make plans to strengthen its activities in the sector with a view to forging links with foreign partners. This involves

the reorganisation of production and support facilities and the rationalisation of external costs to increase efficiency and profitability. To bring staff numbers in line with workload, the division continued with its programme of state-subsidised lay-offs, redundancies and a partial freeze on hiring. It also made one-off provisions to meet any future losses on high-risk balance sheet items.

### Helicopters

Finmeccanica is a leading player in the global helicopter industry through AgustaWestland N.V. (“AgustaWestland”). AgustaWestland’s activities include the manufacture and sale of helicopters and related equipment, client support, technical assistance, spare part supply and engineering activities. In February 2001, AgustaWestland (a 50/50 joint venture between Agusta, a Finmeccanica company, and Westland, a GKN company) became fully operational, enabling both companies to compete on a global basis.

AgustaWestland builds several helicopters such as the EH-101, the Apache (built under licence for the UK market), the A129, the Lynx and the A109/A119, as well as a range of civilian and military helicopters. AgustaWestland is also participating in the pan-European NH90 transport Helicopter Programme and has a joint venture with Bell in connection with the BA609 Tilt-Rotor Technology Programme and the AB139 new medium-sized helicopter. On 15 May 2003, Finmeccanica and Bell announced an agreement to manufacture the EH-101 in the United States, under the name US101. In June 2003 AgustaWestland obtained the Italian certification for the Agusta AB139.

In line with the trend for recent years, the military sector is the main market for AgustaWestland’s helicopter business. The helicopter has proven to be an ideal instrument for the types of military missions demanded by the current geopolitical environment. With respect to the civil market, orders have been negatively affected by the economic downturn, declining stock markets and global events. While orders in the first quarter of 2003 registered an overall decline compared to the comparable period in 2002, AgustaWestland made progress in the difficult U.S. market with orders placed by police departments in New York and Pennsylvania.

AgustaWestland operates through six facilities in Italy and one facility in the United Kingdom. These facilities are organised according to a network organisation model, through which AgustaWestland strives to make each facility a “centre of excellence” specialising in expert and efficient manufacturing with a specific functional area.

AgustaWestland owns the technology and expertise necessary for all phases of helicopter production: designing, engineering and manufacturing transmissions, rotors, blades, metal and composite material structures and avionics, as well as final assembly and systems integration.

The table below shows selected data for the helicopter segment for the first six months of 2003 and for the fiscal years ended 31 December 2002 and 2001.

|   | Six months ended and<br>as at 30 June |                     | Year ended and as at 31 December |                     |                     |                     |
|---|---------------------------------------|---------------------|----------------------------------|---------------------|---------------------|---------------------|
|   | 2003 <sup>(1)</sup>                   | 2003 <sup>(2)</sup> | 2002 <sup>(1)</sup>              | 2002 <sup>(2)</sup> | 2001 <sup>(1)</sup> | 2001 <sup>(2)</sup> |
| Value of production <sup>(3)</sup> .....                  | 657                                   | 1,315               | 1,238                            | 2,476               | 1,206               | 2,412               |
| Operating income <sup>(4)</sup> .....                     | 61                                    | 121                 | 150                              | 300                 | 123                 | 246                 |
| New orders .....  | 257                                   | 513                 | 1,268                            | 2,536               | 1,187               | 2,375               |
| Order backlog .....                                       | 3,087                                 | 6,174               | 3,573                            | 7,146               | 3,802               | 7,604               |
| Capital expenditures <sup>(5)</sup> .....                 | 4                                     | 8                   | 15                               | 30                  | 17                  | 33                  |
| Research and development<br>expenses <sup>(6)</sup> ..... | 98                                    | 195                 | 236                              | 472                 | 236                 | 472                 |
| Number of employees .....                                 | 4,422                                 | 8,844               | 4,471                            | 8,942               | 4,865               | 9,730               |

(1) Data for Finmeccanica’s 50% share in AgustaWestland as consolidated proportionally in the consolidated accounts of Finmeccanica.

(2) Data for AgustaWestland taken as a whole.

(3) Segment revenues include changes in inventories of semi-finished and finished goods and capitalised internal costs for fixed or intangible assets.

(4) Operating Income does not include expense related to the amortisation of goodwill.

(5) Capital expenditures include expenditures incurred with respect to fixed and intangible assets.

(6) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalised as intangible assets or contracts in progress.

AgustaWestland is involved in a number of helicopter consortia, principally EH101, NH90, BA609 and AB139.

For the development of the EH101 programme, AgustaWestland has established a joint venture in which it has equal rights with Westland. In connection with this programme, Finmeccanica has implemented an integration programme which aims to achieve cost reductions and have a positive impact on expected sales volume.

In the NH90 programme, AgustaWestland collaborates with Eurocopter and Fokker to develop a helicopter that meets the requirements of the governments of Italy, France, Germany and Holland for tactical transportation and naval operations. AgustaWestland has an approximate 32% production interest in this programme. Within the programme, Agusta is developing and manufacturing the main transmission, tail rotor line, hydraulic system, automatic flight control system, rear ramp, rear fuselage, electric system and on-board computer.

In addition, AgustaWestland is responsible for engineering the NH90 helicopter, and is responsible for developing and integrating the mission system to be used in naval service, and constructing and testing the naval prototype. AgustaWestland will also prepare the final assembly line for all transport helicopters commissioned by the Italian army and air force and for all helicopters destined for the Italian and Dutch naval forces.

In November 1998, AgustaWestland established a joint venture with Bell. As a result, it currently has a 45% interest in Bell Agusta Aerospace Company. The purpose of this joint venture is to develop the first tilt rotor helicopter for civilian use, the BA609, and a new generation AB139 helicopter.

In the BA609 programme, AgustaWestland is responsible for designing, testing and, in the future, 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. AgustaWestland will also participate in the development of a flight control system that uses fly-by-wire technology. Discussions are taking place between the participants to address delays which affected the original development timetable of the programme. According to the current agreement between the participants relating to the implementation of this programme AgustaWestland bears 25% of the related costs and has the right to receive the same percentage of the profits and Bell bears 75% of the related costs and has the right to receive the same percentage of the profits.

AgustaWestland oversees the AB139 programme and together with Bell coordinates the activities of the other programme participants. According to the agreement between the participants relating to the implementation of this programme, AgustaWestland bears 75% of the related cost and has the right to receive the same percentage of profits, and Bell bears 25% of the cost and has the right to receive the same percentage of profits.

In addition, AgustaWestland holds a licence from Boeing to build and sell Apache helicopters in the United Kingdom (for 67 units) and has also established a 50/50 joint venture with Boeing (ATIL) to manage a Training System (including simulators) for the Apache helicopters built for the United Kingdom and for any other potential Apache helicopter customers.

#### *Defence Electronics*

Finmeccanica operates in defence electronics through its wholly-owned subsidiary Galileo Avionica, AMS, a 50-50 joint venture with BAe Systems (consolidated proportionally), and the newly-acquired Marconi Selenia Communications, consolidated with effect from 2 August 2002.

The defence electronics sector consists of the production of avionics equipment, unmanned aircraft, radar systems, land and naval command and control systems, air traffic control systems, and integrated communications networks for land, naval, satellite and avionic applications.

In particular AMS develops, engineers and manufactures land based and naval radar systems. It also operates in traffic management. Following the disposal of GEC's defence assets to BAe Systems, Finmeccanica renegotiated with BAe systems and enlarged the scope of the joint venture, thereby creating a leading European competitor in the electronics defence business.

AMS operates through five facilities in Italy, ten facilities in the United Kingdom and one facility in California, United States. AMS offers:

- command and control systems and integrated systems for ground combat;
- land-based and naval radar systems;
- surveillance and civilian air traffic automatic systems; and
- simulation and training systems.

The table below sets forth selected data for the defence electronics segment for the first six months of 2003 and for the fiscal years ended 31 December 2002 and 2001. The figures in the table are not directly comparable, owing to the consolidation of Marconi Selenia as of 2 August 2002.

|  | <b>Six months<br/>ended and as<br/>at 30 June<br/>2003</b> | <b>Year ended and as at<br/>31 December<br/>2002</b> | <b>2001</b> |
|--|--|--|-------------|
|  | <i>(EUR million, except employee data)</i>                 |  |             |
| Value of production <sup>(1)</sup> .....               | 851  | 1,354  | 1,106       |
| Operating income <sup>(2)</sup> .....                  | 33   | 68   | 48          |
| New orders .....                                       | 868  | 1,523  | 1,469       |
| Order backlog.....                                     | 3,322  | 3,267  | 2,378       |
| Capital expenditures <sup>(3)</sup> .....              | 32   | 241  | 146         |
| Research and development expenses <sup>(4)</sup> ..... | 196  | 294  | 275         |
| Number of employees .....                              | 11,663   | 11,139   | 7,198       |

(1) Segment revenues include changes in inventories of semi-finished and finished goods.

(2) Operating income does not include expense related to the amortisation of goodwill.

(3) Capital expenditures include expenses incurred with respect to fixed and intangible assets.

(4) These amounts represent expenses incurred for all research and development activities and charged to income for the period.

### *Defence Systems*

Finmeccanica's operations in the defence systems sector consist principally of: missile systems, conducted through Finmeccanica's 25% interest in MBDA (a proportionally consolidated joint venture with BAe and EADS); land, naval and airborne weapons systems, conducted through Finmeccanica's subsidiary OTO Melara S.p.A; sonar systems, torpedoes and underwater countermeasures, conducted through Finmeccanica's subsidiary WASS S.p.A.; and participation in the *Orizzonte* programme, conducted through Finmeccanica's International Naval Division.

The MBDA joint venture in which Finmeccanica participates combines the missiles and missile systems activities of Matra BAe Dynamics, EADS Aerospatiale Matra Missiles and Alenia Marconi Systems. MBDA is present in all market segments and offers more than 40 missile systems in production or in development. The combination of air-to-surface, anti-ship and surface-to-air missile systems make MBDA the leading player in the European Union and the second in the world.

MBDA has national operating companies in each of France, Italy and the United Kingdom, which will lead national programmes, maintain national customer interfaces and work on joint international programmes. MBDA operates through six facilities in the United Kingdom, three in France and three in Italy.

Finmeccanica also participates in the *Orizzonte* programme developing the next generation of antimissile frigates for the Italian and French naval forces. In 1999, Finmeccanica created the International Naval System Division to carry out activities related to the *Orizzonte* programme. This division, whose management will be granted to the new joint venture, Orizzonte S.p.A., is prime contractor and will coordinate the design and installation of combat systems for the Horizon frigates for the new multi-mission frigates under development for the Italian and French navies. Further agreements between Finmeccanica and Orizzonte S.p.A. might include the contribution of the international naval system division from Finmeccanica to Orizzonte S.p.A.

OTO Melara and WASS are key players in weapons and underwater systems in specific market segments such as wheeled vehicles, naval cannons and torpedoes, and aim to become global leaders in their fields through partnerships with other operators.

The table below shows selected data for the defence systems sector for the first six months of 2003 and for the fiscal years ended 31 December 2002 and 2001.

|  | <b>Six months<br/>ended and as<br/>at 30 June<br/>2003</b> | <b>Year ended and as at<br/>31 December<br/>2002</b> | <b>2001</b> |
|--|--|--|-------------|
|  | <i>(EUR million, except employee data)</i>                 |  |             |
| Value of production <sup>(2)</sup> .....               | 479  | 968  | 343         |
| Operating income <sup>(3)</sup> .....                  | 19   | 58   | 28          |
| New orders .....                                       | 433  | 1,598  | 491         |
| Order backlog.....                                     | 4,360  | 4,398  | 3,818       |
| Capital expenditures <sup>(4)</sup> .....              | 17   | 42   | 179         |
| Research and development expenses <sup>(5)</sup> ..... | 115  | 194  | 42          |
| Number of employees .....                              | 4,195  | 4,234  | 4,240       |

(1) Data is not directly comparable between periods as a result of divestitures and restructuring. In particular, fiscal year 2002 includes data relating to MBDA and 2001 includes data relating to MBDA only for employees and order backlog. MBDA and AMS data are consolidated according to the proportional methods.

(2) Segment revenues includes changes in inventories of semi-finished and finished goods and capitalised internal costs for fixed or intangible assets.

(3) Operating income does not include expense related to the amortisation of goodwill.

(4) Capital expenditures include expenses incurred with respect to fixed and intangible assets.

(5) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalised as intangible assets or contracts in progress.

### *Transportation*

The operations of Finmeccanica's transportation sector consists of the design, manufacturing and distribution of rolling stock and mass transit systems, the manufacture of diesel and electric locomotives and light rail vehicles, and the construction and supply of electrified transport systems and signalling systems for rail networks and metropolitan underground systems. The global transport industry has experienced moderate growth in recent years, with the biggest market for rail and mass transit being found in Europe. Finmeccanica's transportation sector operates through three separate entities:

- AnsaldoBreda for vehicles;
- Ansaldo Transporti Sistemi Ferroviari for turnkey system integration projects; and
- Ansaldo Signal for signalling.

AnsaldoBreda offers wheeled and tracked vehicles for railway and urban transport (mass transit metro systems). AnsaldoBreda is the market leader in both railway and mass transit in Italy, and has a significant international presence, having won several significant contracts both in Europe, including for the Paris Metro, and in the United States. AnsaldoBreda is further developing a plan to consolidate plants in order to increase efficiency and productivity.

The business of Ansaldo Transporti Sistemi Ferroviari consists of the engineering and supply of complete railroad, mass transit systems and solutions and managing the development of the project from order to delivery. Ansaldo Transporti Sistemi Ferroviari has main contractor responsibility and distributes different supplies to other subcontractors generally to vehicle and signalling companies. Ansaldo Transporti Sistemi Ferroviari has a leading position in Italy in both railways and mass transit systems. It holds contracts for the high-speed routes between Rome and Naples and between Verona and Venice. Ansaldo Transporti Sistemi Ferroviari also has a strong presence in Northern Europe, in particular in Ireland and Scandinavia.

Signalling operations are conducted through Ansaldo Signal, a Dutch holding company, that controls a network of international subsidiaries. This business consists of the engineering and production of signalling, automation and control systems and equipment for railways and mass transit networks. Ansaldo Signal offers central railway computer control systems, automatic train control and automatic train protection systems, and centralised traffic control systems.

The Finmeccanica Group's transportation segment operates through seven facilities in Italy. In addition, AnsaldoBreda and Ansaldo Signal operate in several countries, particularly in France, the United States and Australia.

The table below shows selected data for the transportation segment for the first six months of 2003 and for the fiscal years ended 31 December 2002 and 2001.

|  | <b>Six months<br/>ended and as<br/>at 30 June<br/>2003</b> | <b>Year ended and as at<br/>31 December</b> |             |
|--|--|---|-------------|
|  |  | <b>2002</b>                                 | <b>2001</b> |
|  | <i>(EUR million, except employee data)</i>                 |   |             |
| Value of production <sup>(1)</sup> .....               | 620  | 1,289                                       | 1,135       |
| Operating income <sup>(2)</sup> .....                  | 17   | 53  | 34          |
| New orders .....                                       | 1,172  | 1,490                                       | 1,196       |
| Order backlog.....                                     | 3,701  | 3,138                                       | 2,993       |
| Capital expenditures <sup>(3)</sup> .....              | 8  | 21  | 33          |
| Research and development expenses <sup>(4)</sup> ..... | 14   | 23  | 25          |
| Number of employees .....                              | 5,761  | 5,750                                       | 5,596       |

(1) Segment revenues include changes in inventories of semi-finished and finished goods and capitalised internal costs for fixed or intangible assets.

(2) Operating income does not include expense related to the amortisation of goodwill.

(3) Capital expenditure include expenditures incurred with respect to fixed and intangible assets.

(4) These amounts represent expenses incurred for all research and development activities and charged to income for the period of capitalised as intangible assets or contracts in progress.

#### *Energy, IT Services and Other Activities*

The sector includes: Ansaldo Energia (plants and components for the production of energy on a combined and non-combined cycle, services and nuclear), Elsag (information technology services), BredaMenarinibus (city buses and peripheric buses), Elsacom (services for satellite telephones); Otto (a company for which a definitive corporate solution is contemplated once the last litigations relating to contracts will end); Mecfin (real estate management and services); Iritech (the Company has completed the plan for the dismissal of minority participations and has acquired shares in Ansaldo Ricerche); Finmeccanica Finance (for its functions of financial support to the Group) and other minor companies.

Ansaldo Energia S.p.A. operates in three business segments: generation systems (gas and steam turbines, generators, plants and applications), services (assistance and spare parts for gas turbines and combined cycles, steam services) and nuclear (new plants, services, decommissioning). In the segment of generation systems the company operates with the licence of Siemens for gas turbines, with its own technology for steam turbines of 50-100 MW and with ALSTOM technology for steam turbines of greater size. At international level Ansaldo Energia is small but has a privileged relationship with certain Markets/Clients, with a recognised flexible technical/commercial approach and is leader in the domestic market. The market of generation systems, core business of Ansaldo Energia, even if currently under contraction, should show an increased trend starting from 2005; after the collapse in the United States and continuing the stagnation trend in Asia, the world demand has decreased in 2002 to the levels of the early nineties. In the medium term period a growth is contemplated under the push of the increase of the power installed in the Middle East/North Africa and the repowering of the existing plants in the United States and Europe. The long terms forecast exclude for the "Turbogas" line which represents the key product of Ansaldo Energia from a commercial and technical basis, a rapid obsolescence of technologies currently in use and, therefore, at the end of the licence in 2006, the machineries with Siemens technologies currently under production will still be competitive. The segment of services is growing, pushed by the sale of gas turbines with greater margins compared to those in the generation systems. The nuclear segment may also grow for the increase in the demand of decommissioning and for the possible starting again of constructions of new plants abroad.

The results for the first six month period of 2003 confirm the positive trend of Ansaldo Energia already evidenced during 2002 with results in line or improved in the case of certain parameters (Ebit, net results, cash flow) compared to the budget.

The IT services business includes the Italian service automation activities of Elmag S.p.A. (“Elsag”), which were created from the expertise developed in helping the Italian post office to automate its systems.

Elsag’s services include:

- applied solutions such as SAP and Baan (for enterprise resource planning) and Siebel (for customer relations management);
- outsourcing of information systems, information technology infrastructures and corporate processes (including personnel management, document filing and storage);
- technical assistance, maintenance, development and management of information technology infrastructure; and
- online value-added services.

Elsag also designs and manufactures machines and facilities for postal sorting. This activity currently represents approximately 10% of Elmag’s total revenues.

Elsag’s principal markets are Italian and foreign post offices, industry, public utilities and government agencies and Italian financial institutions. Currently, a partnership with other Italian operators is ongoing in order to create an Italian IT services pool.

The table below shows selected data for the energy, IT services and other segment for the first six months of 2003 and for the fiscal years ended 31 December 2002 and 2001.

|  | <b>Six months<br/>ended and as<br/>at 30 June<br/>2003</b> | <b>Year ended and as at<br/>31 December</b> |             |
|--|--|---|-------------|
|  |  | <b>2002</b>                                 | <b>2001</b> |
|  | <i>(EUR million, except employee data)</i>                 |   |             |
| Value of production <sup>(1)</sup> .....               | 653  | 1,373                                       | 1,343       |
| Operating income <sup>(2)</sup> .....                  | (7)  | (25)  | (26)        |
| New orders .....                                       | 576  | 1,580                                       | 1,336       |
| Order backlog.....                                     | 2,248  | 2,367                                       | 2,242       |
| Capital expenditures <sup>(3)</sup> .....              | 16   | 32  | 35          |
| Research and development expenses <sup>(4)</sup> ..... | 10   | 19  | 20          |
| Number of employees .....                              | 6,324  | 6,394                                       | 6,962       |

(1) Segment revenues includes changes in inventories of semi-finished and finished goods.

(2) Operating income does not include expenses related to the amortisation of goodwill.

(3) Capital expenditures include expenses incurred with respect to fixed and intangible assets.

(4) These amounts represent expenses incurred for all research and development activities and charged to income for the period.

## Employees

The following table sets forth the approximate number of Finmeccanica Group employees at 30 June 2003 and as at 31 December for each of the last three calendar years.

|                           | <u>As at 30 June</u><br><b>2003</b> | <u>2002</u> | <u>As at 31 December</u><br><b>2001</b> | <u>2000</u> |
|---------------------------|-------------------------------------|-------------|---|-------------|
| Number of employees ..... | 44,895                              | 44,963      | 41,093                                  | 39,370      |

## Litigation

In the ordinary course of its activities, Finmeccanica and its subsidiaries are party to numerous legal proceedings before administrative, tax and civil courts, sometimes involving substantial amounts. The Finmeccanica Group believes that litigation is inevitable given the size of the Finmeccanica Group and the sectors in which it participates. The Finmeccanica Group aggressively defends actions taken against it, although there can be no assurance that the Finmeccanica Group will not be found liable for damages, which in some circumstances may be substantial.

Total provisions for legal proceedings to which Finmeccanica and its subsidiaries are party amounted to EUR153 million as at 31 December 2002, EUR151 million as at 31 December 2001 and EUR148 million as at 31 December 2000. No provision has been made in relation to the two claims relating to the Gorizont geostationary satellite programme.

## Tax Amnesty

In accordance with tax amnesty provisions (Legge 289/02), Finmeccanica and its subsidiaries have entered into tax amnesties covering a number of tax proceedings and all taxes (including corporation and income taxes, local taxes and VAT) relating to the tax years 1997-2001. Most of the tax amnesties entered into by Finmeccanica Group companies enable them, in return for an up-front payment, to maintain the time period during which the tax authorities can challenge a tax assessment. If no tax amnesty is entered into, the period would automatically be extended by two years.

## RECENT DEVELOPMENTS AND OUTLOOK

On 23 January 2003, officials from Finmeccanica and Boeing entered into an agreement to strengthen their industrial and commercial cooperation. The purpose of the agreement is to explore joint initiatives and pursue growth opportunities in aerostructures, satellite systems and missile defence. This agreement calls in particular for the establishment of an Executive Steering Committee that would investigate the potential for cooperation in design, development, manufacturing, marketing, sales support, modification and engineering support and space navigation and satellite services.

On 29 January 2003, the Greek Ministry of Defence awarded Alenia Aeronautica and the US company Lockheed Martin a EUR297 million contract for the supply of 12 C-27J new-generation tactical transport aircraft. The Greek air force is expected to receive the first C-27J 18 months after the contract takes effect. The aircraft are then expected to be delivered at a rate of one a month until completion of the project. This contract includes logistics support and training programmes.

On 4 March 2003, Finmeccanica agreed to acquire OTE S.p.A (“OTE”) from Marconi plc. OTE is Italy’s main private mobile radiocommunications operator (for the civilian police force, military police and other institutional clients), and a leading developer of a new digital radiomobile communications system for public utilities, transport 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 civilian and defence markets.

In March 2003, the Finmeccanica Group won a significant share of the Cosmo-Skymed contract, for which ongoing negotiations are currently expected to be finalised by year end. Also in the space sector, Alenia Spazio has launched an inquiry to ascertain and resolve operational difficulties reported to it on 29 March 2003 in relation to the Atlantic Bird Satellite.

On 16 June 2003, Alenia Aeronautica signed a Memorandum of Understanding with Vought, a U.S. specialist manufacturer of aero structures, to implement a programme aimed at developing portions of the new 7E7 “Dreamliner” aircraft.

On 1 July 2003 the Finmeccanica Group completed its acquisition of a controlling interest in Aeronautica Macchi, which in turn owns 100% 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 is a leader in the military training aircraft sector (since the mid 1960s it has built approximately 2,000 training aircraft for use by the air forces of 40 countries around the world) and also constructs engine nacelles and structural components for aircraft and ground support equipment.

Aermacchi’s range of trainers currently encompasses:

- the single piston engine SF-260E, and the SF-260TP turbo prop version, both used in the screening and primary training of military pilots;
- the single turboprop engine S-211A basic trainer;
- the single jet engine MB-339CD for advanced and pre-operational training and for light tactical support; and
- the new-generation, twin jet engine M-346 prototype aircraft for advanced and pre-operational training.

Aermacchi has been, and continues to be, active in many other joint programmes with the Finmeccanica Group and other companies, such as the Tornado, C-27J and Eurofighter Typhoon programmes. It joined forces with Alenia Aeronautica and Brazil’s Embraer to design, develop and build the AMX aircraft.

On 1 July 2003, The Carlyle Group and Finmeccanica announced that they had entered into an agreement for the acquisition from Fiat S.p.A. of the aerospace businesses of Avio S.p.A., formerly FiatAvio S.p.A., the leading Italian manufacturer of aircraft and naval engines and a European leader in space propulsion. The acquisition has been carried out through a special purposes vehicle, Avio Holding S.p.A. (70% owned by The Carlyle Group and 30% by Finmeccanica). On 30 September 2003 Avio Holding purchased the entire share capital of Avio S.p.A., to which all aerospace businesses of

Fiat Avio have been transferred with effect from 1 July 2003. The total value of the acquired businesses is approximately EUR1.5 billion, funded through a combination of debt financing and equity. Finmeccanica has invested approximately EUR142.5 million, funded by ordinary treasury sources of the Finmeccanica Group. Finmeccanica will have board representation and voting rights under a corporate governance agreement with the Carlyle Group. As a result, Finmeccanica will be involved in defining corporate strategy and managerial decisions.

The FiatAvio businesses to be acquired include the design, development and production of components of aeronautical engines, accessory gearboxes, low pressure turbines and naval and space propulsion systems, as well as the maintenance, repair and overhaul activities for military and commercial aircraft engines. FiatAvio has 14 manufacturing plants, nine research centres and over 5,000 employees. In 2002, it reported sales of EUR1,534 million and an operating profit of EUR210 million.

On 17 July 2003, Marconi Selenia Communications, a subsidiary of Finmeccanica, acquired Marconi Mobile Access, a developer of broadband mobile radio communications systems. This acquisition complements the Finmeccanica Group's prior acquisitions of Marconi Mobile Holding S.p.A. (now Marconi Selenia Communications S.p.A.) and OTE from Marconi plc, extending Finmeccanica's range of communications systems in both the civilian and defence markets.

On 1 October 2003, the European Commission notified the Italian foreign ministry that it had begun a formal investigation under article 88 of the EC treaty into government grants relating to six research and development projects awarded to Alenia Aeronautica, AerMacchi and Agusta under law 808/85. The Commission believes that some parts of these grants could constitute state aid. It stated that it was not notified of these grants, even though they were all in excess of the ECU 20 million ceiling. The Italian authorities are currently preparing their response to present to the Commission.

Finmeccanica and Fincantieri are currently finalising a joint venture in the naval systems area concerning the company Orizzonte S.p.A. (currently equally owned by the two companies) and other activities relating to the *Orizzonte* programme for the construction of frigates discussed above. Under the proposed agreement, which aims to improve the overall performance of the two companies, Finmeccanica's shareholding in Orizzonte S.p.A. will be reduced to 49%, and Fincantieri's increased to 51%.

Finmeccanica and BAe Systems, an international company engaged in the development and support of advanced defence and aerospace systems, have signed a memorandum of understanding to establish a partnership, known as Eurosystems, bringing together their defence electronic systems activities. The partnership establishes a strategic coordination committee and three majority-controlled joint ventures. Two of these joint ventures, namely those operating in the communications systems and avionics businesses, are expected to be majority owned and principally managed by Finmeccanica, with capabilities in strategic communications systems and avionic and radar systems, and are expected to generate respective *pro-forma* turnover of EUR700 million and EUR1,600 million in 2003. The third joint venture, a systems integration and C4ISR business to be based on Finmeccanica's current AMS joint venture, with capabilities in C4ISR information systems and land and naval radars, is expected to be majority owned and principally managed by BAe Systems.

Finmeccanica may evaluate various alternative structures for a potential corporate reorganisation in connection with the reinforcement of its aerospace and defence businesses. This process may include the assessment, in line with Finmeccanica's strategy opportunities relating to certain of Finmeccanica's activities other than aerospace and defence. One alternative may include, among other steps, the separation of Finmeccanica's activity in the civilian sector from its aerospace and defence activities. No decision has yet been taken as to whether to proceed with this potential corporate reorganisation or if so, whether the structure discussed above or an alternative structure would be retained.

The outlook for 2003 is one of geopolitical uncertainty and economic instability, which is likely to have repercussions on Finmeccanica's sectors of activity. The civil aviation market in particular is not expected to pick up this year after suffering a further drop in passenger numbers in early 2003 from 2002 levels as a result of the SARS outbreak and the war in Iraq. This will affect production of aircraft, which, according to recent estimates of major operators, remains well below pre-September 11 forecasts. The aviation industry felt the impact of both consolidation between airlines and the financial

difficulties of many carriers, which have led companies to downsize their fleets. The main aircraft manufacturers have confirmed the delivery of a total of 575 planes this year (much lower than the 980 originally expected), although some studies see the figure falling to 530. Added to this is the fact that both Airbus and Boeing expect not to increase production, and even to reduce it slightly, in 2004 and 2005. At present, 18% of orders for that period are considered at risk. Even assuming an anticipated recovery of passenger volumes to 2004, management does not expect civil aviation orders and the financial condition of its clients in this business sector to recover significantly before 2005 with a knock-on effect on production from 2006.

In the space market, Finmeccanica believes that the commercial sector remains depressed. The first half of 2003 saw a drop of over 15% in global activity, and volumes are not expected to pick up significantly until 2008 – except perhaps in the military sector, where growth looks to have been offset by a fall in orders and production for commercial satellites, and by a flat trend in scientific and observation satellites. Demand for new satellites will continue to be weak in the short and medium term while, in the satellite services the definitive launch of two key programmes like Galileo and Cosmo will determine a significant surge of the demand, in specific areas such as navigation services and broadband applications, although there is still a reluctance to embark on, or invest in, broadband system projects for multimedia applications. Government demand is actually showing signs of a future upturn (as evidenced by a recent agreement between Italy and Germany relating to the Galileo programme), despite budget squeezes and potential delays and work reductions on International Space Station projects that may mute any positive benefits felt by companies operating in the sector. Further uncertainties in the space segment include the commencement of a Chapter 11 procedure by Space System Loral, a significant customer of Finmeccanica, extra costs incurred in the development of certain space programmes and the implementation of a restructuring plan. Contractual risks arose due to recent technical problems of the Atlantic Bird telecommunications satellite, which caused service interruption and forced Alenia Spazio to make adjustments to return the satellite to operation, particularly since February 2003.

In such market conditions, Finmeccanica has initiated meetings with other suppliers and operators in order to seek alliances to strengthen their market competitive position and the product offering of their respective businesses.

In the energy sector, the period of sustained growth tied to the need to shift the power production infrastructure towards gas turbines (combined cycle) has largely been completed, and there is a significant overcapacity in the sector. The IT services sector continues to suffer from a weak economic environment globally and from slower than anticipated rollout and adoption of new technologies and products.

Finally, the continuing weakness of the U.S. dollar compared to the euro may have a negative impact on certain of Finmeccanica's segments operating in industries for which the reference currency is the U.S. dollar, such as civil aviation. In addition, although defence budgets in the western hemisphere might increase in order to meet new military demands, such increases are expected now more in the medium term rather than in the short term, particularly in Italy where budget constraints limit the ability of the Government to expand such expenditures. Relatively positive prospects are expected for infrastructure, particularly transport, a sector in which Finmeccanica is solidly established.

Finmeccanica's management believes that uncertainty over the current economic downturn and continuing government spending cuts in Western Europe may make it more difficult to secure new orders and potentially lead to delays in the fulfilment and invoicing of existing orders, which may also be subject in some cases to renegotiation of financial conditions.

In this complex market situation, Finmeccanica currently expects to increase its revenues further in 2003, thanks to both the acquisitions made and a solid order backlog that can provide stable results for at least the short term. Finmeccanica, however, may suffer in terms of profitability in 2003. In particular, it may be necessary to earmark further extraordinary provisions in favour of certain affiliated companies in the last quarter of 2003 to cover the risks that have arisen as a consequence of the changed market situation and to cover their restructuring process where necessary. This will naturally have a negative effect on net profit.

In light of the contemplated as well as possible new strategic initiatives and possible working capital increases which may determine additional funding requirements, Finmeccanica may increase its debt in the near future.

## 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 by the Board to two co-Chief Executive Officers. Each board member is elected by the shareholders' meeting for a three-year term.

The current Board of Directors consists of 14 members. The three-year terms of these current board members will expire upon the approval of the financial statements for the year 2005.

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> | Appointed to Current Position |
|-----------------------------------|-----|------------------------------------|-------------------------------|
| Pier Francesco Guarguaglini ..... | 66  | Chairman/Co-CEO                    | 2003                          |
| Roberto Testore .....             | 50  | Co-CEO/General Manager             | 2003                          |
| Lorenzo Bini Smaghi .....         | 46  | Director                           | 2003                          |
| Sergio Maria Carbone .....        | 62  | Director                           | 2003                          |
| Giovanni Castellaneta .....       | 60  | Director                           | 2003                          |
| Maurizio De Tilla .....           | 62  | Director                           | 2003                          |
| GianLuigi Lombardi Cerri .....    | 77  | Director                           | 2003                          |
| Francesco Mazzucca .....          | 51  | Director                           | 2003                          |
| Ernesto Monti .....               | 57  | Director                           | 2003                          |
| Massimo Pini .....                | 66  | Director                           | 2003                          |
| Giovani Battista Pittaluga .....  | 56  | Director                           | 2003                          |
| Francesco Reviglio .....          | 68  | Director                           | 2003                          |
| Paolo Ruta .....                  | 58  | Director                           | 2003                          |
| Dario Scannapieco .....           | 35  | Director                           | 2003                          |

(1) The business address of each member of Finmeccanica's Board of Directors is Piazza Monte Grappa 4, 00195 Rome, Italy.

### Stock Option Plan

On 26 June 2002, Finmeccanica's remuneration committee awarded senior managers of the Finmeccanica group subscription rights for a maximum of 6,954,108 shares. The board meeting held on that date voted to launch a paid capital increase of a maximum nominal value of EUR1,529,903.76, through the issue of a maximum of 6,954,108 ordinary shares with a nominal value of EUR0.22 each, with full dividend rights, to be offered for subscription at EUR0.22208 each to senior managers of Finmeccanica and its subsidiaries as identified by the remuneration committee on that date. The options may be exercised from the tenth day after the above decision, and for two years afterwards. As at 31 December 2002, a total of 17,287,755 options had been granted for the equivalent number of Finmeccanica shares. Of this number, 8,333,509 options had been exercised as at 31 December 2002 and the relevant increase in share capital had taken place, while 8,954,246 had not yet been exercised. Of the options remaining unexercised at 31 December 2002, 3,275,186 were due to expire on 28 June 2003 if unexercised by that date, and 5,679,060 were due to expire on 6 July 2004 if unexercised by that date.

On 16 May 2003, the shareholders' meeting of Finmeccanica authorised a new stock option plan with respect to up to 150 million shares. The options granted under the plan will become exercisable from January 2005.

### Board of Statutory Auditors

Under Italian law, in addition to electing the Board of Directors, Finmeccanica's shareholders also elect a Board of Statutory Auditors composed of experts in accounting matters. One member of the Board of Statutory Auditors, who serves as the Chairman, is selected by the Minister of the

Treasury in agreement with the Minister of Industry. 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 terms of the members of the Board of Statutory Auditors will expire upon the approval of the financial statements for the year 2005.

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.

| <b>Name</b>               | <b>Age</b> | <b>Management Position</b> | <b>Appointed to Current Position</b> |
|---------------------------|------------|----------------------------|--------------------------------------|
| Domenico Piacenza.....    | 67         | Chairman                   | 2003                                 |
| Giorgio Cumin.....        | 65         | Auditor                    | 2003                                 |
| Francesco Forchielli..... | 73         | Auditor                    | 2003                                 |
| Antonio Tamborrino .....  | 63         | Auditor                    | 2003                                 |
| Luigi Gaspari.....        | 46         | Auditor                    | 2003                                 |
| Gaetano de Gregorio.....  | 42         | Alternate Auditor          | 2003                                 |
| Piero Santoni .....       | 66         | Alternate Auditor          | 2003                                 |

#### **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.

Reconta Ernst & Young S.p.A. was Finmeccanica's external auditor for its consolidated and unconsolidated accounts from 1994 to 2002. Under Italian securities laws, listed companies may not appoint the same external auditors for more than three consecutive three-year terms. Consequently, on 16 May 2003, the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. as new auditors for a three-year period.

## CONSOLIDATED CAPITALISATION OF FINMECCANICA

The following table sets out the consolidated capitalisation and indebtedness of Finmeccanica as at 30 June 2003 (i) on an actual basis; and (ii) as adjusted to reflect the issuance of EUR501,400,000 Exchangeable Bond into STM Shares. Except as set out below, there has been no material change in the consolidated capitalisation or indebtedness of Finmeccanica since this date.

|   | <b>At 30 June<br/>2003</b> | <b>As Adjusted<sup>(1)</sup></b> |
|---|----------------------------|----------------------------------|
|   | <i>(EUR millions)</i>      |                                  |
| Cash and cash equivalents .....   | 672                        | 1,173                            |
| Short-term debt.....  | 114                        | 114                              |
| Long-term debt <sup>(2)</sup> .....   | 1,450                      | 1,890                            |
| Share capital 8,431,718,248 (authorised, issued and outstanding) ordinary shares at 30 June 2003, nominal value EUR0.22 each <sup>(3)</sup> ..... | 1,855                      | 1,855                            |
| Legal reserve .....   | 89                         | 89                               |
| Reserve for treasury shares.....  | 1                          | 1                                |
| Retained earnings and other reserves, including foreign currency translation adjustments .....  | 1,231                      | 1,231                            |
| <b>Total shareholders' equity .....</b>   | <b>3,176</b>               | <b>3,176</b>                     |
| <b>Total capitalisation .....</b>   | <b>4,626</b>               | <b>5,066</b>                     |

(1) As adjusted to reflect the issuance by Finmeccanica Finance S.A. of EUR501,400,000 aggregate principal amount of exchangeable Notes into 20,000,000 STM Shares. EUR438,725,000 aggregate principal amount was issued on 8 August 2003 and EUR62,675,000 aggregate principal amount was issued on 28 August 2003.

(2) Including current portion.

(3) In November 1999, the shareholders' meeting of Finmeccanica authorised the issuance of up to a maximum of 35,000,000 new ordinary shares to service certain employee stock option plans. Of these authorised shares, 24,405,387 remained unsubscribed and unissued as at 30 June 2003. On 16 May 2003, the shareholders' meeting of Finmeccanica authorised a new stock option plan with respect to up to 150 million shares. The options granted under the plan will become exercisable from January 2005.

The shareholders of Finmeccanica have authorised the issuance of up to 1,133,333,333 new ordinary shares for the service of the EUR877,976,718 aggregate principal amount of convertible bonds issued by Finmeccanica on 8 June 2000. If all of these bonds were converted, Finmeccanica would currently be required to issue 468,254,250 new ordinary shares.

## **SUMMARY CONSOLIDATED FINANCIAL INFORMATION RELATING TO FINMECCANICA**

The following tables set out in summary form:

- (i) the unaudited Reclassified Consolidated Income Statement and Consolidated Net Financial Debt of Finmeccanica in respect of the nine-month periods ended 30 September 2003 and 30 September 2002;\*
- (ii) the Reclassified Consolidated Income Statement, Balance Sheet and Net Financial Debt of Finmeccanica in respect of the six-month period ended 30 June 2003 and in respect of the years ended 31 December 2001 and 31 December 2002 presented in the Finmeccanica standard reclassified format derived from the audited and unaudited Consolidated Accounts prepared for Italian legal and statutory purposes in accordance with Italian accounting principles; and
- (iii) the audited International Consolidated Accounts in respect of the years ended 31 December 2001 and 31 December 2002 derived from the audited Consolidated Accounts.

\* As permitted by the Italian Stock Exchange Regulations, Finmeccanica's consolidated quarterly report in respect of the interim period ended 30 September 2003 approved by the Board of Directors in November 2003 includes only the income statement for that period. The same applies to the consolidated quarterly report in respect of the interim period ended 30 September 2002.

*Reclassified Consolidated Income Statement of Finmeccanica*

|  | For the<br>nine months<br>ended<br>30 September<br>2003 | For the<br>nine months<br>ended<br>30 September<br>2002 |
|--|---|---|
|  | <i>(EUR million)</i>                                    |   |
| <b>REVENUES</b> .....  | 5,724   | 5,313   |
| Change in work in progress, semi-finished and finished goods.....    | 182   | (33)  |
| Capitalisation of internal costs on fixed and intangible assets..... | 17  | 8   |
| <b>VALUE OF PRODUCTION</b> .....                                     | 5,923   | 5,288   |
| Cost of goods and services .....                                     | (3,794)   | (3,414)   |
| <b>ADDED VALUE</b> .....   | 2,129   | 1,874   |
| Personnel Costs.....   | (1,713)   | (1,493)   |
| Other Provisions .....   | (23)  | (7)   |
| Provisions for risks and charges .....                               | (50)  | (20)  |
| Other Income/(expense), net .....                                    | 64  | 36  |
| <b>OPERATING INCOME BEFORE AMORTISATION</b> .....                    | 407   | 390   |
| Depreciation.....  | (187)   | (149)   |
| Deferred Revenue from capital grants .....                           | 21  | 13  |
| <b>OPERATING INCOME BEFORE GOODWILL AMORTISATION</b> .....           | 241   | 254   |
| Goodwill amortisation.....   | (61)  | (38)  |
| <b>OPERATING INCOME</b> .....  | 180   | 216   |
| Financial income/(expense), net.....                                 | (30)  | (15)  |
| Exchange gains/(losses), net.....                                    | 1   | 5   |
| Increase/Decrease in the value of investments, net .....             | 101   | 67  |
| <b>INCOME BEFORE TAXES AND EXTRAORDINARY ITEMS</b> .....             | 252   | 273   |
| Extraordinary items, net.....  | (53)  | (55)  |
| <b>EARNINGS BEFORE TAXES</b> .....                                   | 199   | 218   |
| Income Tax Expense.....  | (129)   | (111)   |
| <b>NET PROFIT FOR THE PERIOD</b> .....                               | 70  | 107   |
| <i>Of which:</i>   |   |   |
| ● <i>Group</i> .....   | 62  | 107   |
| ● <i>Minority interests</i> .....                                    | 8   | —   |

*Reclassified Consolidated Income Statement of Finmeccanica*

|  | For the<br>six months<br>ended<br>30 June<br>2003 | For the<br>year ended<br>31 December<br>2002 | For the year<br>ended<br>31 December<br>2001 |
|--|---|--|--|
|  | <i>(EUR million)</i>                              |  |  |
| <b>REVENUES</b> .....  | 3,914   | 7,811  | 6,619  |
| Change in work in progress, semi-finished and finished goods....     | 123   | (100)  | 119  |
| Capitalisation of internal costs on fixed and intangible assets..... | 13  | 47   | 36   |
| <b>VALUE OF PRODUCTION</b> .....                                     | 4,050   | 7,758  | 6,774  |
| Cost of goods and services .....                                     | (2,613)   | (4,967)                                      | (4,294)                                      |
| <b>ADDED VALUE</b> .....   | 1,437   | 2,791  | 2,480  |
| Personnel Costs .....  | (1,154)   | (2,084)                                      | (1,838)                                      |
| Other Provisions .....   | (21)  | (20)   | (6)  |
| Provisions for risks and charges.....                                | (44)  | (84)   | (62)   |
| Other Income/(expense), net.....                                     | 49  | 95   | 67   |
| <b>OPERATING INCOME BEFORE AMORTISATION</b> .....                    | 267   | 698  | 641  |
| Depreciation .....   | (122)   | (216)  | (230)  |
| Deferred Revenue from capital grants .....                           | 12  | 20   | 37   |
| <b>OPERATING INCOME BEFORE GOODWILL</b>                              |   |  |  |
| <b>AMORTISATION</b> .....  | 157   | 502  | 448  |
| Goodwill amortisation.....   | (39)  | (61)   | (37)   |
| <b>OPERATING INCOME</b> .....  | 118   | 441  | 411  |
| Financial income/(expense), net.....                                 | (14)  | (21)   | (34)   |
| Exchange gains/(losses), net.....                                    | 1   | 3  | (18)   |
| Increase/Decrease in the value of investments, net .....             | 50  | 103  | 840  |
| <b>INCOME BEFORE TAXES AND EXTRAORDINARY ITEMS</b>                   | 155   | 526  | 1,199  |
| Extraordinary items, net.....  | (32)  | (120)  | (882)  |
| <b>EARNINGS BEFORE TAXES</b> .....                                   | 123   | 406  | 317  |
| Income Tax Expense .....   | (95)  | (203)  | (129)  |
| <b>NET PROFIT FOR THE PERIOD</b> .....                               | 28  | 203  | 188  |
| <i>Of which:</i>   |   |  |  |
| ● <i>Group</i> .....   | 22  | 200  | 212  |
| ● <i>Minority interests</i> .....                                    | 6   | 3  | (24)   |

**Reclassified Consolidated Net Financial Debt of Finmeccanica**

|  | <b>30 September<br/>2003</b> | <b>30 September<br/>2002</b> |
|--|------------------------------|------------------------------|
|  | <i>(EUR million)</i>         |                              |
| Short term financial debt .....                              | 112                          | 402                          |
| Current portion of long-term debt .....                      | 86                           | 110                          |
| Long-term debt, net of current portion.....                  | 1,816                        | 1,051                        |
| Cash and Cash equivalent .....                               | (1,022)                      | (502)                        |
| Net bank Debt.....   | <u>992</u>                   | <u>1,061</u>                 |
| <b>Other financial receivables and payables</b>              |                              |                              |
| Interest bearing financial receivables .....                 | (17)                         | (25)                         |
| Government Bonds.....  | (68)                         | (68)                         |
| Financial receivables from others .....                      | (498)                        | (608)                        |
| Financial receivables from subsidiaries and affiliates.....  | (223)                        | (314)                        |
| Financial payables due to subsidiaries and affiliates.....   | 429                          | 319                          |
| Payables due to the Italian Ministry of Industry (MICA)..... | 64                           | 48                           |
| Other financial payables .....                               | 45                           | 91                           |
| <b>CONSOLIDATED NET FINANCIAL DEBT .....</b>                 | <b><u>724</u></b>            | <b><u>504</u></b>            |

*Reclassified Consolidated Balance Sheet of Finmeccanica*

|   | <b>30 June<br/>2003</b> | <b>31 December<br/>2002</b> | <b>31 December<br/>2001</b> |
|---|-------------------------|-----------------------------|-----------------------------|
|   | <i>(EUR million)</i>    |                             |                             |
| <b>A. NON CURRENT ASSETS</b>  |                         |                             |                             |
| Intangible assets .....   | 1,167                   | 1,219                       | 965                         |
| Tangible assets .....   | 1,560                   | 1,565                       | 1,372                       |
| Investments .....   | 1,435                   | 1,448                       | 1,404                       |
|   | <u>4,162</u>            | <u>4,232</u>                | <u>3,741</u>                |
| <b>B. WORKING CAPITAL</b>   |                         |                             |                             |
| Inventories and work in progress on contracts .....   | 14,209                  | 13,306                      | 11,991                      |
| Trade receivables.....  | 3,143                   | 3,379                       | 2,508                       |
| Other assets.....   | 1,348                   | 1,354                       | 1,431                       |
| Trade payables.....   | (2,614)                 | (2,658)                     | (2,220)                     |
| Advances from customers and progress billings.....  | (12,233)                | 11,797                      | (10,830)                    |
| Provisions for risks and charges .....  | (1,193)                 | (1,181)                     | (1,255)                     |
| Other liabilities.....  | (2,450)                 | (2,417)                     | (2,011)                     |
|   | <u>210</u>              | <u>(14)</u>                 | <u>(386)</u>                |
| <b>C. INVESTED CAPITAL, net of operating liabilities.....</b>   | <b>4,372</b>            | <b>4,218</b>                | <b>3,355</b>                |
| <b>D. EMPLOYEES' TERMINATION INDEMNITY .....</b>  | <b>(664)</b>            | <b>(664)</b>                | <b>(588)</b>                |
| <b>E. INVESTED CAPITAL, net of operating liabilities<br/>and employees' termination indemnity .....</b> | <b><u>3,708</u></b>     | <b><u>3,554</u></b>         | <b><u>2,767</u></b>         |
| <i>Represented by:</i>  |                         |                             |                             |
| <b>F. SHAREHOLDERS' EQUITY</b>  |                         |                             |                             |
| Capital and Reserves – Group.....   | 3,154                   | 3,105                       | 2,977                       |
| Net profit – Group.....   | 22                      | 199                         | 212                         |
| Capital and Reserves – Minority Interests .....   | (2)                     | (2)                         | 11                          |
| Net profit – Minority Interests .....   | 6                       | 3                           | (24)                        |
|   | <u>3,180</u>            | <u>3,305</u>                | <u>3,176</u>                |
| <b>G. NET FINANCIAL DEBT</b>  |                         |                             |                             |
| (i) Long-term debt.....   | 1,451                   | 1,470                       | 1,665                       |
| (ii) Short-term debt:   |                         |                             |                             |
| ● From banks and other financial institutions .....   | 537                     | 672                         | 918                         |
| ● Cash, equivalents and financial receivables .....   | (1,381)                 | (1,743)                     | (2,878)                     |
|   | <u>(844)</u>            | <u>(1,071)</u>              | <u>(1,960)</u>              |
| (iii) reclassifications (*).....  | (79)                    | (150)                       | (114)                       |
|   | <u>528</u>              | <u>249</u>                  | <u>(409)</u>                |
| <b>H. NET INVESTED CAPITAL, as in E above.....</b>  | <b><u>3,708</u></b>     | <b><u>3,554</u></b>         | <b><u>2,767</u></b>         |
| (*) Composed of:  |                         |                             |                             |
| ● Interest bearing financial receivables .....  | (101)                   | (170)                       | (165)                       |
| ● Provisions against debt waiver of non-consolidated<br>subsidiaries.....                               | 22                      | 20                          | 51                          |
|   | <u>(79)</u>             | <u>(150)</u>                | <u>(114)</u>                |

**Reclassified Consolidated Net Debt of Finmeccanica**

|  | <b>30 June<br/>2003</b> | <b>31 December<br/>2002</b> | <b>31 December<br/>2001</b> |
|--|-------------------------|-----------------------------|-----------------------------|
|  | <i>(EUR million)</i>    |                             |                             |
| Short term financial debt.....                               | 114                     | 215                         | 443                         |
| Current portion of long-term debt.....                       | 76                      | 48                          | 467                         |
| Long-term debt, net of current portion.....                  | 1,313                   | 1,370                       | 1,139                       |
| Cash and Cash equivalent.....                                | (672)                   | (956)                       | (2,198)                     |
|  | <hr/>                   | <hr/>                       | <hr/>                       |
| Net bank Debt.....   | 831                     | 677                         | (149)                       |
|  | <hr/>                   | <hr/>                       | <hr/>                       |
| <b>Other financial receivables and payables:</b>             |                         |                             |                             |
| Interest bearing financial receivables.....                  | (31)                    | (29)                        | (55)                        |
| Government Bonds.....  | (68)                    | (71)                        | (29)                        |
| Financial receivables from others.....                       | (469)                   | (557)                       | (415)                       |
| Financial receivables from subsidiaries and affiliates.....  | (221)                   | (276)                       | (295)                       |
| Financial payables due to subsidiaries and affiliates.....   | 382                     | 371                         | 379                         |
| Payables due to the Italian Ministry of Industry (MICA)..... | 61                      | 51                          | 54                          |
| Other financial payables.....                                | 43                      | 83                          | 101                         |
|  | <hr/>                   | <hr/>                       | <hr/>                       |
| <b>CONSOLIDATED NET FINANCIAL DEBT.....</b>                  | <b>528</b>              | <b>249</b>                  | <b>(409)</b>                |
|  | <hr/> <hr/>             | <hr/> <hr/>                 | <hr/> <hr/>                 |

**AUDITED INTERNATIONAL CONSOLIDATED ACCOUNTS  
CONSOLIDATED BALANCE SHEET  
OF FINMECCANICA**

**ASSETS**

|  | <b>31 December<br/>2002</b> | <b>31 December<br/>2001</b> | <b>31 December<br/>2000</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
|  | <i>(EUR million)</i>        |                             |                             |
| <b>CURRENT ASSETS</b>  |                             |                             |                             |
| Cash and cash equivalents.....                                 | 956                         | 2,198                       | 1,294                       |
| Accounts receivable:   |                             |                             |                             |
| Trade .....  | 2,974                       | 2,286                       | 2,218                       |
| Related parties .....  | 621                         | 537                         | 833                         |
| Taxes .....  | 665                         | 551                         | 418                         |
| Inventories .....  | 3,064                       | 2,555                       | 2,352                       |
| Contracts in progress.....                                     | 2,634                       | 2,417                       | 2,300                       |
| Prepaid expenses.....  | 209                         | 302                         | 393                         |
| Financial receivables from the shareholders of JVC.....        | 433                         | 383                         | —                           |
| Other current assets.....                                      | 663                         | 558                         | 419                         |
|  | <hr/>                       | <hr/>                       | <hr/>                       |
| Total current assets.....                                      | 12,219                      | 11,787                      | 10,227                      |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>                           |                             |                             |                             |
| Land and buildings.....  | 1,145                       | 1,151                       | 1,144                       |
| Machinery, equipment and other .....                           | 1,785                       | 1,771                       | 1,793                       |
|  | <hr/>                       | <hr/>                       | <hr/>                       |
|  | 2,930                       | 2,922                       | 2,937                       |
| Accumulated depreciation .....                                 | (1,504)                     | (1,609)                     | (1,668)                     |
| Construction in progress .....                                 | 139                         | 59                          | 68                          |
|  | <hr/>                       | <hr/>                       | <hr/>                       |
| Property, plant and equipment, net.....                        | 1,565                       | 1,372                       | 1,337                       |
| <b>INTANGIBLE ASSETS, at amortized cost</b> .....              | 1,220                       | 965                         | 595                         |
| <b>INVESTMENTS AND SECURITIES</b> .....                        | 1,349                       | 1,272                       | 1,629                       |
| <b>TREASURY SHARES</b> .....                                   | 1                           | 1                           | 1                           |
| <b>NON CURRENT TERM RECEIVABLES FROM RELATED PARTIES</b> ..... | 115                         | 111                         | 3                           |
| <b>OTHER ASSETS</b> .....                                      | 86                          | 138                         | 161                         |
|  | <hr/>                       | <hr/>                       | <hr/>                       |
| <b>TOTAL ASSETS</b> .....                                      | <u>16,555</u>               | <u>15,646</u>               | <u>13,953</u>               |

**AUDITED INTERNATIONAL CONSOLIDATED ACCOUNTS  
CONSOLIDATED BALANCE SHEET (CONTINUED)  
OF FINMECCANICA**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|   | <b>31 December<br/>2002</b> | <b>31 December<br/>2001</b> | <b>31 December<br/>2000</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | <i>(EUR million)</i>        |                             |                             |
| <b>CURRENT LIABILITIES</b>  |                             |                             |                             |
| Short-term borrowings .....   | 215                         | 443                         | 568                         |
| Current portion of long-term debt .....   | 56                          | 467                         | 64                          |
| Other financial liabilities:  |                             |                             |                             |
| Third parties .....   | 83                          | 156                         | 75                          |
| Related parties .....   | 371                         | 378                         | 57                          |
| Advances from customers.....  | 4,189                       | 3,864                       | 2,214                       |
| Payables:   |                             |                             |                             |
| Trade.....  | 2,598                       | 2,119                       | 2,045                       |
| Related parties .....   | 90                          | 108                         | 135                         |
| Taxes, other than income taxes .....  | 214                         | 185                         | 162                         |
| Provisions for risks and contingencies:   |                             |                             |                             |
| Investments .....   | 99                          | 116                         | 460                         |
| Taxes .....   | 34                          | 25                          | 16                          |
| Other .....   | 988                         | 1,020                       | 907                         |
| Liabilities for payroll and social contributions .....  | 317                         | 272                         | 255                         |
| Accrued liabilities .....   | 273                         | 268                         | 198                         |
| Other current liabilities.....  | 1,468                       | 1,135                       | 1,168                       |
| <b>Total current liabilities .....</b>  | <b>10,995</b>               | <b>10,556</b>               | <b>8,324</b>                |
| <b>LONG-TERM DEBT, less current portion .....</b>   | <b>1,413</b>                | <b>1,139</b>                | <b>1,642</b>                |
| <b>EMPLOYEE BENEFIT OBLIGATIONS, less current portion ..</b>  | <b>682</b>                  | <b>604</b>                  | <b>653</b>                  |
| <b>DEFERRED INCOME, unearned portion.....</b>   | <b>159</b>                  | <b>170</b>                  | <b>214</b>                  |
| <b>MINORITY INTEREST.....</b>   | <b>1</b>                    | <b>(12)</b>                 | <b>14</b>                   |
| <b>SHAREHOLDERS' EQUITY</b>   |                             |                             |                             |
| Share capital 8,395 million ordinary shares in 2001 (8,395 million ordinary shares in 2000 and 8,392.3 in 1999), authorised, issued and outstanding, par value 0.22 Euro in 2001, 2000 and 1999 ..... | 1,855                       | 1,871                       | 1,865                       |
| Legal reserve .....   | 89                          | 60                          | 41                          |
| Reserve for treasury shares.....  | 1                           | 1                           | 1                           |
| Retained earnings .....   | 1,360                       | 1,257                       | 1,199                       |
| <b>Total shareholders' equity .....</b>   | <b>3,305</b>                | <b>3,189</b>                | <b>3,106</b>                |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....</b>   | <b>16,555</b>               | <b>15,646</b>               | <b>13,953</b>               |

**AUDITED INTERNATIONAL CONSOLIDATED ACCOUNTS  
CONSOLIDATED INCOME STATEMENT  
OF FINMECCANICA**

|   | For the year<br>ended<br>31 December<br>2002 | For the year<br>ended<br>31 December<br>2001 | For the year<br>ended<br>31 December<br>2000 |
|---|--|--|--|
|   | <i>(EUR million)</i>                         |  |  |
| <b>NET REVENUE</b>  | 7,811  | 6,619  | 6,013  |
| <b>COSTS AND EXPENSES:</b>  |  |  |  |
| Purchases, services and other operating costs .....                   | (4,941)                                      | (4,278)                                      | (3,820)                                      |
| Change in inventory .....   | (100)  | 119  | 194  |
| Labor .....   | (2,071)                                      | (1,824)                                      | (1,799)                                      |
| Depreciation and amortization.....                                    | (258)  | (225)  | (222)  |
|   | <u>(7,370)</u>                               | <u>(6,208)</u>                               | <u>(5,647)</u>                               |
| <b>INCOME FROM OPERATIONS, before non recurring costs ....</b>        | <u>441</u>                                   | <u>411</u>                                   | <u>366</u>                                   |
| <b>NON RECURRING COSTS .....</b>                                      | <u>(116)</u>                                 | <u>(840)</u>                                 | <u>(104)</u>                                 |
| <b>INCOME (LOSS) FROM OPERATIONS, after non-recurring costs .....</b> | 325  | (429)  | 262  |
| <b>OTHER INCOME (EXPENSES):</b>                                       |  |  |  |
| Equity in earnings of investee ST Microelectronics N.V. ....          | 79   | 878  | 341  |
|   | 79   | 878  | 341  |
| Interest income .....   | 124  | 132  | 118  |
| Interest expense .....  | (145)  | (166)  | (188)  |
| Other income (expense), net .....                                     | 23   | (98)   | (73)   |
|   | <u>81</u>                                    | <u>746</u>                                   | <u>198</u>                                   |
| <b>INCOME BEFORE INCOME TAXES .....</b>                               | 406  | 317  | 460  |
| <b>INCOME TAXES</b>   |  |  |  |
| Current .....   | (220)  | (150)  | (156)  |
| Deferred.....   | 17   | 21   | 35   |
|   | <u>(203)</u>                                 | <u>(129)</u>                                 | <u>(121)</u>                                 |
| <b>NET INCOME BEFORE MINORITY INTERESTS .....</b>                     | 203  | 188  | 339  |
| <b>MINORITY INTERESTS IN LOSS.....</b>                                | (3)  | 24   | 64   |
| <b>NET INCOME.....</b>  | <u>200</u>                                   | <u>212</u>                                   | <u>403</u>                                   |

## 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 Offering Circular and is subject to any change in law that may take effect after such date.

### **Luxembourg**

*The statements herein regarding taxation in Luxembourg are based on the laws in force in the Grand Duchy of Luxembourg as of the date of this Offering Circular and are subject to any changes in law occurring after such date. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of Notes.*

*Prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Notes.*

#### *1. Withholding Tax*

Under Luxembourg tax laws currently in effect, there is no withholding tax for residents and non-resident on payments of principal or interest, nor on accrued but unpaid interest, nor is any Luxembourg withholding tax payable on payments received upon sale, redemption or repurchase of Notes.

#### *2. Taxes on Income and Capital Gains*

Noteholders will not become resident, or will not be deemed to be resident, in Luxembourg by reason only of the holding of Notes.

Noteholders who are non-residents of Luxembourg and who do not hold the Notes through a permanent establishment in Luxembourg are not liable to Luxembourg income tax on (i) payments of principal or interest, (ii) accrued but unpaid interest, (iii) payments received upon redemption or repurchase of any Notes or (iv) capital gains on sale of any Notes.

Noteholders resident in Luxembourg who are fully taxable, or Noteholders who have a permanent establishment in Luxembourg with which the holding of Notes is connected, must for income tax purposes include any interest received in their taxable income. Noteholders will not be liable for any Luxembourg taxation on income on repayment of principal.

Individual Luxembourg resident Noteholders are not subject to taxation on capital gains upon the disposition of Notes, unless (i) the Noteholders have a right to exchange Notes into shares of the Issuer or (ii) an additional interest is paid to the Noteholders which is proportional to the distribution of the profits of the Issuer and in both cases the disposition occurs within six months of acquisition. Upon a sale, repurchase or redemption of Notes, individual Luxembourg resident Noteholders must however include the portion of the sale, repurchase or redemption price corresponding to accrued but unpaid interest in their taxable income.

A corporate entity, *or société de capitaux*, which is a Luxembourg resident Noteholder, or a foreign entity of the same type which has a Luxembourg permanent establishment, will need to include in its taxable income the difference between the sale, repurchase, or redemption price (including accrued but unpaid interest) and the lower of cost or book value of Notes sold, repurchased or redeemed. These Noteholders should not be liable for any Luxembourg income tax on repayment of principal upon repurchase or redemption of Notes.

#### *3. Other Taxes*

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders in connection with the issue of Notes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of Notes or in respect of the payment of interest or principal under Notes or the transfer of Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Luxembourg net wealth tax will not be levied on a Noteholder, unless (i) such Noteholder is resident in Luxembourg for the purpose of the relevant legal provisions or (ii) the Notes are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

No gift, estate or inheritance taxes are levied on the transfer of Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

## **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 “23. 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 Offering Circular, which are subject to change potentially retroactively. Law No. 80 of 7 April 2003 for the reform of the Italian tax system approved by the Italian Parliament on 26 March 2003, delegates the Government to issue, within two years from the entering into force of Law No. 80, legislative decrees ordered, inter alia, to introduce a general reform of the tax treatment of financial income and of taxation of corporations and individuals, that may impact on the current tax regime of the Notes, as summarized here below. The planned reform should apply starting from 2004.*

*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 41 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 referred to in Legislative Decree No. 124 of 21 April 1993 (“**Legislative Decree No. 124**”) 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 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 subject to the regime provided by Art. 14, 14-ter and 14- quater, paragraph 1, of Italian Legislative Decree No. 124 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**”), beneficial owners of Notes who are Italian resident real estate investment funds established pursuant to Act. 37 of Legislative Decree 24 February 1998, No. 58, and to Art. 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 subject to an annual 1 per cent. substitute tax on the accounting net value of the fund (the “**Real Estate Investment Fund Tax**”) and the 12.5 per cent. or 27 per cent. *imposta sostitutiva* provided for by Legislative Decree No. 239 does not apply to payments of Interest in respect of Notes to such funds.

Moreover, as recently 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, the Real Estate Investment Fund Tax has been repealed with effect from 1 January 2004 by Article 41-bis, paragraph 8, of Decree No. 269.

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**”), 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 (i) are resident, for tax purposes, in a country which recognises the Italian fiscal authorities’ right to an adequate exchange of information and (ii) are not resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree No. 917 and identified by Ministerial Decree of 23 January 2002 (as amended from time to time); 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.

The requirement under (ii) above has been repealed with effect from 1 January 2004 by Art. 41 of Decree No. 269.

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 (a) allow for an adequate exchange of information and (b) are not tax haven countries included in the black list identified by Ministerial Decree of 23 January 2002 (as amended from time to time); and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

The requirement under (ii) (b) above has been repealed with effect from 1 January 2004 by Art. 41 of Decree No. 269.

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 and not to be resident, for tax purposes, in tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree No. 917 and identified by Ministerial Decree of 23 January 2002, as amended from time to time (however, as mentioned, this last requirement has been repealed with effect from 1 January 2004 by Art. 41 of Decree No. 269). 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 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 subject to the regime provided by Article 14, 14-ter and 14-quarter, paragraph 1, of Legislative Decree No. 124. 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 not 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 of 29 September 1973, as subsequently amended ("**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 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 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 and are not resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree No. 917 and identified by Ministerial Decree of 23 January 2002, as amended from time to time (however, this last requirement has been repealed with effect from 1 January 2004 by Art. 41 of Decree No. 263); 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 and which are not tax haven countries included in the black list identified by Ministerial Decree of 23 January 2002, as amended from time to time (however, this last requirement has been repealed with effect from 1 January 2004 by Art. 41 of Decree No. 263), 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*

Pursuant to Legislative Decree No. 435 of 21 November 1997, in general, no Italian transfer tax is payable on, *inter alia*:

- (a) transfer of Notes entered into on a regulated market;
- (b) transfer of Notes listed on a regulated market entered into outside regulated markets,

*provided that* they are entered into between:

- (i) banks or SIMs or other professional intermediaries regulated by Legislative Decree No. 415 of 23 July 1996 as superseded by Legislative Decree No. 58 or stockbrokers (either resident or non-resident) among themselves;
- (ii) the intermediaries of paragraph (i) above, on the one hand, and a non- Italian resident, on the other hand;

- (iii) the intermediaries of paragraph (i) above, even if not resident in Italy, on the one hand and undertaking for collective investment of savings income, on the other hand;
- (c) transfer of Notes not listed on regulated markets if entered into between the banks or other financial intermediaries referred to in paragraph (b)(i) above, on the one hand, and non-Italian residents on the other hand;
- (d) contracts for a consideration not higher than Euro 206.58.

If applicable, transfer tax is payable as follows:

- (a) Euro 0.00465 per Euro 51.65 or fraction thereof, of the price at which the Notes are transferred if the transaction is entered into (i) between banks, SIMs or other professional intermediaries as defined under (b)(i) above or stockbrokers and private parties or (ii) between private parties through banks, SIMs or other professional intermediaries or stockbrokers or (iii) between banks, SIMs or other professional intermediaries or stockbrokers among themselves.
- (b) Euro 0.0083 per Euro 51.65 or fraction thereof, of the price at which the Note are transferred if the transaction is entered into (i) between private parties directly or (ii) between private parties through intermediaries not falling within paragraph (a) above.

When applied at the rate mentioned under (a) above, the amount of the transfer tax cannot exceed Euro 929.62 for each transaction.

#### 9. *Italian inheritance and gift tax*

Law No. 383 of 18 October 2001 (“**Law No. 383**”) has repealed inheritance and gift taxes. The inheritance tax has not been substituted by any other tax. The gift tax has not been substituted by any other tax.

However, for donees other than spouses, direct descendants or ascendants and other relatives within the fourth degree, if and to the extent that the value of the gift attributable to each such donee exceeds Euro 180,759.91, the gift of Notes may be subject to the ordinary transfer taxes provided for transfers for consideration.

Moreover, an anti-avoidance rule is provided by Law No. 383 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Legislative Decree No. 461. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

#### **EU Savings Directive**

On 3 June 2003 the EU Council of Economic and Finance Ministers (“**ECOFIN**”) adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 January 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State of the European Union (each a “**Member State**” and together, “**Member States**”) will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

## 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 Barclays Bank PLC, BNP Paribas, Caboto SIM S.p.A., Citigroup Global Market Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Indosuez, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, HSBC Bank plc, Lehman Brothers International (Europe), MCC S.p.A. – Capitalia Gruppo Bancario, Mediobanca-Banca di Credito Finanziario S.p.A., Merrill Lynch International, Mizuho International plc, Natexis Banques Populaires, Société Général, UniCredit Banca Mobiliare S.p.A. and UBS Limited (the “Dealers”). The arrangements under which Notes governed by English 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 9 December 2002 (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 2410 of the Italian Civil Code imposes limits on the total principal amount of Notes that Finmeccanica may have outstanding from time to time. Under current legislation, in force until 31 December 2003, an Italian joint stock company (*società per azioni*) whose shares are listed on a regulated stock market may issue notes up to an amount not exceeding the sum of its issued and paid up share capital and its reserves, as shown in the most recent financial statements approved at a shareholders’ meeting. Pursuant to Legislative Decree No. 6 of 17 January 2003 and with effect from 1 January 2004 under the new Article 2412 of the Italian Civil Code, the limits applicable to Finmeccanica have been increased and any joint stock company may issue up to an amount representing double the sum of its paid up share capital, its legal reserves and its distributable reserves. Furthermore, these limits will not apply, *inter alia*, in respect of any notes issued by a company whose shares are listed on a regulated stock market where the notes have been admitted to listing, 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 Pricing Supplement or neither if TEFRA is specified as not applicable in the relevant Pricing Supplement.*

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.

### **United Kingdom**

Each Dealer has represented and agreed that:

(a) *No offer to public:*

in relation to Notes which have a maturity of one year or more, it has not offered or sold and will not offer or sell any such Notes to persons in the United Kingdom prior to the expiry of the period of six months from the issue date of such Notes except 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 otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) *Accepting Deposits in the United Kingdom:*

in relation to any Tranche of Notes having a maturity of less than one year, (a) 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 (b) it has not offered or sold and will not offer or sell any such Notes other than to persons:

- (i) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (ii) 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 Financial Services and Markets Act 2000 (the “FSMA”) by the relevant Issuer;

(c) *Financial promotion:*

it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any 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 such Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuers or the Guarantor; and

(d) *General compliance:*

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

### **Republic of Italy**

The offering of Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Notes be distributed in Italy, except:

- (a) to professional investors (“*operatori qualificati*”), as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 as amended (“Regulation No. 11522”);
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (“Legislative Decree No. 58”) and Article 33.1 of CONSOB Regulation No. 11971 of 14 May 1999 as amended (“Regulation No. 11971”); or
- (c) to an Italian resident who submits an unsolicited offer to purchase any Notes.

Any offer, sale or delivery of any Notes or distribution of copies of this Offering Circular or any other document relating to any Notes in Italy under (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (“Legislative Decree No. 385”) and Legislative Decree No. 58;
- (b) in compliance with Article 129 of Legislative Decree No. 385 and the implementing guidelines of the Bank of Italy, pursuant to which the issue or offer of securities in Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities offered in Italy and their characteristics; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### **Luxembourg**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not publicly offer or sell any Notes in Luxembourg except for Notes listed on the Luxembourg Stock Exchange and other Notes for which the requirements of Luxembourg law concerning public offerings have been met.

### **Japan**

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken 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 person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **Switzerland**

Each Dealer has agreed that any issue of Notes denominated in Swiss Francs will be in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

### **The Netherlands**

- (I) (A) Notes (including rights representing an interest in a Note in global form) issued under the Programme by Finmeccanica Finance S.A. that are offered, as part of their initial distribution or by way of re-offering, in The Netherlands shall, in order to comply with the Netherlands Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*, hereinafter the “WTE”) only be offered:
  - (i) if such Notes have a denomination of at least EUR50,000 or the equivalent in any other currency provided that if any such Notes are issued:
    - (1) at a discount, they may only be offered if their issue price is no less than EUR50,000 (or its equivalent in any other currency);
    - (2) on a partly-paid basis, they may only be offered if paid-up by their initial holders to at least such amount;
    - (3) with a denomination of precisely EUR50,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium; or

- (ii) to individuals or legal entities situated in *The Netherlands* who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers, insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, “**Professional Investors**”), provided that it must be made clear both upon making the offer and in the applicable Pricing Supplement and in any documents or advertisements in which a forthcoming offering of such Notes is publicly announced (whether electronically or otherwise) that such offer is exclusively made to such Professional Investors.
- (II) (B) Notes issued under the Programme by Finmeccanica S.p.A. may not, at any time, directly or indirectly, be offered, sold, transferred or delivered, as part of their initial distribution or by way of re-offering into The Netherlands, unless in compliance with the Netherlands Act on the Supervision of Credit Institutions 1992 (*Wet toezicht kredietwezen 1992*) and the Netherlands Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*).
- (III) In addition and without prejudice to the relevant restrictions set out under (I) above, 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 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. 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.

#### **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, in connection with their initial distribution (i) it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and (ii) offers and sales of Notes will be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with, articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and *décret* no. 98-880 dated 1 October 1998.

In addition, 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 distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the Republic of France may be made as described above.

#### **Federal Republic of Germany**

Each Dealer has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the “**Act**”) of the Federal Republic of Germany has been or will be published with respect to the Notes and that it will comply with the Act and all other applicable legal and regulatory requirements. In particular, each of the Dealers has represented that it has not engaged and has agreed that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Act with respect to any Notes otherwise than in accordance with the Act.

#### **General**

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Pricing Supplement, no action has been or will be taken in any country or jurisdiction by the Issuers, the Guarantor or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that

purpose is required. Persons into whose hands the Offering Circular or any Pricing Supplement comes are required by the Issuers, 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 have in their possession or distribute such 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) or 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 relevant Issuer and, where applicable, the Guarantor. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

### **Listing**

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange and, in connection therewith, the Luxembourg Stock Exchange has assigned registration number 12658 to the Programme. Prior to the listing of any Notes, the constitutional documents of the Issuers and the legal notice relating to the issue will be deposited with the Registre de Commerce et des Sociétés à Luxembourg, where copies of these documents may be obtained upon request.

However, Notes may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange 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 1 December 2003. The update of the Programme and the giving of the guarantee contained in each of the Deed of Guarantee and the Italian Guarantee was authorised by a resolution of the Board of Directors of Finmeccanica passed on 12 November 2003. The issuance of any Notes by Finmeccanica if completed prior to 31 December 2003 requires the approval of its shareholders and prior to the first issuance of Notes by it under this Programme, Finmeccanica will seek such approval. Any issue of Notes completed after 1 January 2004 will no longer require the approval of the shareholders meeting of Finmeccanica.

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 Pricing Supplement relating thereto. The relevant Pricing Supplement 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.

### **Litigation**

Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuers, the Guarantor or any of their respective assets or revenues, nor are the Issuers or the Guarantor aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the Programme or the issue of the Notes thereunder.

### **No material change**

Save as disclosed in this Offering Circular and since the last day of the financial period in respect of which the most recent audited financial statements of the Issuers or, as the case may be, the Guarantor have been prepared, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuers or, as the case may be, the Guarantor or any Material Subsidiaries that is material in the context of the Programme or the issue of the Notes thereunder.

### **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 for (g), obtainable) during normal business hours at the Specified Office of the Fiscal Agent and of the Paying Agent in Luxembourg, 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 Offering Circular and any supplements thereto and any Pricing Supplement relating to Notes which are admitted to listing, trading and/or quotation by any listing 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 listing authority, stock exchange and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by the relevant Noteholders); and
- (h) the by-laws of Finmeccanica and 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 obtained during normal business hours at the Specified Office of the Fiscal Agent and of the Paying Agent in Luxembourg, 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<sup>(\*)</sup> prepared for Italian legal and statutory purposes in accordance with Italian accounting principles) beginning with such financial statements for the year ended 31 December 2002 and the six months ended 30 June 2003 and the Consolidated Quarterly Information beginning with such financial information for the quarter ended 30 September 2003; and
- (b) the most recently published International Consolidated Accounts (audited, consolidated annual financial statements and any unaudited consolidated interim financial statements published subsequently to such annual financial statements of Finmeccanica reclassified in a format which is consistent with International Practice) and derived from the Consolidated Accounts beginning with such financial statements for the year ended 31 December 2002; and
- (c) the audited, unconsolidated annual financial statements of Finmeccanica Finance and the unaudited, unconsolidated interim semi-annual financial statements of Finmeccanica Finance, beginning with such financial statements for the year ended 31 December 2002 and the six months ended 30 June 2003.

Finmeccanica Finance does not prepare consolidated financial statements.

(\*) The management report for the six month period ended 30 June 2003 of Finmeccanica, represented by the Interim Consolidated Balance Sheet and the Interim Consolidated Income Statement and related notes, were reviewed in accordance with auditing standards governing the review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of 31 July 1997.

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