

BASE PROSPECTUS

FINMECCANICA – SOCIETÀ PER AZIONI
(incorporated as a società per azioni under the laws of the Republic of Italy)

as Issuer

and in respect of Notes

issued by Finmeccanica Finance S.A., as Guarantor (where indicated in the relevant Final Terms)

FINMECCANICA FINANCE S.A.

(incorporated as a société anonyme under the laws of Luxembourg)

as Issuer

EUR 4,000,000,000 Euro Medium Term Note Programme

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "CSSF"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended, (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, for approval of this prospectus as (i) a base prospectus for Notes issued by Finmeccanica – Società per azioni ("**Finmeccanica**" or "**Finmeccanica S.p.A.**") and (ii) a base prospectus for Notes issued by Finmeccanica Finance S.A. ("**Finmeccanica Finance**") (together, the "**Base Prospectus**"), in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months after the date hereof. The payment of all amounts due in respect of the Notes issued by Finmeccanica Finance will be unconditionally and irrevocably guaranteed by Finmeccanica S.p.A. pursuant to the relevant Deed of Guarantee (as defined herein).

Application has been made to the Luxembourg Stock Exchange for non-equity securities ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange which is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, as amended, on markets in financial instruments during the period of 12 months after the date hereof. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer. By approving this Base Prospectus, the CSSF assumes no responsibility and does not give any undertaking as to the economic and financial soundness of any transaction under this Programme or the quality or solvency of the Issuers in accordance with article 7(7) of the Luxembourg law of 10 July 2005 on prospectuses for securities, as amended.

Notes issued under this Programme may be rated or unrated. Where the Notes are to be rated, the credit rating will be assigned by Moody's Investors Service, Inc. ("**Moody's**") and/or Fitch Ratings Limited ("**Fitch**") and/or Standard & Poor's Credit Market Services Europe Limited, a division of McGraw-Hill Companies Inc. ("**Standard & Poor's**"). Both Fitch and Standard & Poor's are established in the European Economic Area (the "**EEA**") and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**"). Moody's is not established in the EEA and is not certified under the CRA Regulation and the rating it will give to the Notes is endorsed by Moody's Investors Service Ltd., which is established in the EEA and registered under the CRA Regulation. Each of Fitch, Standard & Poor's and Moody's Investors Service Ltd. are included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation at www.esma.europa.eu/page/List-registered-and-certified-CRAs (date of last update 3 June 2013). Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued or, if any, to the relevant Issuer/Guarantor. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Notes issued under this Programme will be subject to a minimum denomination of EUR 100,000 (or its equivalent in another currency on the relevant Issue Date).

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuers and the Guarantor (as defined herein) to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

Arranger

BofA Merrill Lynch

Dealers

Banca IMI
Barclays
BofA Merrill Lynch
Commerzbank
Credit Suisse
HSBC
Mizuho Securities
NATIXIS
UBS Investment Bank

Banco Bilbao Vizcaya Argentaria, S.A.
BNP PARIBAS
Citigroup
Crédit Agricole CIB
Deutsche Bank
MEDIOBANCA – Banca di Credito Finanziario S.p.A.
MPS Capital Services
Société Générale Corporate & Investment Banking
UniCredit Bank

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IMPORTANT NOTICES

Each of Finmeccanica Finance and Finmeccanica (each, an "**Issuer**" and together, the "**Issuers**") and Finmeccanica in its capacity as guarantor in respect of Notes issued by Finmeccanica Finance pursuant to the relevant Deed of Guarantee (in such capacity, the "**Guarantor**") accepts responsibility for the information contained in this Base Prospectus. Each of the Issuers and the Guarantor declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or, to the extent that the information relating to that Tranche constitutes a significant new factor in relation to the information contained in this Base Prospectus, in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms, Supplements and Drawdown Prospectuses*" below.

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein (see "*Information Incorporated by Reference*") and, in relation to any Tranche (as defined herein) of Notes which is the subject of Final Terms, should be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each of the Issuers and the Guarantor has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus (including for this purpose, each relevant Final Terms) 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 (where applicable)) 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 Base Prospectus 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 (where applicable)) 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 Base Prospectus 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.

To the fullest extent permitted by law, none of the Dealers accepts any responsibility for the contents of this Base Prospectus or for any other statement made or purported to be made by a Dealer or on its behalf in connection with the Issuers or the Guarantor or the issue, listing and offering of the Notes. Each Dealer accordingly disclaims all and any liability whether arising in tort or in contract (or otherwise) which it might otherwise have in respect of this Base Prospectus or any such statement.

None of the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the listing, offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus 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 Base Prospectus 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.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by either of the Issuers or the Guarantor or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes.

Neither this Base Prospectus nor any Final Terms or any other information supplied in connection with the Programme or the issue of any Notes 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 Base Prospectus or any Final Terms or any other information material should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) and of the creditworthiness of either of the Issuers or the Guarantor and the Finmeccanica group.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. In particular, no action has been taken by any of the Issuers, the Guarantor, the Arranger or the Dealers which would permit a public offering of any Notes or distribution of this Base Prospectus or any related material in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any Final Terms or any advertisement or other offering material may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Base Prospectus or any Final Terms 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 Base Prospectus or any Final Terms 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. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed EUR 4,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (as calculated in accordance with the provisions of the Dealer Agreement as defined under "*Subscription and Sale*")). 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.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. **A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.**

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 the Republic of Italy.

In this Base Prospectus, unless otherwise specified, references to "**Member State**" are references to a Member State of the EEA, references to "**EUR**", "**€**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**U.S.\$**", "**U.S. Dollar**", "**USD**" or "**\$**" are to the lawful currency of the United States of America, references to the "**Pre-Merger Finmeccanica Finance**" are to the entity named Finmeccanica Finance S.A. prior to its merger (the "**Merger**") by incorporation pursuant to Luxembourg Law into Aeromeccanica S.A. and references to "**Finmeccanica Finance**" and "**Finmeccanica Finance S.A.**" shall mean the Merged Finmeccanica Finance (as defined below).

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Base Prospectus 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.

STABILISATION

The Stabilising Manager(s), acting as such in connection with the issue of any Tranche of Notes, shall comply with all relevant laws, regulations and directives. References in the next paragraph to "this issue" are to each Series in relation to which each Stabilising Manager is appointed.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) or persons acting on behalf of the Stabilising Manager(s) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Base Prospectus regarding the Group's business financial condition, results of operations and certain of the Group's plans, objectives, assumptions, expectations or beliefs with respect to these items and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: the Group's strategy and the Group's ability to achieve it; expectations regarding revenues, profitability and growth; plans for the launch of new services, businesses and activities; the Group's possible or assumed future results of operations; research and development, capital expenditure and investment plans; adequacy of capital; and financing plans. The words "aim", "may", "will", "expect", "anticipate", "believe", "future", "continue", "help", "estimate", "plan", "intend", "should", "could", "would", "shall" or the negative or other variations thereof as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements. In addition, this Base Prospectus includes forward-looking statements relating to the Group's potential exposure to various types of market risks, such as foreign exchange rate risk, interest rate risks and other risks related to financial assets and liabilities. These forward-looking statements have been based on the Group's management's current view with respect to future events and financial performance. These views reflect the best judgment of the Group's management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in such forward-looking statements and from past results, performance or achievements. Although the Group believes that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By

their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-thinking statements. Prospective investors are cautioned not to place undue reliance on these forward-looking statements. None of the Issuer or the Group undertakes any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof. Prospective purchasers are also urged carefully to review and consider the various disclosures made by the Issuer and the Group in this Base Prospectus including any document incorporated by reference herein which attempt to advise interested parties of the factors that affect the Issuer, the Group and their business, including the disclosures made under the sections headed "*Risk Factors*", "*Finmeccanica Finance S.A.*" and "*Finmeccanica and the Finmeccanica Group*".

Neither the Issuers nor the Guarantor intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuers, the Guarantors or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Base Prospectus including any document incorporated by reference herein. As a result of these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

INDUSTRY AND MARKET DATA

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Group's business contained in this Base Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Group's knowledge of its sales and markets. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Group to rely on internally developed estimates. While the Group has compiled, extracted and, to the best of its knowledge, correctly reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Group nor the initial purchasers have independently verified that data. The Group cannot assure investors of the accuracy and completeness of, and takes no responsibility for, such data other than the responsibility for the correct and accurate reproduction thereof. Similarly, while the Group believes such information to be reliable and believes its internal estimates contained in such information to be reasonable, they have not been verified by any independent sources and the Group cannot assure investors as to their accuracy. Undue reliance should therefore not be placed on such information. In addition, information regarding the sectors and markets in which the Group operates is normally not available for certain periods and, accordingly, such information may not be current as of the date of this Base Prospectus.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of each of the Issuers and the Guarantor and the industry(ies) in which each of them operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below, including any document incorporated by reference herein. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

Prospective investors should note that the risks relating to each of the Issuers and the Guarantor, the industry(ies) in which each of them operates and the Notes described herein are the risks that each of the Issuers and the Guarantor believes, based on information currently available to it, to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Notes. Most of these factors are contingencies which may or may not occur and neither the Issuers nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.

Each of the Issuers and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers or the Guarantor to pay interest, repay principal or pay other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuers or the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Additional risks and uncertainties relating to the Issuers and the Guarantor and the industry(ies) in which each of them operates that are not currently known to the Issuers and the Guarantor, or that any of them currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of any of the Issuers and the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus including any document incorporated by reference herein and reach their own views, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUERS' AND/OR THE GUARANTOR ABILITY TO FULFIL THEIR OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risks relating to the current economic and political conditions and to the industries in which the Finmeccanica Group operates

Risks related to the European sovereign debt crisis and the political uncertainties regarding the Eurozone. The escalation of the sovereign debt of certain European countries could lead to instability of the Euro and the Eurozone

Since the second half of 2007, disruption in the global credit markets has created increasingly difficult conditions in the financial markets. These conditions have resulted in decreased liquidity and greater volatility in global financial markets, and continue to affect the functioning of financial markets and to impact the global economy. In particular, in 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Portugal, Spain and Italy, which created concerns about the ability of these European Union states to continue to service their sovereign debt obligations. Despite measures taken by several governments, international and supranational organisations and monetary authorities to provide financial assistance to Eurozone countries in economic difficulty and to mitigate the possibility of default by certain European countries on their sovereign debt obligations, concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, including the Republic of Italy, and their ability to meet future financial obligations, given the different economic and political circumstances in each member state of the Eurozone. It remains difficult to predict the effect of these measures including, *inter alia*, austerity programmes on the economy and on the financial system, how long the crisis will persist and to what extent the European companies' business, results of operations and financial condition may be adversely affected. Even if such measures are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding

the ability of Eurozone states to continue to service their sovereign debt obligations. Further, even if such long-term structural adjustments are ultimately implemented, the future of the Euro in its current form, and with its current membership, remains uncertain.

The exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies to which the foregoing could lead, could have a detrimental impact on the global economic recovery and the repayment of sovereign and non-sovereign debt in these countries, including Italy, as well as on the financial condition of European institutions (both financial and corporate).

There can be no assurance that the difficulties in the European market will not worsen, nor can there be any assurance that current or future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets and secure the position of the Euro. The continuing difficulties and slowdown in the economy, the substantial bailouts of financial and other institutions by governments as well as measures designed to reignite economic growth have led to significant increases in the debt of several countries. As a consequence, various countries of the Eurozone (including Italy) have had their credit ratings downgraded in recent months by the main rating agencies due to the escalation of their sovereign debt levels, political uncertainty regarding reform prospects of the Eurozone and concern over the Eurozone's increasingly weak macroeconomic prospects. In particular, the credit ratings ascribed to the Issuers may potentially be exposed to the risk of reductions in the sovereign credit rating of the Republic of Italy, considering that the Republic of Italy currently holds a significant interest in Finmeccanica.

As a result of the foregoing, the Issuers' and Guarantor ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Finmeccanica Group may be adversely impacted and costs of financing may significantly increase. This could materially and adversely affect the business, results of operations, liquidity and financial condition of the Finmeccanica Group, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

The Finmeccanica Group's business, financial condition, results of operations and liquidity may be adversely affected by a continuation or worsening of the current unfavourable global economic conditions and the current disruption in the global credit market

Conditions in Euro-zone countries deteriorated in 2011 amid rising yields on certain sovereign debt instruments issued by certain Euro-zone states, including the Republic of Italy, and the market perception that the single European currency was facing an institutional crisis of confidence related to contagion from sovereign debt. Such deterioration continued in 2012 and raised concerns regarding the financial condition of European financial institutions and, in particular, their exposure to such countries and such concerns may have an impact on the ability of the Issuers to fund their businesses via such financial institutions in a similar manner and at a similar cost to the funding raised in the past. Due to these concerns, the financial markets and the global financial system in general were impacted by significant turmoil and uncertainty resulting in wide and volatile credit spreads, in particular on the sovereign debt of many European Union countries, a fall in liquidity and a consequent increase in funding costs, difficulties in accessing the market as well as increased instability in the bond and equity markets and a lack of price transparency in the credit markets. Changes in financial and investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the financial performance of the Finmeccanica Group. In addition, credit has also contracted in a number of major European markets, including Italy, and global unemployment rates have increased significantly. A continued economic slowdown, stress in the financial condition of both the public and the private sectors, recession or loss of consumer demand could result in a decline in sales in the territories in which the Group carries on its business and is likely to have a material adverse effect on its financial condition and results of operations. If these conditions continue, or worsen, such conditions could negatively affect the financial performance of the Finmeccanica Group and its ability to raise funding in the debt capital markets and/or access bank lending markets in the countries and currencies in which we borrow on financial terms acceptable to the Group, particularly in those countries that are most significantly impacted. Furthermore, the credit ratings ascribed to the Issuers may potentially be exposed to the risk of reductions in the sovereign credit rating of the Republic of Italy, particularly considering that the Republic of Italy currently holds a significant interest in Finmeccanica.

The Finmeccanica Group's revenues mainly depend (directly and/or indirectly) on government spending. The persistence of the economic crisis, with the consequent reduction in government spending, would harm the Finmeccanica Group's business, results of operations and financial conditions

A substantial portion of the customers of Finmeccanica and its subsidiaries (the "**Finmeccanica Group**" or, alternatively, the "**Group**") consists of governments, public institutions and companies that, in turn, rely on government spending to purchase Finmeccanica's products and services. In addition, some of Finmeccanica Group's business segments depend on programmes supported by the European Union, including programmes carried out through the European Space Agency.

Government programmes may be delayed or amended. Accordingly, Finmeccanica often faces uncertainties in preparing its plans and managing its resources. In addition, government spending programmes, even if previously approved, are generally subject to yearly review and adjustments and may therefore be suspended or cancelled at any time, in particular in periods with high instability such as the period that the global economy is currently facing.

Changes in political or public support for security and defence programmes may affect related government programmes. For instance, the United States government may unilaterally modify or cancel its direct or indirect contracts in which case, the portion of Finmeccanica's order backlog represented by United States government contracts would be cancelled or reduced at the option of the United States government. Finmeccanica's exposure to this risk has increased with the acquisition of DRS Technologies ("**DRS**"), a U.S. company active in the integrated defence and security electronics products and services industry purchased by Finmeccanica Group in 2008, which derives a substantial majority of its revenues from contracts with United States government agencies (as described in detail below in the paragraph headed "*Finmeccanica is strongly exposed to undergoing reductions in the defence budget, in particular upon the DRS acquisition of the U.S. Defence budget*").

The Italian and the United Kingdom governments – as well as the U.S. government (see below) – have adopted measures aimed at the reduction of public expenditure. As those countries represent Finmeccanica's main customers, Finmeccanica's cash collection expectations may decline, particularly in the Defence and Security Electronic segment, and its ability to acquire new orders from such governments may be harmed.

The worsening of the reference economic scenario and of the current economic situation, with a possible negative review of the expense budgets of public authorities that spend in the sectors in which the Finmeccanica Group operates, together with possible delays in the timing of payments (due to, *inter alia*, by eventual lack of liquidity) might negatively affect not only the revenues and results of the Group, but also its debt position, due to lower receipt of advances or down payments on new orders.

As a consequence of all above factors, the Finmeccanica Group's results of operations, cash flow and business prospects may be materially harmed. Furthermore, due to worldwide competitive pressure, it is not certain that the Group will be able to replace possible declines of new orders in its domestic markets with new orders awarded in developing countries that are increasing their Government spending in the Defence and Security Electronics sectors.

Finmeccanica is strongly exposed to undergoing reductions in defence budgets, in particular upon the DRS acquisition of the U.S. Defence budget

Key defence markets from which the Finmeccanica Group generates a material percentage of its revenues, like Italy, the U.S. and the United Kingdom face uncertain budget outlooks.

In particular, a portion of the U.S. Defence budget has been affected by significant reductions and is still exposed to further reductions under the Budget Control Act approved in 2011. The Act identified - *inter alia* - the need for an additional U.S.\$ 2.1 trillion cuts over the 2013 – 2021 period to be identified by a joint committee and setting the so-called "automatic sequestration mechanism" as an incentive for Congress to act.

Based on this mechanism, the difference between total cuts under the Budget Control Act and those already identified by the Congress is recovered through linear cuts across the spending capacity of each administration, excluding a few cost items. With particular reference to the Defence budget, these linear

cuts totalled about USD 500 billion in the 2013 – 2021 period¹. The amount of the cuts attributable to each single programme and each cost item will be the result of the analyses and prioritization that will be carried out by the government and the agencies affected.

The reduction in the U.S. Defence budget has caused a reduction in the current and expected results of DRS. Any such further reduction may materially harm DRS and the Finmeccanica Group's results of operations, cash flow and business prospects.

The persistence of the economic crisis and a reduction in new orders could reduce the Finmeccanica Group's profitability and its ability to generate cash flow even in the "civil" sectors in which it operates

The persistent economic crisis not only involves budget cuts by public institutions – which represent a significant portion of the Finmeccanica Group's customers – but significantly affects, in addition to the "defence" market, the so called "civil" markets, in particular civil helicopters, civil aeronautics, transportation and energy sectors. The Finmeccanica Group is dependent in particular on a high level of new order intake. Delays or reductions in the acquisitions of new orders, or the acquisition of new orders on less favourable terms and conditions than in the past may negatively affect the future cash flow generation, the financial indebtedness and the profitability of the Finmeccanica Group (see also “*The Finmeccanica Group's operating and financial performance may be adversely affected by lack of or delays in the award of long-term contracts or cancellation/modification of existing contracts*”, below).

Changes in the political and economic climate of countries in which the Finmeccanica Group is operating would harm its business, results of operations and financial conditions

The Finmeccanica Group is active in several countries that are suffering political, social and economical instability. Such countries may be subject to (i) high inflation and volatile exchange rates, (ii) weak bankruptcy and creditor protection law and (iii) limitations on investments and export/import of assets. In addition, those countries may be exposed to the risk of social unrest and political upheavals as recently occurred in 2011 in several North African countries (e.g. Tunisia, Libya, Egypt and Algeria) in which turmoil has yet to overcome. Because of such political, social and economic instability, the Finmeccanica Group's activity in those countries may be adversely affected in a way that is material to the Finmeccanica Group's financial position and results of operations.

The businesses segments in which the Finmeccanica Group operates are characterised by intense competition. The current economic situation may enhance competition levels particularly in emerging countries, causing strong pressure on prices and consequently impacting on Finmeccanica's business, results of operations and financial conditions

The businesses segments in which the Finmeccanica Group operates are characterised by intense competition. The competitive dynamics and profitability levels of these markets are affected by the balance between production capacity, long term demand and costs of production. A cyclical weakness in the industry, a significant decrease in demand, the increased in costs for production or the addition of new more efficient capacity by established players or new entrants might lead to overcapacity and enable such players to sustain more aggressive pricing policies, resulting in a reduction in the Finmeccanica Group's orders. All market participants may actually take advantage of lower cost structures, economies of scale and other synergies; the foregoing may lead to lower prices in the industry and result in Finmeccanica Group's loss of market shares should the Group be unable to successfully implement similar efficiencies process. As a result, reduced sales volumes and/or a decrease in prices may occur which could have an impact on the overall operating profitability of the Finmeccanica Group.

In addition, due to the economic crisis which is particularly affecting Western countries, which are reducing their level of expenditure, competition levels in emerging countries may be stronger than in the past. The necessity to achieve commercial success in these areas – along with the objective to compensate reduction in volumes on domestic markets – may drive the acquisition of new orders on less favourable terms than in the past, affecting Finmeccanica Group profitability and increasing the Finmeccanica Group's borrowing requirements during the performance of such orders.

¹ Source: IHS Janes (global information company, <http://www.ih.com/index.aspx>).

Finmeccanica incurs and expects to continue to incur substantial research and development costs (although partially supported by government loans, grants and subsidies), which may not lead to satisfactory returns or to successful new products in line with changing market demand. Furthermore, technological change could render some products of the Finmeccanica Group less useful or obsolete.

The business environment in many of the Finmeccanica Group's principal operating segments requires extensive research and development expenses to keep pace with rapid technological and market changes.

Finmeccanica's growth depends on penetrating new markets, adapting existing products to new requirements and introducing new products that achieve market acceptance. To this extent, Finmeccanica incurs substantial research and development costs: the Finmeccanica Group spent Euro 1,929 million, or 11 per cent. of its consolidated revenue as of 31 December 2012 (Euro 2,020 million, or 12 per cent. of revenue in the year ended 31 December 2011) and Euro 856 million, or 11 per cent. of its consolidated revenue as of 30 June 2013 (Euro 943 million, or 12 per cent. of revenue in the six month period year ended 30 June 2012) on research and development activities and expects to continue to spend significant funds on research and development in the future.

Finmeccanica usually funds its research and development activities through its own funds, advances from customers and public grants.

The strong pressures on public budgets have already reduced and could further reduce public grants for R&D activities. Should there be a decrease in the funds available for the Finmeccanica Group's operations, whether from customer advances (for example if customers cancel the relevant contracts) or from government grants, the Finmeccanica Group may not be able to continue an adequate level of research and development activity which would harm its ability to develop new products and, accordingly, negatively affect the Finmeccanica Group's future results. In particular, this may negatively affect the Finmeccanica Group's future results and financial position.

The increase of the research and development portion accounted as an operating expense may adversely affect Finmeccanica's earnings. In addition, research and development absorbs a significant portion of Finmeccanica's cash flow.

In any case, Finmeccanica's research and development programme may not guarantee and produce successful results, and its new products may not achieve market acceptance, create additional revenue or become profitable, which could materially harm Finmeccanica's business, result of operations and financial condition.

In addition, since the Group operates in a business environment subject to rapid technological changes, products and services may be rendered less competitive (or, in the worst case, obsolete) if the Finmeccanica Group fails to develop new technologies and products in pace with market demand and industry. Such failure would be particularly likely if the Finmeccanica Group was unable to continue funding research and development, or if government support for research and development activities was significantly decreased or was curtailed.

Risk factors relating to Finmeccanica's financial results and position

The Finmeccanica Group reported significant operating losses in the recent past. Returning to profitability and a fully sustainable financial position is connected to the success of the reorganisation plan (including, inter alia, a non-core assets disposal plan) launched by management

In 2011, management launched a plan to reorganise certain business segments of the Group, namely the Aeronautics, the Defence Security and Electronics and the Transportation business segments. Such reorganisation is *in primis* aimed at improving the industrial efficiency of such business segments and at restoring the cash flow generation and overall level of profitability. The reorganisation plan entails relevant changes in the industrial organization, site footprint and supply chain management of specific business lines and impacts the organization at all levels, both productive (such as engineering and manufacturing) and staff functions. The implementation of the plan has continued, certain improvements have been achieved but a number of objectives are still pending, particularly in Defence and Security Electronics and in the rolling stock sector which has experienced significant losses in the recent past (and such difficulties still persist). The on-going delays in this process (including the sale of assets discussed below) will cause that the anticipated improvement in the Group's leverage position will not materialise

in the expected time frame. There can be no assurance that the reorganisation plan will be timely and fully implemented. If this plan is not successfully and timely implemented, the Finmeccanica Group's ability to compete in the global markets, as well as its financial stability and credit rating (as occurred in the recent past) could be further negatively affected.

Risks relating to the adequacy of the Finmeccanica Group's provisions for divestitures, restructuring, guarantees and shareholdings

The Finmeccanica Group has made provisions in its consolidated financial statements, relating to guarantees given, restructurings, penalties, product guarantees and other items. The Finmeccanica Group believes that such provisions appropriately cover the related probable and quantifiable risks. Finmeccanica's provisions, recorded in the consolidated financial statements for the six months ended 30 June 2013, amounted to Euro 2,386 million, compared to Euro 2,428 as of 31 December 2012. The current level of provision has been mainly affected by programmes covered in the Aeronautics sector.

Estimates of the impact of future changes in contracts and production programmes, restructurings and divestiture expenses and of risks related to relevant items are based, however, on expectations, beliefs and assumptions regarding future developments that are subject to inherent uncertainties.

Accordingly, Finmeccanica may have to further adjust the value of some of its assets or increase its provisions if its current expectations, beliefs and assumptions prove to be wrong or make further provisions relating to the categories of risks discussed above.

Finmeccanica's plan to dispose of selected assets and concentrate on its core business is exposed to execution risk, given the current uncertain economic and financial conditions and the nature of the assets

The Finmeccanica Group's reorganisation strategy launched by Finmeccanica includes the implementation of certain asset disposals in particular in the Energy and Transportation businesses of the Finmeccanica Group. The disposal strategy has the objective of focussing the business of the Finmeccanica Group on its strategic sectors, to better exploit its investments and technological excellences, while achieving sustainability in the long-term and reducing the current financial leverage. As at the date hereof, the targeted disposals have not yet been realised, save for the disposal of the aero engine division of Avio S.p.A. and Ansaldo Energia (for further information on the disposal of the shareholding in Ansaldo Energia, see "*Finmeccanica and the Finmeccanica Group - Recent developments*", below). Considering the present economic and financial conditions characterised by high volatility and low predictability, as well as the nature, size and structure of the assets and participations to be disposed, it may prove to be challenging to find buyers and this may cause the need to reassess the reorganisation strategy of the Finmeccanica Group. Furthermore, timing and conditions of such envisaged disposal or of any other substitute strategy are not predictable. The foregoing may give rise to, *inter alia*, the consequences described in "*The Finmeccanica Group reported significant operating losses in the recent past. Returning to profitability and a fully sustainable financial position is connected to the success of the reorganisation plan (including, inter alia, a non-core assets disposal plan) launched by management*", above.

Any write-down of intangible assets may harm Finmeccanica's results of operations and financial condition

Finmeccanica's balance sheet includes significant amounts recorded as intangible assets, in particular with respect to development costs and goodwill. Assets of indefinite life are subject to an "impairment test" at least once a year. Equally, for items subject to amortisation, the impairment tests are carried out whenever there are indications that there may have been a loss in value. These evaluations are based on estimates of future cash flows and applicable discount rates. Any significant discrepancies between the estimates and actual developments and any change to expected future cash flows may have a materially adverse effect on the Finmeccanica Group's results of operations and financial condition. In 2012 and 2011, the goodwill attributed to the Defence and Security Electronics segment was impaired by Euro 1,849 million, mainly as a consequence of the U.S. budget reductions affecting DRS.

As of 31 December 2012, the Finmeccanica Group reported intangible assets of Euro 7,388 million, of which Euro 4,384 million relates to goodwill (14 per cent. of total assets) and Euro 1,507 million to

development costs including non-recurring costs, compared to total intangible assets of Euro 8,409 million as of 31 December 2011.

Should additional cuts apply to the programmes performed or expected to be performed by the Finmeccanica Group this could lead to additional impairment losses.

Finmeccanica's business is dependent on the price, quality, availability and timely delivery of certain components from suppliers

Finmeccanica's business is affected by the price, quality, availability and timely delivery of the component parts that it uses to manufacture its products. Finmeccanica's business, therefore, could be adversely impacted by factors affecting its suppliers (such as the destruction of suppliers' facilities or their distribution infrastructure, a work stoppage or strike by suppliers' employees or the failure of suppliers to provide materials of the requisite quality), or by increased costs of such components.

The Finmeccanica Group's operating and financial performance may be adversely affected by lack of or delays in the award of long-term contracts or cancellation/modification of existing contracts

Although the Finmeccanica Group enjoys a significant order backlog, the long-term sustainability of Finmeccanica's economic and financial performance depends on its ability to perform its existing contracts and to enter into new long-term contracts. Given the nature of the Group's customers (e.g., public administration and entities which operate in a highly regulated environment) as well as the complexity and the cutting-edge technological content of the contracts, the Group's existing long-term contracts may be affected by disputes with customers which may put in danger the regular performance of the obligations arising thereunder. In addition, Finmeccanica's contracts may not be renewed as occurred in the Defence and Security Electronics segment in the U.S. (due to military budget constraints in the U.S.) or modified as occurred in Italy by Law Decree No. 101 of 31 August 2013, which modified certain terms and condition of the SISTRI (*Sistema Integrato di controllo della tracciabilità dei rifiuti*) contract². Similar events have occurred, *inter alia*, in India in relation to the supply of twelve helicopters to the Indian Government, in some North-African Countries and in certain Northern European countries for rolling stock (in this respect, see "*Finmeccanica and the Finmeccanica Group - Litigation*", below and the section No. 13 of the explanatory notes headed "*Provisions For Risks and Contingent Liabilities*" of the Finmeccanica 2013 Half-Year Financial Report incorporated by reference into this Base Prospectus).

Furthermore, no assurances can be given that the Finmeccanica Group will enter into new contracts to permit it to carry on its core businesses or that any new contract entered into or renewed will be on terms and conditions similar to those of its current contracts. The award of new contracts is subject to competition and is affected by factors outside of Finmeccanica's control such as governmental spending decisions and administrative procedures. Any failure to secure or any delay in securing a consistent number of long-term contracts or any interruption, suspension or termination of existing contracts may cause an insufficient workload that would adversely affect the operating and financial position of Finmeccanica.

The Finmeccanica Group's business segments derive significant revenue from medium and long-term contracts and programmes, often in the form of fixed-price contracts. Differences between estimated costs and actual costs may harm Finmeccanica's operating results, as may disputes over the performance of such contracts

The Finmeccanica Group's business activities depend to a large extent upon medium and long-term contracts and programmes. In order to recognise revenue and margins resulting from such contracts and programmes in the income statement of each period, the Finmeccanica Group adopts the percentage-of-completion method, which requires: (i) an estimate of the costs necessary to carry out the required activities, including risks for delays and additional activities to be implemented in order to mitigate the risks of non-performance and (ii) checking the state of progress of the activities, including with respect to preoperative development costs.

² The SISTRI tracking system was activated on 1 October 2013 for companies dealing with hazardous waste, whilst for initial producers of hazardous waste and for government agencies and all other companies the startup system has been set for 3 March 2014. The Ministry of the Environment and Protection of Land and Sea will extend the services provided by SISTRI to other categories of producers of waste.

Finmeccanica periodically conducts a review of its estimated costs to complete existing contracts and if such review suggests that higher costs will be incurred, appropriate adjustments are recorded on Finmeccanica's balance sheet in accordance with IFRS accounting principles. If the expenditure overrun in the future exceeds for whatever reason the estimated costs, Finmeccanica's results will be materially adversely affected in future periods.

Differences between the estimated costs and actual costs can have a substantial negative impact on Finmeccanica's financial position and results of operations. These differences may arise from a number of factors including production delays, cost overruns and other items.

An unexpected increase in the costs incurred while performing the contracts might determine a significant reduction in profitability or a loss, if these costs exceed the revenues deriving from the contract.

The Finmeccanica Group's operating and financial performance may be harmed as a consequence of breaches of its contractual commitments

The timely and satisfactory execution of Finmeccanica's contractual commitments depends upon numerous factors, including the Finmeccanica Group's ability to develop the technologies necessary to provide, directly or through third parties, the products and services required by its customers.

The failure by Finmeccanica Group to deliver, in a timely manner or at all, the products and services it is obliged to deliver, or any fault in contract execution (including as a result of delays or breaches by the Finmeccanica Group's suppliers), may lead to higher costs or penalties or the calling of performance bonds. This may negatively affect the Finmeccanica Group's operating and financial performance. In particular, the complexity of the B787 programme in the Aeronautics segment, that required structural challenges and a technological procedures review generating additional costs, may lead in the future to further claims with the final customers. Also the Transportation segment (with specific regards to the rolling stock sector) has faced, and may continue to face in the future, difficulties in performing in compliance with its contractual requirements.

In addition, Finmeccanica's credit exposure includes indemnities by the Finmeccanica Group in connection with bank guarantees issued in favour of its customers. These bank guarantees, which are typical in long-term production contracts, include performance guarantees and guarantees for advance payments. If these bank guarantees were to be called in, the Finmeccanica Group would be required to indemnify the banks, which event could have a negative effect on Finmeccanica's financial position and results of operation.

The Finmeccanica Group has incurred significant indebtedness, has recently incurred losses in certain segments of business and suffered a low level of free cash-flow. The foregoing could have an impact on the Finmeccanica Group's operational and financial strategies

As at 31 December 2012, the Finmeccanica Group's net financial debt amounted to Euro 3,373 million, equal to 90 per cent. of the shareholders' equity as at that date compared to Euro 3,443 million, equal to 75 per cent. of total shareholders' equity as at 31 December 2011.

This level of debt is mainly attributable to the acquisition in 2008 of DRS, which caused the Finmeccanica Group's debt to rise by Euro 3.6 billion. Following this acquisition, Finmeccanica reduced its impact through a successful capital increase, the sale of non-core assets and a debt renewal through the issue of bonds in Europe and in the United States of America. The debt level is also high in consideration of the low level of free-cash flow of the Group that may be applied towards reduction of the outstanding financial indebtedness. Such low level of free-cash flow results from a high level of investments in research and development in new products and technologies (which is higher than Finmeccanica's main competitors) as well as from low profitability and losses in certain segments of business experienced in the recent past (such as in the transportation sector) and high working capital requirements, particularly during the course of the year when the average outstanding net financial position is materially higher than at year-end (see "Finmeccanica's largest customers typically pay towards the financial year end, therefore increasing Finmeccanica's reliance on debt financing for short term working capital requirements" below). In addition, the current debt level reduces the Finmeccanica Group's profitability because of higher interest rate expenses. High debt levels could influence the Finmeccanica Group's strategy, limiting its operational and strategic flexibility. Potential future liquidity crises could also restrict the Finmeccanica Group's ability to repay its indebtedness at maturity.

The Finmeccanica's credit ratings may materially impact its funding ability and adversely affect the Finmeccanica Group's operations, results and financial condition

As of the date of this Base Prospectus, Finmeccanica's credit ratings are: "Ba1", "negative outlook" from Moody's Investors Service, Inc. ("**Moody's**"), "BB+" with a "negative outlook" from Fitch Ratings Limited ("**Fitch**") and "BB+" with a "stable outlook" from Standard & Poor's Credit Market Services Europe Limited, a division of McGraw-Hill Companies Inc. ("**Standard & Poor's**"). As at the date hereof each of Moody's, Fitch and S&P consider Finmeccanica a non-investment grade company.

In particular, on 18 January 2013, S&P lowered Finmeccanica's credit rating from "BBB-" with a negative outlook to "BB+" with a stable outlook; such sub-investment grade is mainly attributable to the longer than expected timing in the execution of the disposal plan launched by Finmeccanica in 2011 and to, *inter alia*, weak financial ratios. On 16 July 2013, Fitch has downgraded Finmeccanica's credit rating from "BBB-" with a negative outlook to "BB+" with a negative outlook; such downgrade reflects Fitch's view that the previously assumed improvements in the financial profile relating to de-leveraging and underlying cash generation in the short term are unlikely to be achieved. On 19 September 2013, Moody's further downgraded Finmeccanica's credit rating from "Baa3" with a negative outlook to "Ba1" with a negative outlook, after having applied its Government Related Issuer (GRI) methodology, while the credit rating assigned (the Baseline Credit Assessment) without the GRI support was Ba2. Such downgrade reflects, *inter alia*, expectation of Moody's "of a slower pace of improvement in Finmeccanica's overall operating performance and credit profile, particularly given some outsized constraints in certain areas, and even in consideration of pending asset sales and ensuing debt repayments with the net proceeds generated therefrom".³

These ratings could be changed by the rating agencies based not only on the progress of Finmeccanica's reorganisation–disposal programmes, but also, *inter alia*, if the corporate governance actions taken by the Finmeccanica Group (in this respect see "*Finmeccanica and the Finmeccanica Group - Corporate Governance*", below) will be adequate to deal with the Finmeccanica Group's recent corporate governance problems including, without limitation, criminal investigations and proceedings referred to under "*Certain companies of the Finmeccanica Group are involved in judicial investigations and criminal proceedings*" below or in the event of a further deterioration in the environment and/or a further downgrade of the sovereign credit rating of the Republic of Italy, particularly considering that the Republic of Italy currently holds a significant interest in Finmeccanica.

The credit rating level currently assigned to Finmeccanica (which is a non-investment grade company for each of Moody's, Fitch and S&P) severely limit the Finmeccanica Group's companies access to new funding sources. A further downgrade of the credit rating of Finmeccanica could still further jeopardise the Finmeccanica Group's companies access to new funding sources to satisfy its bonds needs or refinance its outstanding indebtedness (including, without limitation, the 2.4 billion revolving facility maturing in September 2015) and/or increase its borrowing costs for existing and future loans/bonds. If it is the case, the foregoing would have a negative impact on the Finmeccanica Group's operations, business prospects and its performance and financial results.

In light of market conditions and other predictable and/or unpredictable factors, the Finmeccanica Group may not be able to generate or raise sufficient financial resources to meet its operational financing and refinancing needs when due. This financing, if available at all, may be more costly than the current arrangements and at terms and conditions less favourable and more onerous than the current arrangements in terms of covenants and other restrictions, adversely affecting the Finmeccanica Group's operations, results and financial condition.

Funding risks

The Finmeccanica Group's ability to borrow from banks or in the capital markets to meet its financial requirements and fund its working capital is dependent, *inter alia*, on favourable market conditions and may be severally affected by the Finmeccanica's rating (see also, "*The Finmeccanica's credit ratings may materially impact its funding ability and adversely affect the Finmeccanica Group's operations, results and financial condition*" above). In the absence of cash proceeds from the disposal of selected assets (see also "*The Finmeccanica Group reported significant operating losses in the recent past. Returning to*

³ Source: Press release published by Moody's on 19 September 2013 entitled "Moody's lowers Finmeccanica's senior unsecured debt rating to Ba1, from Baa3".

profitability and a fully sustainable financial position is connected to the success of the reorganisation and non-core assets disposal plan launched by management" above) and favourable market conditions, to meet its financial needs Finmeccanica will rely on available free cash flow provided that its generation is restored together with the overall profitability. If sufficient sources of debt financing are not available in the future for these or other reasons, the Finmeccanica Group may be unable to meet its financing/refinancing requirements, which could materially and adversely affect its operations, results of operations and financial condition and impact on Finmeccanica's ability to fund its working capital and to refinance existing indebtedness at maturity (including, without limitation, the 2.4 billion revolving facility maturing in September 2015). The Group's approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources; however, these measures may not be sufficient to fully protect the Group from such risk.

The Finmeccanica Group operates in industries demanding high working capital and may be adversely affected by changes in terms of credit and payment

The Finmeccanica Group is required to maintain a high level of working capital because its business activities are characterised by long product development periods and production cycles. The Finmeccanica Group usually finances its working capital requirements mainly through arrangements with customers (*i.e.* advance payments), and suppliers and public financing. The scope and quantity of the Finmeccanica Group's transactions with government and government-related entities has, from time to time, increased working capital requirements because of a deterioration in the terms of payment. Delays in payment under on-going contracts or in disbursements under its financing arrangements and/or in particular, reduction of advance payments due to lower order intake could adversely affect the working capital of the Finmeccanica Group and materially increase the amount of working capital to be funded through external debt financings.

The overall productivity of the consortia in which Finmeccanica participates depends in part on Finmeccanica's partners performing their obligations

Finmeccanica performs a substantial portion of its business as a prime contractor or subcontractor in consortia. As prime contractor, Finmeccanica assumes its responsibility towards the customer in respect of work to be performed by its partners, whom Finmeccanica does not control. Failure by any of Finmeccanica's partners to perform their obligations may affect Finmeccanica's ability or the ability of the consortia to perform their respective obligations, impairing the consortia's overall productivity and Finmeccanica's ability to perform its obligations as the prime contractor. Subcontractor performance deficiencies could result in a customer terminating a contract for default, therefore exposing Finmeccanica to liability, including pursuant to penalty clauses, which would have a material adverse effect on Finmeccanica's results of operation and financial condition and Finmeccanica's ability to compete for future contracts and orders.

Fluctuations in exchange rates could harm Finmeccanica Group's operating results and financial condition

Because of Finmeccanica's substantial international sales, fluctuations in the exchange rate of the Euro, which is the Finmeccanica's Group reporting currency, against other currencies, mainly U.S. dollar and Sterling, can have a significant impact on Finmeccanica's revenues and operating results. In particular, because the Finmeccanica Group's U.S. dollar and Sterling denominated revenues are higher than the costs incurred in those currencies, a decrease in the value of the U.S. dollar and/or Sterling compared to the Euro could affect and is likely to adversely affect the Finmeccanica Group's margins in Euro terms. In addition, because the Finmeccanica Group incurs costs in Euros with respect to activities that generate U.S. dollars and/or Sterling, an increase in the value of the Euro compared to the U.S. dollar and/or Sterling could negatively affect and will continue to negatively affect the Group's results.

In addition, fluctuations in exchange rates may adversely affect the competitiveness of Finmeccanica's products and services provided outside the European Union.

In order to hedge the above foreign currency risk exposure under contracts which are denominated in currencies other than the functional currency of the entity performing the operation ("transaction risk"), the Group enters into forward currency transactions, swaps and options. However, there can be no assurance that future fluctuations in exchange rates, particularly the Euro/Sterling and the Euro/U.S.

dollar exchange rate, will not harm the Finmeccanica Group's business, results of operations and financial condition.

Moreover, the Finmeccanica Group made significant investments in the United Kingdom and in the United States. Since the reporting currency of the consolidated group financial statements is the Euro, negative changes in the Euro/U.S. dollar and Euro/Sterling exchange rates might have a negative impact, also in the translation of the financial statements of foreign subsidiaries, on the Finmeccanica Group's balance sheet and income statement and may give rise to significant changes in Finmeccanica's shareholders' equity from period to period ("*translation risk*").

Increases in interest rates could harm Finmeccanica Group's cost of funding

The Finmeccanica Group is subject to interest rate risk arising on its financial indebtedness, which varies depending on whether such indebtedness is at a fixed or floating rate. A portion of Finmeccanica's funding is represented by variable rate financing instruments, whose cost would increase if market interest rates were to rise. Furthermore, considering the current unstable sovereign debt markets, there is a risk that additional market turmoil may cause a further increase in credit spreads that would impact Finmeccanica's cost of funding and its ability to refinance existing indebtedness at maturity.

Finmeccanica's largest customers typically pay towards the financial year end, therefore increasing Finmeccanica's reliance on debt financing for short term working capital requirements

The level of debt during the year reflects seasonal working capital requirements. These requirements arise largely because, while expenditures are incurred regularly during the course of the year several of Finmeccanica's largest customers (including the public sector) typically pay at the financial year end (fourth quarter), therefore increasing Finmeccanica's reliance on debt financing for short term working capital requirements. Should the access to this financing be limited or more expensive in the future, this may have an adverse effect on Finmeccanica's results of operations and financial condition.

Volatility in cash needs related to working capital and investment activity may expose the Finmeccanica Group to the inability to find the necessary liquidity sources to face the required payments

Extraordinary fluctuations in working capital needs linked to delays and/or a reduction in customer payments or advance payments, inventory and work in progress increases and/or accelerated payments to suppliers may lead to extraordinary cash absorptions which may affect the Finmeccanica Group's ability to meet its financial obligations when due.

The long-term nature of the contracts typically executed by Finmeccanica exposes the Finmeccanica Group to the insolvency risk of clients

In case of bankruptcy of Finmeccanica's clients, the Finmeccanica Group may find itself in a situation where it has already delivered the product or service to the customer or has incurred the costs associated with the product manufacturing and service delivery but has not received the entire payment from the client or is required to return the relevant amounts to the insolvency proceedings. In such circumstances, Finmeccanica may incur a loss and a related cash shortfall.

Finmeccanica may suffer losses arising from any deficit in the Finmeccanica Group's defined benefits plans

Finmeccanica sponsors several benefits plans for its United Kingdom and United States employees (*fondi pensione a benefici definiti*). Under those arrangements, the Finmeccanica Group is committed to pay a defined level of benefits to plan participants, thereby bearing the risk that the plans' assets, such as investments in equity and debt securities, will not be sufficient to cover the amount of those benefits. In accordance with IFRS accounting principles, the Finmeccanica Group records a provision to the extent there is an expected deficit with respect to those plans. As of 31 December 2012, such provision amounted to Euro 289 million, compared to Euro 223 million as of 31 December 2011. The calculation of expected liabilities arising from defined benefit plans is based on actuarial estimates and demographic and financial assumptions. In addition, the value of plan assets is affected by, among other things, developments in the equity and bond markets. Future developments may differ from those estimates and assumptions and may lead to significantly higher levels of deficits, which in turn may have a material adverse effect on Finmeccanica's business, results of operations and financial condition.

Finmeccanica depends on the recruitment and retention of qualified personnel, and any failure to attract and retain such personnel could seriously harm Finmeccanica's business

Finmeccanica relies on senior management and other key employees to generate business, maintain good customer relations and identify new opportunities. Competition for personnel is intense, and Finmeccanica may not be successful in attracting or retaining qualified personnel. In addition, certain personnel may be required to receive security clearance and substantial training in order to work on certain programmes or perform certain tasks. The loss of senior managers and key employees, Finmeccanica's inability to attract new qualified employees (in particular highly skilled engineers), or adequately train employees, or the delay in hiring key personnel could seriously harm Finmeccanica's business, results of operations and financial condition.

Finmeccanica is dependent on its subsidiaries to cover its expenses

The business of Finmeccanica is conducted through its direct and indirect subsidiaries. As a holding company, Finmeccanica's principal sources of funds include: (i) dividends from subsidiaries, (ii) payment of amounts due under intercompany loans granted to its subsidiaries as to principal, interest or otherwise and (iii) funds that may be raised from time to time through the issuance of debt or equity securities or through bank or other borrowings. As a consequence, Finmeccanica depends, in particular, on (a) the cash flows of, and the distribution of funds from, these subsidiaries (b) the ability of these subsidiaries to meet their payment obligations under any intercompany loans to fulfil its debt obligations, including its obligations with respect to the Notes and (c) its ability to raise funds from the markets or financial institutions.

Finmeccanica expects that dividends received from subsidiaries and other sources of funding available to it will continue to cover its operating expenses, including (i) interest payments on its outstanding financing arrangements and (ii) dividend payments with respect to its outstanding shares. Generally, however, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary will be entitled to the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, Finmeccanica's obligations in respect of the Notes issued or guaranteed by Finmeccanica will effectively be subordinated to the prior payment of all the debts and other liabilities of Finmeccanica's direct and indirect subsidiaries, including the rights of trade creditors and contingent liabilities, all of which could be substantial.

Any reduction or delay in dividends received, and any default or delay in payment of any amount due under the intercompany loans, from its subsidiaries could have a negative impact on the ability of Finmeccanica to fulfil its obligation as Issuer or as Guarantor (as the case may be) under the Notes.

Risks relating to Finmeccanica's legal situation and products

Certain companies of the Finmeccanica Group are involved in judicial investigations and criminal proceedings

Finmeccanica and certain companies of the Group have been recently involved in certain judicial investigations and criminal proceedings. As these investigations and legal proceedings are either at a preliminary phase or have not been concluded, the competent corporate bodies of the companies involved - based on the available information - in most cases did not make any specific provision in their financial statements and Finmeccanica did not make any specific provision in its consolidated financial statements for the financial year ending 31 December 2012 and for the six months ending 30 June 2013.

Notwithstanding the foregoing, it cannot be excluded at this stage that such proceedings and investigations – relating to, *inter alia*, corruption, international corruption, criminal association and fraud crimes ascribed to certain managers, officers and employees of the Finmeccanica Group – may result in convictions of such persons and possibly of the relevant entities of the Finmeccanica Group in such case should it be proved that (a) the relevant crimes have been committed by such managers, officers and employees in the interest or for the benefit of the relevant Finmeccanica Group entities pursuant to Legislative Decree No. 231 of 8 June 2001 (regulating the administrative liability of legal entities) ("**Decree 231**") and (b) the relevant company has failed to implement a proper internal organisational management model (*modello di organizzazione, gestione e controllo*) pursuant to Decree 231. Should the entities belonging to the Finmeccanica Group be condemned in accordance with Decree 231, the judge

may decide to apply, in addition to pecuniary penalties, (i) disqualifications, for a certain period of time, from exercise of the relevant affected business; (ii) suspension or revocation of relevant authorizations, licenses or concessions; (iii) prohibition to trade with the Public Administration; (iv) exclusion from grants, loans, contributions and/or subsidies, and revocation of those that might have been already granted and (v) prohibition of publicising goods or services (for further information on such judicial investigations and criminal proceedings see "*Finmeccanica and the Finmeccanica Group - Litigation - Judicial investigations and criminal proceedings*", below and section No. 10 of the "*Corporate governance report and shareholder structure*" headed "*Internal control and risk management system*" included in the Finmeccanica 2012 Consolidated Financial Statements and the section No. 13 of the explanatory notes to the Finmeccanica 2013 Half-Year Financial Report headed "*Provisions For Risks And Contingent Liabilities*", both incorporated by reference into this Base Prospectus).

Further developments could have significant impacts on relationships with customers and material adverse effects on the Finmeccanica Group's performance and financial position.

Certain companies of the Finmeccanica Group are involved in civil, administrative and tax proceedings that, if resolved to its detriment, could impact negatively on its financial condition

In the ordinary course of its activities, Finmeccanica and its subsidiaries are presently involved in a number of civil, administrative and tax proceedings involving substantial amounts. With respect to pending litigations, Finmeccanica has made provisions considered appropriate in light of the circumstances and in accordance with IFRS accounting principles. Under IFRS accounting principles, provisions are made when a loss is certain or probable and reasonably quantifiable. As of 31 December 2012 the Finmeccanica Group has recognised provisions for legal and tax proceedings amounting to Euro 242 million (Euro 215 million as of 31 December 2011). In certain cases when Finmeccanica believes that an adverse outcome of a given litigation may not occur or that such dispute may be resolved in a satisfactory manner and without significant impacts on the Company, no specific provisions are made in the Finmeccanica's financial statements. The most significant proceedings in respect of which no specific provisions are made in the Finmeccanica's financial statements are summarised below in the section headed "*Finmeccanica and the Finmeccanica Group - Litigation - Civil, administrative and tax proceedings*". However, future losses may be materially in excess of those provisions. If it is the case, Finmeccanica Group's business, results of operations and financial condition may be adversely affected by legal proceedings, the outcome of which cannot be predicted with certainty.

Changes in governmental policies and regulations or the failure to comply with existing regulations may harm Finmeccanica's results

Finmeccanica operates in highly regulated business sectors. In order to sell products, Finmeccanica and its suppliers must be approved by government agencies in the countries in which Finmeccanica does business. New regulations or certification requirements may require additional expenses or may limit the Finmeccanica Group's operations.

In Italy, the Finmeccanica Group is subject to Italian aerospace regulation, which is administered by the Italian Ministry of Defence, and in particular Law No. 185 of 9 July 1990 which governs the trading in armaments and imposes a strict licensing regime, and requires authorisation for the importation, exportation and transport of related products. Each Finmeccanica Group company operating in this area is subject to those authorisations and licenses. However, those authorisations and licenses may be cancelled or more stringent requirements may become applicable, which may reduce revenues or increase the costs of the Finmeccanica Group.

The commercial aeronautics industry is also highly regulated. The European Aviation Safety Agency is the principal regulator in Europe and the Federal Aviation Authority is the principal regulator in the United States. Those authorities establish requirements for aircraft components and grant licenses for the production and repair of those components. Air traffic control and railways transport and signalling are also subject to strict regulatory regimes. Should the Finmeccanica Group fail to comply with applicable regulations or to obtain the necessary licenses, this may adversely affect the business, results and financial condition of the Finmeccanica Group.

Restrictions on the export of Finmeccanica's products and other regulations could adversely affect Finmeccanica's business, results of operations and financial condition

Finmeccanica designs and manufactures many defence products considered to be of national strategic interest. The export of such products outside Finmeccanica's domestic market is subject to licensing and export controls. To the extent exports include technologies obtained from other countries, Finmeccanica may also be adversely affected by export control regulations from those countries. Limitation or withdrawal, if any (in the case, for example, of embargoes or geopolitical conflicts), of the authorisation to export the products might have a significant negative impact on the Finmeccanica Group's operations and financial situation.

Failure to comply with these regulations and requirements could result in contract modifications or termination and the imposition of penalties, fines and in withdrawal of authorisations, which could negatively affect Finmeccanica's business, results of operations and financial condition.

Authorisations can be revoked and general export controls may change in response to international conflicts or other political or geopolitical factors. Reduced access to military export markets could have a material adverse effect on the Finmeccanica Group's business, results of operations and financial condition.

Product liability and other customer claims could adversely affect Finmeccanica Group's business, results of operation and financial condition

Finmeccanica is subject to product liability and other claims from customers or third parties, in connection with (i) the non-compliance of these products or services with the customer's requests, due to faults in design or production, (ii) the delay or failed supply of the products or the services indicated in the contract or (iii) defaults and/or delays in the marketing, rendering of after-sale services and maintenance and revision of products. These liabilities might arise from causes that are directly attributable to Finmeccanica Group companies or causes that are attributable to third parties outside the Finmeccanica Group which act as providers or sub-contractors of the Finmeccanica Group.

The claims are generally covered by Finmeccanica's insurance policies, subject to applicable insurance conditions. Finmeccanica cannot guarantee, however, that its insurance will cover all future product liability claims. Substantial claims in excess of any insurance coverage (or for which insurance is not available or was not obtained) could harm Finmeccanica's business, results of operation and financial condition.

Material breaches by the Finmeccanica Group in the performance of its obligations may lead to contract termination and the calling of performance bonds.

In addition, any accident, failure, incident or liability, even if fully insured, could negatively affect Finmeccanica's reputation among its customers and the public, thereby making it more difficult for Finmeccanica to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

If Finmeccanica fails to protect, or incurs significant costs in defending, its intellectual property and other proprietary rights, its business, results of operation and financial condition could be materially harmed

Finmeccanica's success depends, in part, on its ability to protect its intellectual property and other proprietary rights. Finmeccanica relies primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect its intellectual property and other proprietary rights. However, patent applications may be rejected and in any event patent protection does not prevent competitors from developing equivalent or superior products without violating the Finmeccanica Group's intellectual property rights.

Moreover, the Finmeccanica Group's intellectual property rights may be challenged by third parties and, should the Finmeccanica Group not prevail, it may be required to give or obtain licenses, cease the production of a product, transfer the intellectual property rights or be liable for significant damages. Accordingly, despite Finmeccanica's efforts, it may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to its technology. If

Finmeccanica fails to protect its intellectual property and other proprietary rights, then its business, results of operation and financial condition could be materially harmed.

In addition, any claims, with or without merit, could be time consuming and expensive, and could divert Finmeccanica's management's attention away from the execution of its business plan.

Furthermore, governmental customers normally have the right to royalty-free use of the Finmeccanica Group's products and technologies that have been developed under government contracts, which weakens the Finmeccanica Group's intellectual property protection.

Changes in environmental regulations and liabilities associated with existing or new regulations could require increased capital expenditures and lead to losses

Finmeccanica is subject to numerous European Union, national, regional and local environmental laws and regulations concerning emissions into the environment, discharges to surface and subsurface water, the disposal and treatment of waste materials and noise pollution. Pursuant to such laws and regulations, for certain activities, the Finmeccanica Group is required to obtain authorisations and licenses. Finmeccanica cannot anticipate whether, and to what extent, environmental regulations may become stricter over time, nor can Finmeccanica give any assurance that the cost of future compliance with existing environmental regulations will not increase. The cost of complying with these regulations could be onerous. Substantial increases in environmental compliance costs could adversely affect Finmeccanica's business, results of operations and financial condition. Environmental risks inherent to the Finmeccanica Group's activities include those arising from the management of residues, effluents, emissions and land on the Finmeccanica Group's facilities and installations. Any of these risks may give rise to claims for damages and/or sanctions and may cause potential damage to the Finmeccanica Group's image and reputation. The owners and operators of a contaminated site may be liable for remediation costs and subject to fines and other sanctions, independently of the causes of such contamination. Those costs and fines may materially adversely affect the Finmeccanica Group's business, results of operations and financial condition.

Risks relating to Finmeccanica's joint venture initiatives

Finmeccanica could face problems related to loss of control over cash flows, loss of proprietary technologies and funding requirements by participating in joint ventures

Finmeccanica is involved in joint ventures in which it shares control with other partners. The main joint ventures in which the Finmeccanica Group participates directly or indirectly are MBDA (held at 25 per cent. with partners BAE Systems and EADS), Thales Alenia Space (held at 33 per cent. with partner Thales), Telespazio (held at 67 per cent. with partner Thales) and GIE-ATR (held at 50 per cent. through Alenia Aermacchi with partner EADS). These joint ventures, which are consolidated by Finmeccanica using the proportional method, jointly account for 18 per cent. and 16 per cent of the Finmeccanica Group's consolidated revenues as of 31 December 2012 and 31 December 2011, respectively.

These activities involve risks and uncertainties, including (i) the challenges in achieving strategic objectives and expected benefits of the business arrangement, (ii) the risk of conflicts arising between Finmeccanica and its partners, (iii) the difficulties of managing and resolving such conflicts and (iv) the difficulties of interaction with partners in the ordinary course of business of the joint venture. In particular, Finmeccanica's participation in joint ventures presents the risk of operational deadlocks because of disagreements among partners, principally when matters are subject to super-majority requirements. Disputes among partners may disrupt the operations of the joint venture, make it more difficult to achieve the joint venture's strategy and lead to significant costs and loss of profits.

Because of such difficulties joint ventures may be dissolved prematurely. Dissolution of business ventures can be long and costly and might require Finmeccanica to share or cede any technology and know-how which it originally contributed to the joint venture. These disagreements, deadlocks and dissolutions may have an adverse effect on the Finmeccanica Group's results and financial condition. Finmeccanica is unable to give any assurance that these ventures will achieve their expected level of profitability or competitiveness.

Risks relating to Finmeccanica's principal shareholder

The Italian Ministry of Economy and Finance has significant influence over Finmeccanica's actions which may restrict Finmeccanica's ability to manage its business

At the date hereof the Italian Ministry of Economy and Finance holds approximately 30.20 per cent. of Finmeccanica's share capital. The Italian Ministry of Economy and Finance exercises the control over major decisions by Finmeccanica through a significant holding of its ordinary shares which *de facto* allows the Ministry to appoint two-thirds of the directors by means of a special mechanism ("*voto di lista*") provided in the by-laws.

Accordingly, the Italian government has a significant influence over decisions taken at Finmeccanica's shareholders' meetings, including the payment of any dividends, capital increases and the appointment of directors and statutory auditors. Furthermore, Finmeccanica's by-laws provide for shareholding limits and require qualified majorities by Finmeccanica's Board of Directors and shareholders for the approval of certain actions. Given the size of these qualified majorities, it may be necessary to obtain the affirmative vote of directors appointed by the Italian government at a board meeting, or – on the basis of the experience of past shareholders' meetings – the affirmative vote of the Italian government at a shareholders' meeting, in order for those actions to be approved. As a result, other shareholders' ability to influence decisions on matters submitted to the approval of Finmeccanica shareholders' meeting may be limited.

Risk relating to special powers that may be exercised by the Italian Government

The "golden share" and new special powers of the Italian Government may restrict Finmeccanica's ability to manage its business

Law Decree No. 21 of 15 March 2012, converted with amendments into Law No. 56 of 11 May 2012 (the "**Golden Share Decree**") entrusts the Italian Prime Minister to exercise certain special powers to preserve strategic areas for defence and national security (such as the areas in which the Finmeccanica Group operates). In particular, the Golden Share Decree entitles the Italian Prime Minister to exercise, *inter alia*, certain special powers in order to face serious threats to the defence and national security interests with respect to companies operating in the defence and the national security areas. These special powers, which are unrelated to any equity interest held in the companies operating in the aforesaid areas, consist mainly of the followings (i) the power to impose specific requirements on the acquisition of stakes in companies operating in strategic areas for defence and national security, (ii) a veto right over certain shareholders' and/or directors' resolutions of the companies operating in such strategic areas and (iii) the power to oppose the acquisition for any reason by entities other than the Italian State, Italian public entities or their controlled entities of interests in companies operating in strategic areas for defence and national security in case the buyer came to acquire an interest in the voting share capital of the aforesaid companies which is capable of affecting the defence and national security interests. The Prime Minister Decree No. 253 of 30 November 2012 has implemented the Golden Share Decree in this respect and has therefore identified the strategic assets in relation to which the special powers referred to above may be lawfully exercised, should the relevant conditions provided for by the Golden Share Decree be met. Following the entry into force of the Prime Minister Decree No. 253 of 30 November 2012 (19 February 2013), articles of the by-laws which are incompatible with the new system of special powers have ceased to have effect. In this regard, on 14 May 2013, the Board of Directors of Finmeccanica approved the related necessary amendments to the by-laws in order to comply with the Golden Share Decree and the Prime Minister Decree No. 253 of 30 November 2012.

The Italian government may or may not exercise the above-mentioned special powers.

The exercise of any of the aforesaid special powers deriving from the Golden Share Decree and the relevant implementing measures could restrict Finmeccanica's ability to manage its business. In particular, the exercise of, or the right or ability to, exercise the special powers connected to the acquisition of holdings in Finmeccanica referred to in (i) and (iii) above, could make a change of control transaction with respect to Finmeccanica (whether by merger or otherwise) more difficult to be achieved, or even discourage certain bidders from making an offer relating to a change of control that could otherwise be beneficial to shareholders.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risk Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated and/or from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of financial markets;
- (v) consider all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency; and
- (vi) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features (but is not intended to be an exhaustive description):

Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its other Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional

interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

No active trading market for the Notes, the secondary market generally and the market volatility

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single Series with a Tranche of Notes which is already issued). Although application has been made for the Notes issued under the Programme to be listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Furthermore, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuers and the Guarantor.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, holders of Notes should be aware that, in view of the prevailing and widely reported global credit market conditions (which continue at the date hereof), the secondary market for Notes and instruments of this kind may be illiquid. The Issuers cannot predict when these circumstances will change.

Exchange rate risks and exchange controls

The Issuers will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings assigned (if any) to each Issuer or the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes

Tranches of Notes issued under the Programme may be rated or unrated. One or more independent credit rating agencies may assign credit ratings to the Notes. The credit rating of a Tranche of Notes (if any) will

be provided in the relevant Final Terms. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings described herein or the ratings assigned to Finmeccanica. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the EEA and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The relevant Issuer may amend the economic terms and conditions of the notes without the prior consent of all holders of such Notes

The terms and conditions applicable to each Series will be as agreed between the relevant Issuer and the relevant Dealer at or prior to the time of issuance of such Series, and will be completed by the relevant Final Terms or Drawdown Prospectus (as applicable). The terms and conditions applicable to each Series will therefore be those set out below, subject to being completed by the relevant Final Terms in relation to each Series.

The Terms and Conditions of the Notes and the Agency Agreement contain provisions, which are binding on the relevant Issuer and the holders of Notes, for convening meetings of the holders of Notes of any Series to consider matters affecting their interests generally, including the modification or waiver of the Conditions applicable to any Series of Notes. These provisions permit defined majorities to make decisions that may affect Noteholders' rights and obligations under the Notes and bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Any such amendment to the Notes may include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes, and changing the amendment provisions. These and other changes may adversely impact Noteholders' rights and may adversely impact the market value of the Note. Furthermore, the relevant Issuer has the right to correct manifest errors in the Conditions without the Noteholders' consent.

Changes in the Programme Amount

The Amount to be issued under the Programme is subject to increase or decrease as provided in the Dealer Agreement.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, save that provisions convening meetings of Noteholders and the appointment of a Noteholders' Representative in respect of any Series of Notes issued by Finmeccanica are subject to compliance with mandatory provisions of Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (where applicable) or administrative practice after the date of this Base Prospectus.

Each Issuer's borrowing costs and access to the capital markets depend significantly on the credit ratings assigned to the relevant Issuer and the Guarantor. Reduction in the credit ratings of the relevant Issuer and the Guarantor could significantly increase borrowing costs, limit the relevant Issuer's access to the capital markets. In turn this could materially adversely affect the relevant Issuer's access to liquidity and competitive position, increase its funding costs and, hence, have a material adverse effect on the relevant Issuer's business, financial position and results of operations.

A rating is not a recommendation to buy, sell or hold securities, and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable

credit rating could adversely affect the trading price for the Notes issued under the Programme. Credit ratings may be lowered, *inter alia*, if certain profitability and cash flow to debt ratios are not met by Finmeccanica.

The list of registered and certified credit rating agencies is published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant credit rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Drawdown Prospectus specifies otherwise, in the event that an Issuer or (in the case of Notes issued by Finmeccanica Finance) the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or Luxembourg or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms or Drawdown Prospectus (as applicable) specifies that the Notes are redeemable at the relevant Issuer's option in certain other circumstances such Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above and may in fact decrease below the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption for tax reasons

Unless in the case of any particular Tranche of Notes the relevant Drawdown Prospectus specifies otherwise, in the event that the relevant Issuer or (in the case of Notes issued by Finmeccanica Finance) the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or certain other relevant jurisdictions or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

EU Savings Tax Directive

Potential investors of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing Notes and receiving payments of interest, principal and/or other amounts or delivery of securities under the Notes and the consequences of such actions under the tax laws of those countries.

Under EC Council Directive 2003/48/EC (the "**EU Savings Tax Directive**") on the taxation of savings income in the form of interest payments, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within its jurisdiction to, or collected by such a paying agent for, an individual resident or certain limited

types of entity established in that other Member State (as defined in Article 4-2 of the EU Savings Tax Directive); however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent., unless in the case of Luxembourg the beneficial owner of the interest payments opts for the optional information exchange procedure. The transitional period is 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.

A number of non EU countries (including Switzerland) and certain dependent or associated territories of certain Member States (including Switzerland), have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to or collected by such a paying agent for, an individual resident or certain limited types of entity established in a Member State (as defined in Article 4-2 of the EU Savings Tax Directive). In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The relevant Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Investors who are in any doubt as to their position should consult their professional advisors.

For further information on the EU Savings Tax Directive, see the section headed "*Taxation*" below.

Taxation

The tax regime in the Republic of Italy, in the Grand Duchy of Luxembourg and in any other relevant jurisdiction (including, without limitation, the jurisdiction in which each Noteholder is resident for tax purposes) may be relevant to the acquiring, holding and disposing of Notes and the receiving of payments of interest, principal and/or other income under the Notes. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant and the consequences of such actions under the tax laws of those countries.

For further information on the principal Italian tax and Luxembourg consequences of the purchase, ownership, redemption and disposal of the Notes, see the section headed "*Taxation*" below.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Note may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of such trading, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should such definitive Notes be printed) and, in order to receive such a Note, would need to purchase a principal amount of Notes such that its holding amounts to the minimum Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer and/or (in the case of Notes issued by Finmeccanica Finance) the Guarantor

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository, or as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes the relevant Issuer or (in the case of Notes issued by Finmeccanica Finance) the Guarantor will discharge its payment obligations under the Notes by making payments to the common depository or, as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuers and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the relevant Issuer or (in the case of Notes issued by Finmeccanica Finance) the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

Delisting of the Notes

Application has been made for Notes issued under the Programme to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a "**listing**"), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the relevant Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Payments under the Notes may be subject to withholding tax pursuant to FATCA

In certain circumstances payments made on or with respect to the Notes after 31 December 2016 may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "**FATCA**"). This withholding does not apply to payments on Notes that are issued prior to 1 July 2014 (or, if later, the date that is six months after the date on which the final regulations that define "foreign passthru payments" are published) unless the Notes are "materially modified" after that date or are characterized as equity for U.S. federal income tax purposes.

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also

may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The obligations of the relevant Issuer and the Guarantor, if applicable, under the Notes are discharged once it has paid the common depository or common safekeeper for the ICSDs (as bearer holder of the Notes) and the relevant Issuer and the Guarantor, if applicable, has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries. For the avoidance of doubt, neither the relevant Issuer nor the Guarantor have assumed any gross-up or indemnification duties of whatever nature deriving from any possible application of FATCA or any directives or agreements implementing FATCA.

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description of the Programme does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus and including documents incorporated by reference herein. Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall have the same meanings in this general description of the Programme.

This Programme is a EUR 4,000,000,000 Euro Medium Term Note Programme under which the Issuers may from time to time issue Notes in accordance with and subject to all applicable laws and regulations denominated in any currency, subject as set out herein. The Notes issued by Finmeccanica Finance shall be unconditionally and irrevocably guaranteed by Finmeccanica. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer or Dealers prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to or incorporated by reference into, the Notes, as completed by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under "Forms of the Notes" below.

- Issuers:** Finmeccanica – Società per azioni
(incorporated as a società per azioni under the laws of the Republic of Italy, registered with the Camera di Commercio Industria Artigianato and Agricoltura of Rome, with registration number 00401990585)
Finmeccanica Finance S.A.
(incorporated as a société anonyme under the laws of Luxembourg registered with the Luxembourg Registry of Commerce and Companies (the "RCSL") with register number R.C.S. Luxembourg B70.876)
- Guarantor:** Finmeccanica – Società per azioni (in respect of Notes issued by Finmeccanica Finance where such Notes are stated to have the benefit of a Deed of Guarantee in the relevant Final Terms).
- Arranger:** Merrill Lynch International
- Dealers:** Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Mediobanca-Banca di Credito Finanziario S.p.A., Merrill Lynch International, Mizuho International plc, MPS Capital Services S.p.A., NATIXIS, Société Générale, UBS Limited and UniCredit Bank AG 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:** Société Générale Bank & Trust
- Luxembourg Listing Agent:** Banque Internationale à Luxembourg, *société anonyme*
- Listing and Admission to trading:** Each Series may be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and the relevant Dealer and specified in the relevant Final Terms. Notes issued under the Programme which are to be listed and admitted to trading on a regulated market

situated or operating within a Member State or which are to be offered to the public in one or more Member States (where the terms "**regulated market**" and "**offer to the public**" are within the meaning of any measures implementing the Prospectus Directive in any relevant Member State) may not carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuers or by any entity belonging to the Issuers' group. Subject thereto, Notes may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

Specified Denominations:	No Notes may be issued under the Programme which have a minimum denomination of less than EUR 100,000 (or equivalent in another currency) at their issue date. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg, in relation to any Tranche of Notes.
Programme Amount:	Up to EUR 4,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding and guaranteed at any one time.
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.
Final Terms:	Each Tranche will be the subject of a set of Final Terms which, for the purposes of that Tranche only, complete the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as completed by the relevant Final Terms.
Forms of Notes:	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 Final Terms. Each Global Note which is not issued in new global note form (a " Classic Global Note " or " CGN "), as specified in the relevant Final Terms, 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 and each Global Note which is issued in new global note form (a " New Global Note " or " NGN "), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms 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.

Each Tranche of Notes issued by Finmeccanica Finance, where such Notes are stated to have the benefit of a guarantee in the relevant Final Terms and upon the entering into of a guarantee governed by English law and substantially in the form set out in schedule 10 of the Programme Manual and on page 64 of this Base Prospectus (the "**Deed of Guarantee**"), shall have the benefit of an unconditional and irrevocable guarantee of Finmeccanica S.p.A.

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.
Status of the Notes:	Notes will be issued on an unsubordinated basis.
Status of the Guarantee:	The guarantee given by Finmeccanica in respect of Notes issued by Finmeccanica Finance, upon the entering into of a Deed of Guarantee in respect of the Notes, will be unconditionally and irrevocably given 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 (where the Issue Price will be payable in two or more instalments), as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Any maturity from one year from the date of original issue, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
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 Final Terms.
Tax Redemption:	Except as described in " <i>Optional Redemption</i> " above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (<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 and the method of calculating interest may vary between the issue date

and the maturity date of the relevant Series.

- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
- Cross Default:** The Notes will have the benefit of a cross default as described in Condition 12 (*Events of Default*).
- 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 11 (*Taxation*)) 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.
- Governing Law:** The Notes will be governed by, and construed in accordance with, English law. Condition 16 (*Meetings of Noteholders; Modification and Waiver*), paragraph (a) (*Where the Issuer is Finmeccanica*) and the provisions of the Agency Agreement (as defined below) concerning the meetings of the holders of Notes issued by Finmeccanica and the appointment of the relevant Noteholders' Representative in respect of the Notes are subject to compliance with Italian law.
- Enforcement of Notes in Global Form:** In the case of Global Notes, individual investors' rights against the relevant Issuer will be governed by a Deed of Covenant dated 9 October 2013, 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, the Republic of Italy, Japan, The Netherlands and the Republic of France, see "*Subscription and Sale*" below.
- Risk Factors:** There are certain factors that may affect the abilities of the Issuers and the Guarantor to fulfil their respective obligations under the Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and include risks related to the structure of a particular issue of Notes and risks common to the Notes generally. See "*Risk Factors*" above.

INFORMATION INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be incorporated by reference into, and form part of, this Base Prospectus:

- (a) the terms and conditions set out on pages 31 to 57 of the prospectus dated 16 December 2011 relating to the Programme under the heading "Terms and Conditions of the Notes";
- (b) the audited consolidated annual financial statements of Finmeccanica (together with the auditors' report thereon) as at and for the financial year ended 31 December 2012 (the "**Finmeccanica 2012 Consolidated Financial Statements**", available on Finmeccanica's website at http://www.finmeccanica.com/documents/10437/1574433/body_Finmeccanica_Bilancio_ENG_2_4.06.2013.pdf), in particular:

Finmeccanica 2012 Consolidated Financial Statements	Page(s)
Section No. 10 of the Corporate governance report and shareholder structure headed " <i>Internal control and risk management system</i> "	178 – 205
Consolidated income statement and Consolidated statement of comprehensive income	229
Consolidated statement of financial position	230
Consolidated statement of cash flows	231
Consolidated statement of changes in equity	232 – 233
Notes to the consolidated financial statements as at 31 December 2012	234 – 305
Auditors' Report	322 - 323

- (c) the audited consolidated annual financial statements of Finmeccanica (together with the auditors' report thereon) as at and for the financial year ended 31 December 2011 (the "**Finmeccanica 2011 Consolidated Financial Statements**", available on Finmeccanica's website at http://www.finmeccanica.com/documents/10437/1431726/body_Bilancio_Consolidato_2011_EN.pdf) in particular:

Finmeccanica 2011 Consolidated Financial Statements	Page(s)
Section No. 11 of the Corporate governance report and shareholder structure headed " <i>Internal audit system</i> "	168 – 186
Separate Income Statement and Consolidated Statement of Comprehensive Income	209
Consolidated Balance Sheet	210
Consolidated Cash Flow Statement	211
Consolidated Statement of Changes in Shareholders' Equity	212
Notes to the consolidated financial statements as at 31 December 2011	213 – 294
Auditors' Report	298 – 300

- (d) the audited consolidated financial statements of Finmeccanica Finance for the year ended 31 December 2012 (the "**Finmeccanica Finance 2012 Consolidated Financial Statements**"), in particular:

Finmeccanica Finance 2012 Consolidated Financial Statements	Page(s)
Consolidated statement of comprehensive income	20
Consolidated statement of financial position	19
Consolidated statement of changes in shareholders' equity	21
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	23 - 60
Report of the "Réviseur d'Entreprises agréé"	17 - 18

- (e) the French language audited annual accounts of Finmeccanica Finance as at and for the financial year ended 31 December 2012 (the "**Finmeccanica Finance 2012 annual accounts**"), in particular:

Finmeccanica Finance 2012 annual accounts	Page(s)
Profit and loss account	12 - 13
Balance Sheet	10 - 11
Notes to the annual accounts	14 - 34
Report of the "Réviseur d'Entreprises agréé"	8 – 9

- (f) the audited consolidated financial statements of Finmeccanica Finance for the year ended 31 December 2011 (the "**Finmeccanica Finance 2011 Consolidated Financial Statements**"), in particular:

Finmeccanica Finance 2011 Consolidated Financial Statements	Page(s)
Consolidated statement of comprehensive income	16
Consolidated statement of financial position	15
Consolidated statement of changes in shareholders' equity	17
Consolidated statement of cash flows	18
Notes to the consolidated financial statements	19 - 60
Report of the "Réviseur d'Entreprises agréé"	13 - 14

- (g) the French language audited annual accounts of Finmeccanica Finance as at and for the financial year ended 31 December 2011 (the "**2011 Finmeccanica Finance annual accounts**"), in particular:

Finmeccanica Finance 2011 annual accounts	Page(s)
Profit and loss account	10 - 11
Balance Sheet	8 - 9
Accounting policies and explanatory notes	12 - 29
Report of the "Réviseur d'Entreprises agréé"	5 - 6

- (h) the unaudited condensed consolidated Half-Year Financial Report of Finmeccanica as at and for the six months ended 30 June 2013 (the "**Finmeccanica Half-Year Financial Report at 30 June 2013**", available on Finmeccanica's website at http://www.finmeccanica.com/documents/10437/1574433/body_Relazione_finanziaria_semestrale_al_30_giugno_2013_OK_ENG.pdf), in particular:

Finmeccanica Half-Year Financial Report at 30 June 2013	Page(s)
Sub-section of the Report on operations at 30 June 2013 headed " <i>Corporate Governance</i> "	29 - 31
Condensed consolidated income statement and condensed consolidated statement of comprehensive income	33 - 34
Condensed consolidated statement of financial position	35
Condensed consolidated statement of cash flows	36
Condensed consolidated statement of changes in equity	37
Notes to the financial statements	38 - 68
Independent Auditors' Report on the review of the condensed consolidated half-year financial statements at 30 June 2013	75 - 76

Information contained in the documents incorporated by reference, other than information listed in the tables above, is either not relevant or is covered elsewhere in this Base Prospectus and it is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuers will, at their respective registered offices and the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Base Prospectus and all documents forming part thereof. A copy of the documents incorporated by reference shall also be available in electronic form on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). 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.

In addition, this Base Prospectus and, in the case of Notes listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms, will be available in electronic form on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>).

FINAL TERMS, SUPPLEMENTS AND DRAWDOWN PROSPECTUSES

If at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus, the Issuers and the Guarantor shall prepare a supplement to this Base Prospectus, or publish a Drawdown Prospectus for use in connection with a Tranche of Notes or publish a replacement prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such document as each Dealer may reasonably request.

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the relevant Issuer and the Guarantor, as the case may be, and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, each of the Issuers and the Guarantor have included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed by the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the relevant Issuer and the Guarantor and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the relevant Issuer and the Guarantor, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

FORMS OF THE NOTES

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 Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each, a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, 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 SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms 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 Final Terms 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 Notes represented by 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 Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by 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 Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms 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 12 (*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 Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by 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 Final Terms 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 Final Terms 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 Final Terms), 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 Final Terms 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 Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms 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 12 (*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 Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by 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.

When the Permanent Global Note is to be exchanged for Definitive Notes in the circumstance described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations of EUR 100,000,

plus integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 and no Notes in definitive form will be issued with a denomination above EUR 199,000.

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 Final Terms 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 "*Overview of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

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.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, 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 "Overview of Provisions Relating to the Notes while in Global Form" below.

1. **Introduction**

(a) **Programme**

Finmeccanica – Società per azioni ("**Finmeccanica S.p.A.**" or "**Finmeccanica**") and Finmeccanica Finance S.A. ("**Finmeccanica Finance**") have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 4,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed from time to time by Finmeccanica (in its capacity as guarantor, the "**Guarantor**") in respect of Notes issued by Finmeccanica Finance pursuant to a Deed of Guarantee (as defined below).

(b) **Final Terms**

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 set of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) **Agency Agreement**

The Notes are the subject of an amended and restated issue and paying agency agreement dated 9 October 2013 including the form of Deed of Guarantee (as defined below), (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuers, the Guarantor, Société Générale Bank & Trust 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**

Each Tranche of Notes issued by Finmeccanica Finance shall have, to the extent specified in the relevant Final Terms, the benefit of an unconditional and irrevocable deed of guarantee (the "**Deed of Guarantee**") governed by English law relating to such Notes and entered into by the Guarantor on the Issue Date of such Notes.

(e) **The Notes**

All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms 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.

(f) **Summaries**

Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Guarantee (if entered into in respect of an issue of Notes) 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, and of any Deed of Guarantee applicable to them. Copies of the Agency Agreement and any Deed of 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.

(g) **Issuers**

References in these Conditions to "**Issuer**" are to the entity specified as the Issuer in the relevant Final Terms 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 Final Terms;

"**Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**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 Final Terms and, if so specified in the relevant Final Terms, 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 Final Terms 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 Final Terms 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 Final Terms;

"Calculation Amount" means the amount specified in the relevant Final Terms;

"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 Final Terms and:

- (i) if **"Actual/Actual (ICMA)"** 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/360"** is so specified, means the actual number of days in the Interest Period divided by 360;
- (iii) if **"Actual/Actual"** or **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iv) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Interest Period divided by 365;
- (v) if **"30/360 (Floating)"** or **"360/360"** or **"Bond Basis"** is so specified, means the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

"**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 Final Terms;

"**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 Final Terms;

"**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 Final Terms;

"**Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Guarantee**" means, in respect of any Indebtedness for Borrowed Money of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

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

"**Guarantee of the Notes**" means the unconditional and irrevocable guarantee of the Notes issued by Finmeccanica Finance that has been given by the Guarantor in the Deed of Guarantee entered into in relation to that issue of Notes;

"**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 Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (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 Final Terms 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 2006 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 Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"Margin" has the meaning given in the relevant Final Terms;

"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 Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"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 Final Terms;

"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 Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"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 Union 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 Sydney and, in relation to New Zealand dollars, it means 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 Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"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 Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms 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 Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"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 Final Terms;

"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) specified as the Relevant Screen Page in the relevant Final Terms, 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 Final Terms;

"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 Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms subject to a minimum denomination of EUR 100,000 (or its equivalent in other currencies) on the Relevant Issue Date;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"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 (known as TARGET2 which was launched on 19 November 2007) is open;

"Treaty" means the Treaty on the Functioning of the European Union, as amended; and

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms.

(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 Final Terms 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 Final Terms 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 11

(*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 11 (*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 - Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms 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**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, 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.

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 mandatory provisions of applicable law.

(b) ***Guarantee of the Notes***

- (i) ***Application:*** This Condition 4(b) is applicable only to Notes issued by Finmeccanica Finance and specified in the relevant Final Terms as having the benefit of the Guarantee of the Notes and upon the entering into of the Deed of Guarantee.
- (ii) ***Guarantee of the Notes:*** The Guarantor has in the Deed of Guarantee (if stated as applicable in the relevant Final Terms and upon the entering into of a 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.
- (iii) The Guarantee of the Notes constitutes 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 mandatory provisions of applicable law.

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 (i) 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 and/or in the case of Finmeccanica (ii) separating certain assets of it to destine them exclusively to the payment of debts incurred for specific business and/or utilising revenues deriving from specific business for the reimbursement of financings entered into to finance such business, in both cases pursuant to, and within the limits set forth in, Articles 2447-bis and following of the Italian Civil Code.

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 Final Terms 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 10 (*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***

If the Notes are in definitive form, except as specified in the relevant Final Terms, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

(d) ***Calculation of interest amount***

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (1) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (2) in the case of Fixed Rate Notes in definitive form, the Calculation Amount.

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding. 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 Provisions**

(a) ***Application***

This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms 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 10 (*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 7 (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 Final Terms 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 of 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 Final Terms 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 Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; 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 Final Terms.

(e) ***Maximum or Minimum Rate of Interest***

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***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 to:

- (1) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the full amount paid up); or
- (2) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(g) ***Calculation of other amounts***

If the relevant Final Terms 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 Final Terms.

(h) ***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 competent 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.

(i) ***Notifications etc.***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 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 Final Terms 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. **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 10 (*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 the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms 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 11 (*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 11 (*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 (where applicable) 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 (where applicable) 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 9(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b) (*Redemption for tax reasons*).

(c) ***Redemption at the option of the Issuer***

If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, 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, or such other period(s) as may be specified in the relevant final terms, (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 9(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 competent 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 9(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 Final Terms, 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 Final Terms 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 9(e), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant final terms), 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 9(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 monies 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 9(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 the option of Noteholders*) above.

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

Unless otherwise specified in the relevant Final Terms, 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 Final Terms for the purposes of this Condition 9(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. Where permitted by applicable law and regulation, all Notes purchased pursuant to this Condition 9(h) may be cancelled or held, reissued or resold at the discretion of the relevant purchaser.

(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, without prejudice to Condition 9(h) above in respect of Notes so purchased by the Issuer, the Guarantor or any of its Subsidiaries

10. **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) (*Payments other than in respect of matured Coupons*) 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 11 (*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 Final Terms 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 Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 12 (*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 farther Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*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.

11. **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 (as the case may be) 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 (where applicable) 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 his 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; or
- (iii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law or agreement implementing or complying with, or introduced in order to conform to, such Directive; or
- (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; or
- (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; or
- (vi) in the Republic of Italy; or
- (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; or
- (viii) by, or on behalf of a Holder of a Note or Coupon being a resident of the Republic of Italy; or
- (ix) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

(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.

12. **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 (where applicable) 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 of the Notes, as the case may be, 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 EUR 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 the Republic of 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 the Republic of 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; or

(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 (where applicable) 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.

13. **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.

14. **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 competent 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 competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent 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.

15. **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 (where applicable) 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 Final Terms. The Issuer and the Guarantor (where applicable) 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 (where applicable) shall at all times maintain a Fiscal Agent;
- (b) the Issuer and the Guarantor (where applicable) undertake that they 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 European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor (where applicable) 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 competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor (where applicable) shall maintain a Paying Agent having its Specified Office in the place required by the rules of such competent 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.

16. **Meetings of Noteholders; Modification and Waiver**

(a) ***Where the Issuer is Finmeccanica***

Meetings of Noteholders: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the schedules of the Agency Agreement). In relation to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution, the relevant provisions set forth in the Agency Agreement shall apply in respect of the Notes but are subject to compliance with mandatory laws, legislation, rules and regulations of Italy and the by-laws of Finmeccanica in force from time to time (including, without limitation, Legislative Decree No. 58 of 24 February 1998) and shall be deemed to be amended, replaced and supplemented to the extent that such laws, legislation, rules and regulations and the by-laws of Finmeccanica are amended at any time while the Notes remain 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 and any modification shall be notified to the Noteholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

Noteholders' Representative: A representative of the Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**"), subject to applicable provisions of Italian law, will be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter Representative and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

(b) ***Where the Issuer is Finmeccanica Finance***

Meetings of Noteholders: 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 (where applicable) (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.

For the avoidance of doubt, articles 86 to 94-8 of the Luxembourg law dated 10 August 1915, as amended, are not applicable to the Notes.

(c) **Modification**

The Notes, these Conditions and any relevant 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 (where applicable) 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. In addition, the parties to the Agency Agreement may agree, without the consent of the Noteholders or the Couponholders, to modify any provision thereof it is made to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy or Luxembourg and the relevant Issuer's by-laws applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution and entered into force at any time while the Notes remain outstanding.

17. **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.

18. **Notices**

Notices to the Noteholders shall be valid, unless differently established by law, if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of The Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) 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.

Where the Issuer is Finmeccanica, in addition to the above publications, with respect to notices for a meeting of Noteholders, any convening notice for such meeting shall be made in accordance with the relevant provisions of the Italian Civil Code, the Italian Financial Services Act and Finmeccanica's by-laws.

19. **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.

20. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (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.

21. **Substitution**

- (a) The Guarantor, or any of its successor, assignee or transferee, may, without the consent of the Noteholders, assume liability as the principal debtor in respect of the Notes issued by Finmeccanica Finance and expressed to have the benefit of the Guarantee of the Notes under the relevant Final Terms or Drawdown Prospectus (as the case may be) and of the relevant 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 21(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 11 (*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, to the extent required, 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 21, 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 21(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 18 (*Notices*).

22. **Governing Law and Jurisdiction**

(a) ***Governing law***

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by and shall be construed in accordance with English law. Condition 16 (*Meetings of Noteholders; Modification and Waiver*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes issued by Finmeccanica are subject to compliance with Italian law.

For the avoidance of doubt, articles 86 to 94-8 of the Luxembourg law dated 10 August 1915, as amended, are not applicable to the Notes.

(b) ***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 (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(c) ***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.

(d) ***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 it at Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ 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 the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuers or the Guarantor, 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 from receipt of notice, 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.

(e) ***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) 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.

(f) ***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.

(g) ***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.

FORM OF DEED OF GUARANTEE

The Deed of Guarantee to be given by Finmeccanica in respect of Notes issued under the Programme by Finmeccanica Finance and specified in the relevant Final Terms as having the benefit of the Guarantee of the Notes will be substantially in the following form, duly amended 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 Deed of Guarantee but denotes directions for completing the Deed of Guarantee.

THIS DEED OF GUARANTEE is made on [*insert date of issue of Notes*]

BY

- (1) **FINMECCANICA – Società per azioni** (the "**Guarantor**")

IN FAVOUR OF

- (2) **THE NOTEHOLDERS** (as defined in the Base Prospectus described below); and
- (3) **THE ACCOUNTHOLDERS** (as defined in the Deed of Covenant described below) (together with the Noteholders, the "**Beneficiaries**").

WHEREAS

- (A) Finmeccanica Finance S.A. ("**Finmeccanica Finance**") on [•] has authorised the creation and issue of [*description of Notes*] Notes due [*maturity date*] (hereinafter, the "**Notes**" and "**Note**" shall be construed accordingly) under its €4,000,000,000 Euro Medium Term Note Programme (the "**Programme**").
- (B) In connection with the Programme, Finmeccanica Finance and, *inter alia*, the Guarantor have entered into an amended and restated dealer agreement dated 9 October 2013, as amended or supplemented from time to time (the "**Dealer Agreement**") and an amended and restated issue and paying agency agreement dated 9 October 2013, as amended or supplemented from time to time (the "**Agency Agreement**") and Finmeccanica Finance has executed a deed of covenant dated 9 October 2013 (the "**Deed of Covenant**").
- (C) Finmeccanica Finance has agreed pursuant to the Dealer Agreement to issue the Notes and the parties to the issue of the Notes have agreed in the relevant Final Terms that such Notes shall have the benefit of this Deed of Guarantee. [Finmeccanica Finance has made an application to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.]
- (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 and to Accountholders in respect of the Deed of Covenant in so far as it relates to these Notes.
- (E) In connection with the Programme, the Issuer and the Guarantor have prepared a base prospectus dated 9 October 2013 (the "**Base Prospectus**") which has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**") as a base prospectus issued in compliance with Directive 2003/71/EC, as amended, and relevant implementing measures in Luxembourg. [Finmeccanica Finance has made an application to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.]

NOW THIS DEED OF GUARANTEE WITNESSES as follows:

1. **Definitions and Interpretation**

1.1 *Definitions*

"**Accountholder**" means any Accountholder with a Clearing System which at the Determination Date has credited to its securities account with such Clearing System one or more Entries in respect of a Global Note representing the Notes (as defined herein), except for either Clearing System in its capacity as an accountholder of another Clearing System; and

"Determination Date" has the meaning ascribed to it in the Deed of Covenant.

"Notes" has the meaning ascribed to it under preamble (A) of this Deed of Guarantee.

All terms and expressions which have defined meanings in the Base Prospectus, the Dealer Agreement, the Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee unless otherwise defined herein and/or except where the context requires otherwise or unless otherwise stated.

1.2 ***Clauses***

Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.3 ***Other agreements***

All references in this Deed of Guarantee to an agreement, instrument or other document (including the Base Prospectus, 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, restated, extended, 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 Base Prospectus shall be construed as a reference to the Base Prospectus as supplemented and/or amended by the relevant Final Terms.

1.4 ***Legislation***

Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation 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 Deed of Guarantee.

1.6 ***Benefit of Deed of Guarantee***

Only the Notes as defined in this Deed of Guarantee shall have the benefit of this Deed of Guarantee but shall not have the benefit of any subsequent guarantee relating to issues under the Programme (unless expressly so provided in any such subsequent 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 (*Guarantee*) 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 Notes are outstanding 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; or

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; or

4.3.3 *Indulgence*: time or other indulgence (including for the avoidance of doubt, any composition) 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; or

4.3.4 *Amendment*: any amendment, novation, supplement, extension, (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature) or replacement, 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 including without limitation any change in the purposes for which the proceeds of the issue of any Note are to be applied and any extension of or any increase of the obligations of the Issuer in respect of any Note or the addition of any new obligations for the Issuer under the Deed of Covenant; 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;

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 mandatory provisions of applicable law.

5. ***Deposit of Deed of Guarantee***

This Deed of Guarantee shall be deposited with and held by the Fiscal Agent until the date which is six months 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 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 assignees holding the Notes, 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 other securities issued under 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 together with the Notes.

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 and any non-contractual obligations arising out of or in connection with it are governed by 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 (including a dispute relating to the existence, validity or termination of this Deed of Guarantee or any non-contractual obligations arising 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 10 Upper Bank Street, London E14 5JJ 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 the Companies Act 2006. 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) 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 judgement 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**

FINMECCANICA – Società per azioni

acting by

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be in the following form, duly 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 Final Terms but denotes guidance for completing the Final Terms.

Final Terms dated [•]

[FINMECCANICA – Società per azioni]

(incorporated as a società per azioni under the laws of the Republic of Italy, with registered office at Piazza Monte Grappa, 4, 00195 Rome, Italy, registered with Camera di Commercio Industria Artigianato and Agricoltura, with registration number 00401990585)]

[FINMECCANICA FINANCE S.A.]

(incorporated as a société anonyme under the laws of Luxembourg, with registered office at 11-13, Boulevard de la Foire, L-1528 Luxembourg, registered with the Luxembourg Registry of Commerce and Companies with register number R.C.S. Luxembourg B70.876)]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

[Guaranteed by

FINMECCANICA – Società per azioni]

under the EUR 4,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 9 October 2013 [and the supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document contains the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus.]

Full information on the Issuer[, the Guarantor] and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplement to the Base Prospectus] [is/are] available for viewing at the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>) and copies may be obtained from Finmeccanica – Società per azioni at Piazza Monte Grappa, 4, 00195 Rome/Finmeccanica Finance S.A. at 11-13, Boulevard de la Foire, L-1528 Luxembourg and from the Fiscal Agent, Société Générale Bank & Trust at 11 avenue Emile Reuter, L-2420 Luxembourg and the Paying Agent, Banque Internationale à Luxembourg, *société anonyme* at 69 route d'Esch, L-2953 Luxembourg.]

The following alternative language applies if the first tranche of an issue, which is being increased was issued under a Prospectus 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 Prospectus dated [original date]. This document contains the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive, and must be read in conjunction with the Prospectus dated 9 October 2013 [and the supplement to the Prospectus dated [•]] together the "**Prospectus**" which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and the supplement to the Prospectus dated [•]. This document constitutes the Final Terms relating to the issue of Notes described herein.]

Full information on the Issuer[, the Guarantor] and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus [and the supplement to the Prospectus] [is/are] available for viewing at the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>) and copies may be obtained from Finmeccanica – Società per azioni at Piazza

Monte Grappa, 4, 00195 Rome/Finmeccanica Finance S.A. at 11-13, Boulevard de la Foire, L-1528 Luxembourg and from the Fiscal Agent, Société Générale Bank & Trust at 11 avenue Emile Reuter, L-2420 Luxembourg and the Paying Agent, Banque Internationale à Luxembourg, société anonyme at 69 route d'Esch, L-2953 Luxembourg.]

[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 subparagraphs. Italics denote guidance for completing the Final Terms.]

1. [(i)] Series Number: [•]
- [(ii)] Tranche Number: [•]
- [(iii)] Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/Exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [•]].]
2. Specified Currency: [•]
3. Aggregate Nominal Amount [•]
- [(i)] Series: [•]
- [(ii)] Tranche: [•]
4. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
5. (i) Specified Denominations: []

(Note – The Issuers may issue Notes with a single Specified Denomination i.e. EUR 100,000, and multiples thereof.)

(Note – where multiple denominations above EUR 100,000 or equivalent are being used the following wording should be used: "EUR 100,000 and integral amounts of EUR 1,000 in excess thereof up to and including EUR 199,000. No Notes in definitive form will be issued with a denomination above EUR 199,000".)

- [(ii)] Calculation Amount: [•]
6. [(i)] Issue Date: [•]
- [(ii)] Interest Commencement Date (if different from the Issue Date): [•]/Issue Date/Not Applicable
[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
7. Maturity Date: [•]
8. Interest Basis: [[•] per cent. Fixed Rate]
- [EURIBOR/LIBOR]+/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (Further particulars specified below)

9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•] per cent. of their nominal amount / par].
10. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]
11. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
[(further particulars specified below)]
12. (i) [Date of Deed of Guarantee] [•]
(N.B. For a guaranteed issuance, a separate Deed of Guarantee has to be entered into upon each issuance of Notes – see form of Deed of Guarantee in the Base Prospectus)
(N.B. If the issue is a fungible issue, state that the issue will be covered by a Deed of Guarantee entered into on [date] in relation to the first issue of the Series)
- (ii) [[Date of [Board] approval for issuance of Notes [and Guarantee] [respectively]] obtained: [•] [and [•], respectively. (N.B. only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or relevant Guarantee)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **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 on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / [Not Applicable]
[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amounts [(s)]]
- (v) Day Count Fraction: [Actual/Actual (ICMA)
Actual/360
Actual/Actual (ISDA)]

Actual/365 (Fixed)
30/360 (Floating)
30E/360
30E/360 (ISDA)]

(vi) Determination Dates: [•] in each year (*Consider what should happen to unmatured Coupons in the event of early redemption of the Notes.*) / [Not Applicable]

14. **Floating Rate Note Provisions** [Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph.*)

(i) Interest Period(s): [•]

(ii) Specified Period(s): [•] / [Not Applicable]

(iii) Specified Interest Payment Dates: [Not Applicable/[•], subject to adjustment in accordance with the Business Day Convention set out in (iv) below]

(iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment]

(v) First Interest Payment Date: [•]

(vi) Additional Business Centre(s): [Not Applicable/[•]]

(vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]

(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [Not Applicable/[•]] (*no need to specify if the Fiscal Agent is to perform this function*)

(ix) Screen Rate Determination: [Applicable/Not Applicable]

• Reference Rate: [EURIBOR/LIBOR]

• 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 Screen Page: [•] (*For example, Reuters EURIBOR01 or Reuters LIBOR01*)

• 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*

countries whose lawful currency is the euro)

- (x) ISDA Determination: [Applicable/Not Applicable]
 - Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA)
Actual/360
Actual/Actual (ISDA)
Actual/365 (Fixed)
30/360 (Floating)
30E/360
30E/360 (ISDA)]

15. 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) Day Count Fraction: [Actual/Actual (ICMA)
Actual/360
Actual/Actual (ISDA)
Actual/365 (Fixed)
30/360 (Floating)
30E/360
30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

16. 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): [[Specify amount] *(If Notes are represented by a Global Note)*][•] per Calculation Amount *(if Notes are in definitive form)*]
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [[Specify amount] *(If Notes are represented by a Global Note)*][•] per Calculation Amount *(if Notes are in definitive form)*]
 - (b) Maximum [Specify amount] *(If Notes are represented by*

- | | |
|--|--|
| Redemption Amount: | <i>a Global Note)/[•] per Calculation Amount (if Notes are in definitive form)]</i> |
| (iv) Notice period (if other than as set out in the Conditions): | [Not Applicable/[•]] |
| 17. Put Option | [Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) Optional Redemption Date(s): | [•] |
| (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [•] per Calculation Amount |
| (iii) Notice period (if other than as set out in the Conditions): | [Not Applicable/[•]] |
| 18. Final Redemption Amount of each Note: | [•] per Calculation Amount |
| 19. Early Redemption Amount | [•] per Calculation Amount |
| Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: | [Not Applicable]
<i>(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)]</i> |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | |
|---|---|
| 20. Form of 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] |
| 21. New Global Note Form: | [Yes/No] |
| 22. Additional Financial Centre(s) or other special provisions relating to payment dates: | [Not Applicable/[•]] <i>(Note that this item related to the place of payment, and not interest period end dated, to which items 14(ii), 15(iii) and 17(viii) relates)</i> |
| 23. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such | [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 |

Talons mature):

coupon payments are left.]

[THIRD PARTY INFORMATION

[•] has been extracted from [•]. [Each of the/The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.]⁴

Signed on behalf of the Issuer:

By:
Duly authorised

[Signed on behalf of the Guarantor:

By:
Duly authorised]

⁴ Include where any information sourced from a third party has been reproduced, and provide necessary details.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official list of the Luxembourg Stock Exchange.]
[•]/[Not Applicable.]
- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] with effect from [•].]/[Not Applicable.]

2. RATINGS

[The Notes to be issued have not been rated.]

[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to notes of this type issued under the Programme generally]:

Ratings:

[Standard & Poor's: [•]]
[Moody's: [•]]
[[Other]: [•]]

Option 1 - CRA established in the EEA and registered under the CRA Regulation

[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration

[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European Securities and Markets Authority].

Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration

[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[•] is not established in the EEA but the rating it has given to the Notes is endorsed by [•], which is

established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[•] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save for [•], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4. Fixed Rate Notes only – YIELD

[Indication of yield: [•.]

[Not Applicable.]

5. Floating Rate Notes only – HISTORIC INTEREST RATES

[Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]/[Not Applicable.]

6. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Intended to be held in a manner which would allow Eurosystem eligibility.

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for

Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-Syndicated]
- (ii) If syndicated: [Not Applicable]
 - (a) Names and addresses of Managers and underwriting commitments: [•]
 - (b) Stabilising Manager(s) (if any): [Not Applicable/[•]]
- (iii) If non-syndicated, name and address of Dealer [Not Applicable/[•]]
- (iv) U.S. Selling Restrictions: [TEFRA C/TEFRA D]

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

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 and, in the case of an NGN, effectuated, 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 Final Terms), 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 October 2013 (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 Final Terms), 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 an overview 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 to or to the order 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 in respect of a CGN the

payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 9(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 9(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 but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 18 (*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 depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, 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 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu/>).

Payment Business Day: Notwithstanding the definition of "Payment Business Day" in Condition 2(a) (*Definitions*), 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 depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, "Payment Business Day" means:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is, 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) additional Financial Centre.

FINMECCANICA FINANCE S.A.

Introduction

Finmeccanica Finance, (incorporated as a *société anonyme* under the laws of Luxembourg registered with the RCSL under number B70.876) is the entity arising from the merger (the "**Merger**") by incorporation pursuant to Luxembourg law of the Pre-Merger Finmeccanica Finance into Aeromeccanica S.A. (the "**Merging Companies**"), which took place on 22 June 2010 with accounting effect from 1 January 2010.

Aeromeccanica S.A. (formerly "**Telespazio Luxembourg**"), as surviving entity of the Merger, was incorporated in Luxembourg as a *société anonyme* under Luxembourg law on 13 July 1999 for an unlimited duration and its articles of incorporation were published on 13 October 1999 in the *Mémorial C, Recueil des Sociétés et Associations n° 760*. Aeromeccanica S.A. has been a wholly-owned subsidiary of Finmeccanica since 2002 when it was acquired from Telecom Italia S.p.A as part of the Telespazio Group. The objects of Aeromeccanica S.A. were to hold shareholdings in other companies and to raise funds to be on-lent within and outside the Finmeccanica Group.

The Pre-Merger Finmeccanica Finance (formerly "**Asterisque S.A.**") was a subsidiary of Finmeccanica incorporated in Luxembourg as a *société anonyme* under Luxembourg law on 2 October 1991 for an unlimited duration and its articles of incorporation were published in 1992 in the *Mémorial C, Recueil des Sociétés et Associations n° 115* on page 5483. The Pre-Merger Finmeccanica Finance, after having incorporated Meccanica Finanziaria International S.A. – another Finmeccanica Group company operating in Luxembourg since 1977, provided *inter alia* funding for the general corporate purposes of Finmeccanica and its operating subsidiaries and participated in trade financing for the benefit of Finmeccanica Group companies. The Pre-Merger Finmeccanica Finance was part owned (73.64 per cent.) directly by Finmeccanica and part owned (26.36 per cent.) indirectly by Finmeccanica Group Services S.p.A. On 7 June 2010, the Pre-Merger Finmeccanica Finance became a wholly-owned subsidiary of Finmeccanica following the acquisition by Finmeccanica of the 26.36 per cent. owned by Finmeccanica Group Services S.p.A.

Following the Merger, Aeromeccanica S.A. has changed its name into Finmeccanica Finance S.A. ("**Finmeccanica Finance**") a *société anonyme* incorporated under the laws of Luxembourg and having its registered office at 11-13 Boulevard de la Foire, L-1528 Luxembourg and registered with the RCSL under number B70.876. The telephone number and the fax number of Finmeccanica Finance's registered office are +352 228771 and +352 228770, respectively, Finmeccanica Finance may be contacted by e-mail at: carlo.calamida@finmeccanicafinance.lu.

Ownership and Capital Structure

Finmeccanica Finance is a wholly-owned subsidiary of Finmeccanica (see "*The Finmeccanica Group*" for further details of Finmeccanica and its subsidiaries). Finmeccanica Finance's issued share capital amounts to Euro12,371,940 consisting of 1,237,194 ordinary shares of Euro 10.00 each, all of which are fully paid up with a merger premium of Euro 68,039,856, Euro 19,633,044 of legal reserve, other reserves, retained earnings and profit of the year, for a total shareholders equity of Euro 100,044,840.

Finmeccanica Finance did not complete the disposal procedure for the sale of its indirect participation of approximately 15 per cent. in the share capital of Avio S.p.A. ("**Avio**") – an Italian company operating in the aerospace industry and particularly in the production of components of civil and military aero engines as well as parts of helicopters and space propulsors – to Fondo Strategico Italiano S.p.A. and instead sold such equity interest to Finmeccanica. Finmeccanica Finance's decision was in part based on a consideration of the opportunity for industrial actions in Avio with the aim of pursuing the sale of certain business sectors/units of Avio.

The sale price proposed to Finmeccanica included the book value of the shares and the representative instruments of the credit relating to BCV Investments S.C.A. and Viasimo S.à r.l. increased by outstanding interests for a price of at least EUR 137 million. The agreement for the transfer of this indirect participation to Finmeccanica was entered into on 19 December 2012 and it was settled on 21 December 2012. Finmeccanica Finance sold to Finmeccanica the shares of BCV Management S.A. and BCV Investments S.C.A. as well as the representative instruments of the credit to BCV Investments S.C.A. for an amount of approximately EUR 132.2 million, except for the credit *vis-à-vis* Viasimo S.à r.l.

Finmeccanica Finance currently holds also a 100 per cent. participation in Meccanica Reinsurance S.A., a Luxembourg captive reinsurance company for the Finmeccanica Group. In relation to levels of exposure and risk in property policies, Meccanica Reinsurance S.A.'s exposure amounts to a level of Euro 4,000,000 in the Property Policy of the Finmeccanica Group.

Management of Finmeccanica Finance

Pursuant to its articles of incorporation, the management of Finmeccanica Finance is entrusted to the board of directors (collectively the "**Board of Directors**" and each a "**Director**") made up of five members, three of whom shall be category A Directors and the remaining two shall be category B Directors and who are appointed by the general meeting of the shareholders for a period of three years.

The Board of Directors has the widest possible powers to perform the tasks involved in managing the affairs of Finmeccanica Finance. The general meeting of the shareholders of Finmeccanica Finance held on 12 March 2013 appointed the following persons as Directors of Finmeccanica Finance for a period of three years expiring on the date of the annual general meeting of the shareholders of Finmeccanica Finance to be held in 2016.

Name	Position	Principal Outside Activities
Maria Dennewald.....	Chairman, Director category A	Lawyer of Elvinger Dessoy Dennewald, Luxembourg
Umberto D'Agostino.....	Director, category B	—
Luigi Calabria.....	Director, category B	Senior Vice President, Group Finance Department of Finmeccanica – Società per azioni
Dominique Audia.....	Director, category A	Executive Deputy Manager of Société Européenne de Banque, Luxembourg
Salvatore Desiderio.....	Director, category A	Executive Deputy Manager of Société Européenne de Banque, Luxembourg

The business address of the Directors of Finmeccanica Finance is Finmeccanica Finance's registered office at 11-13, Boulevard de la Foire, L-1528 Luxembourg.

No conflicts of interest exist between any duties of the persons referred to above to Finmeccanica Finance and their private interests and/or other duties.

Litigation

Finmeccanica Finance is not or has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Finmeccanica Finance is aware), which may have or have had during the 12 months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of Finmeccanica Finance.

SUMMARY FINANCIAL INFORMATION OF FINMECCANICA FINANCE

Capitalisation of Finmeccanica Finance

The following table sets out the capitalisation and indebtedness of Finmeccanica Finance extracted without material adjustment from the audited annual accounts as at and for the year ended 31 December 2012 and 31 December 2011.

	31 Dec. 2012	31 Dec. 2011
	EUR	
Short-term borrowings		-
Medium/long-term borrowings	2,979,481,137	2,431,708,275
Cash and cash equivalents.....	(37,717,445)	(26,230,077)
Net Bank Debt and Bonds	2,941,763,692	2,405,478,198
Securities	-	-
Financial receivables from affiliated undertakings and to undertaking with which the company is linked by virtue of participating interests.....	(1,559,197,742)	(519,875,190)
Other financial receivables.....	(4,245,415)	(3,500,824)
Financial Receivables and Securities	(1,563,443,157)	(523,376,014)
Borrowings from affiliated undertakings and to undertaking with which the company is linked by virtue of participating interests.....	763,411,452	808,646,931
Other short-term borrowings.....	-	-
Other medium/long-term borrowings.....	-	-
Other Borrowings	763,411,452	808,646,931
Net Financial Debt	2,141,731,987	2,690,749,115
Share capital	12,371,940	12,371,940
Retained earnings and consolidation reserves	87,672,900	72,702,888
Minority Interests.....	-	-
Shareholders' equity	100,044,840	85,074,828
Total capitalisation	2,241,776,827	2,775,823,943

Source: Finmeccanica Finance 2011 annual accounts; Finmeccanica Finance 2012 annual accounts; Finmeccanica Finance internal data.

Balance sheet data

The following table sets out certain balance sheet information relating to Finmeccanica Finance as of 31 December 2012 and 31 December 2011.

	As at 31 December 2012 (audited)	As at 31 December 2011 (audited)
	EUR	
Fixed Assets		
Tangible assets.....	5	5
Financial assets	2,230,012,008	2,770,801,184
Current assets		
Amounts owed by affiliated undertakings.....	1,556,970,011	519,875,190
Amounts owed by undertaking with which the company is linked by virtue of participating interests.....	2,227,731	
Other debtors	4,245,415	3,500,824
Cash at bank.....	37,717,445	26,230,077
Prepayments and accrued income	20,681,056	15,773,355
Total Assets	3,851,853,671	3,336,180,635
Shareholders' equity		
Subscribed capital	12,371,940	12,371,940
Merger premium	68,039,856	68,039,856
Other reserves	2,314,220	2,314,220
Legal reserve.....	231,454	129,270
Profit brought forward	177,358	175,857
Profit for the financial year/period	16,910,012	2,043,685
Total Shareholders' equity	100,044,840	85,074,828
Provisions for liabilities and charges		
Provisions for taxation	421,907	425,850

	As at 31 December 2012 (audited)	As at 31 December 2011 (audited)
EUR		
Creditors		
Bonds.....	2,979,481,137	2,431,708,275
Amounts owed to affiliated undertakings.....	240,423,588	3,507,605
Amount owed to undertaking with which the company is linked by virtue of participating interests.....	522,987,864	805,139,326
Other creditors.....	2,005,033	1,249,593
Tax and social security debts.....	709,380	705,032
Accruals and deferred income.....	5,779,922	8,370,126
Total Liabilities.....	3,851,853,671	3,336,180,635

Source: Finmeccanica Finance 2011 annual accounts; Finmeccanica Finance 2012 annual accounts; Finmeccanica Finance internal data.

Profit and loss account

The following table sets out certain profit and loss account information relating to Finmeccanica Finance as of 31 December 2012 and 31 December 2011.

	As at 31 December 2012 (audited)	As at 31 December 2011 (audited)
EUR		
Charges		
Other external charges.....	2,096,457	1,870,716
Staff costs.....	65,473	66,197
Other operating charges.....	170,000	252,166
Value adjustments in respect of financial assets, current assets and of transferable securities held as current assets.....	316,907	-
Interest payable and similar charges.....	181,056,334	201,450,824
Income Tax.....	1,575	11,397
Other taxes not shown under the above item.....	401,270	439,318
Profit for the financial year.....	16,910,012	2,043,685
Total charges.....	201,018,028	206,134,303
Income		
Other operating income.....	85,851	95,942
Income from other transferable securities and from loans forming part of the fixed assets.....	193,070,178	189,624,756
Other interest receivable and similar income.....	7,851,263	16,382,142
Extraordinary income.....	10,736	31,463
Total income.....	201,018,028	206,134,303

Source: Finmeccanica Finance 2011 annual accounts; Finmeccanica Finance 2012 annual accounts; Finmeccanica Finance internal data.

Consolidated financial statements and annual accounts

The audited consolidated financial statements and the audited annual accounts of Finmeccanica Finance for the year ended 31 December 2012 have been audited by KPMG Luxembourg S.à r.l., 9 Allée Scheffer L-2520 Luxembourg, whilst the audited consolidated financial statements and the audited annual accounts of Finmeccanica Finance for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers, Société coopérative, 400 route d'Esch, B.P.1443, L-1014 Luxembourg. KPMG Luxembourg S.à r.l. and PricewaterhouseCoopers, Société coopérative are members of the "Institut des Réviseurs d'Entreprises" (Luxembourg Institute of Independent Auditors) and are approved by the CSSF pursuant to the law of 18 December 2009 relating to the audit profession, as amended.

Those unconsolidated annual accounts of Finmeccanica Finance have been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of annual accounts. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union, supplemented by the relevant interpretations (Standard Interpretations Committee - SIC and International Financial Reporting

Interpretations Committee - IFRIC) issued by the International Accounting Standard Board (IASB) in force at the end of the year. The financial information presented above should be read in conjunction with the relevant annual accounts, reports and the notes thereto which are incorporated by reference into this Base Prospectus.

FINMECCANICA AND THE FINMECCANICA GROUP

Overview

Finmeccanica – Società per azioni ("**Finmeccanica**") is a joint stock company limited by shares (*società per azioni*) incorporated under Italian law. Its registered office and principal place of business is at Piazza Monte Grappa 4, 00195 Rome, Italy and it is registered with the Companies' Register of Rome under number 00401990585, Fiscal Code and VAT Number 00881841001. Finmeccanica may be contacted by telephone on +39 06 324731, by fax on +39 06 324731 and by e-mail (ir@finmeccanica.com). The secondary place of business of Finmeccanica is at Corso Perrone 118, 16152 Genoa, Italy.

Pursuant to its by-laws, Finmeccanica's term of incorporation shall last until 31 December 2090, subject to extension.

Finmeccanica is the parent company of the group consisting of Finmeccanica and its subsidiaries (collectively, the "**Finmeccanica Group**" or, alternatively, the "**Group**").

The Finmeccanica Group is one of the leading European aerospace, defence and security (A,D&S) companies in terms of revenue and a leading high technology company, operating in the design and manufacture of helicopters, defence and security electronics equipments and systems, civil and military aircraft, aerostructures, satellites, space infrastructures, land and naval armaments, underwater defence systems and missiles. The Finmeccanica Group has also significant manufacturing assets and skills in the Energy and Transportation sectors. Finmeccanica plays a leading role in the global aerospace and defence industry and participates in numerous international programmes in the sector through its subsidiaries and well-established alliances with European and United States partners.

The Group operates both in Italy and abroad through subsidiaries and joint ventures. Finmeccanica has a large industrial base in Italy, in the United Kingdom, in the United States and in Poland (considered as the Group's domestic markets), as well as production facilities in the rest of Europe (including France and Germany).

As at the date of this Base Prospectus, Finmeccanica has a share capital of EUR 2,543,861,738.00 divided into No. 578,150,395 ordinary shares having a nominal value of EUR 4.4 each. Approximately 30.2 per cent. of Finmeccanica's share capital is directly owned by the Italian Ministry of Economy and Finance and the remaining approximately 69.8 per cent. is publicly held. The ordinary shares of Finmeccanica have been listed on the *Mercato Telematico Azionario*, the screen-based market of the Italian Stock Exchange managed by Borsa Italiana S.p.A., since 2000. Finmeccanica's ordinary shares are included in the S&P/MIB stock index. As at the date of this Base Prospectus, Finmeccanica had a market capitalisation of approximately EUR 2.6 billion.

The following table contains the key financial and operating data relating to the Group operations for the periods indicated:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	6,227	7,678	16,703	17,434
Order backlog.....	42,589	46,060	44,908	46,005
Revenue	7,951	8,027	17,218	17,318
EBITA ⁽¹⁾	467	459	1,080	(216)
Net profit / (loss).....	(62)	67	(792)	(2,306)
Research & Development ⁽²⁾	856	943	1,929	2,020
Workforce (No.).....	66,782	68,813	67,408	70,474

Source: *Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.*

- (1) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (2) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

History of the Finmeccanica Group

The history of the current Finmeccanica began on 18 March, 1948 with the incorporation by the Istituto per la Ricostruzione Industriale ("IRI", a holding company for Italian state-owned industrial and commercial interests) of a company named Società Finanziaria Meccanica – Finmeccanica Società per azioni (the "**SFM Finmeccanica**"), as the holding company for the Italian government's automotive, mechanical, electro-mechanical and shipyard industrial activities. In particular, SFM Finmeccanica was given a clearly defined task and substantial resources to restructure important companies which would become the core of the mechanical industry for the next fifty years: Ansaldo, Alfa Romeo, San Giorgio, Sant'Eustachio, Navalmeccanica and Cantieri Navali dell'Adriatico. In the early 1970s, SFM Finmeccanica changed its organizational structure. The SFM Finmeccanica' group acquired a sizable dimension with participation in several industrial sectors: automobiles (with Alfa Romeo, acquired in 1948), the thermo-electro-mechanical sector (with Ansaldo, a long-standing company founded in 1854) and the aerospace sector (with Aeritalia, set up 50/50 with FIAT in 1969). In 1973 the energy crisis forced SFM Finmeccanica to review the policy it had been pursuing up until that time. The new objectives were restructuring, internationalization, and achieving a competitive dimension. Although these objectives were similar to those of the early 1950s, they now referred to a very different industrial scenario.

During the early 1980s, SFM Finmeccanica began to focus on the electro-mechanical and aerospace sectors, gradually consolidating its activities. 1987 marked the end of this restructuring phase which was essential to enable the Group to develop internationally. In particular, in 1987 the activities of SFM Finmeccanica were contributed to a new company named Finmeccanica – Società Finanziaria per azioni, incorporated on 21 May 1987. In 1989, Finmeccanica re-acquired Selenia, Elsig and SGS – three companies specialised mainly in the electronics field, previously transferred to STET – and began coordinating IRI's activities in the high technology manufacturing industry. At this point, Finmeccanica's range of activities included civil systems, automated factories, command and control systems, missile systems, biomedical apparatus, robotics, microelectronic components, alongside the traditional sectors of energy, transport, industrial plant, and aerospace. In 1992, Finmeccanica – Società Finanziaria per azioni company was merged into Società Immobiliare e Finanziaria per Azioni, or SIFA (previously named Società delle Miniere di Mercurio del Monte Amiata), a company created in 1897 and listed on *Mercato Telematico Azionario*. Following such merger, SIFA changed its name into Finmeccanica – Società per azioni (which is the current Finmeccanica).

Over time, Finmeccanica transformed itself from a diversified conglomerate into an industrial holding company focused on specific sectors with high technology content.

Following a strategic review of its activities in 1997, Finmeccanica adopted a plan designed to strengthen its competitiveness, profitability and financial position. As part of these restructuring efforts, Finmeccanica completed the divestiture of its less profitable activities, such as 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. To that end, Finmeccanica has begun negotiations for the implementation of strategic alliances in aerospace and defence, with the aim of improving its competitive position and international presence.

Finmeccanica's privatisation process was initiated by a decree issued by the Italian Prime Minister on 28 September 1999 (the "**Privatisation Decree**"). The Privatisation Decree provided that the Italian government, through the Ministry of Economy and Finance must maintain at least a 30 per cent. minority interest (on a fully-diluted basis) in Finmeccanica's share capital. In this context, in June 2000, IRI sold over 50 per cent. of Finmeccanica's ordinary shares in the capital market. The value of the initial public offering exceeded Euro 5 billion. Following completion of the initial public offering, IRI transferred additional shares to the Ministry of Economy and Finance. As of the date of this Base Prospectus, the Italian Ministry of Economy and Finance holds approximately 30 per cent. of the share capital, whereas the remaining shares are publicly held.

During the early 2000s, the business lines, first organised as divisions, were grouped into operating companies, homogeneous and coherent with the international development strategy, leaving Finmeccanica as holding company the functions of strategic and industrial guidance and control.

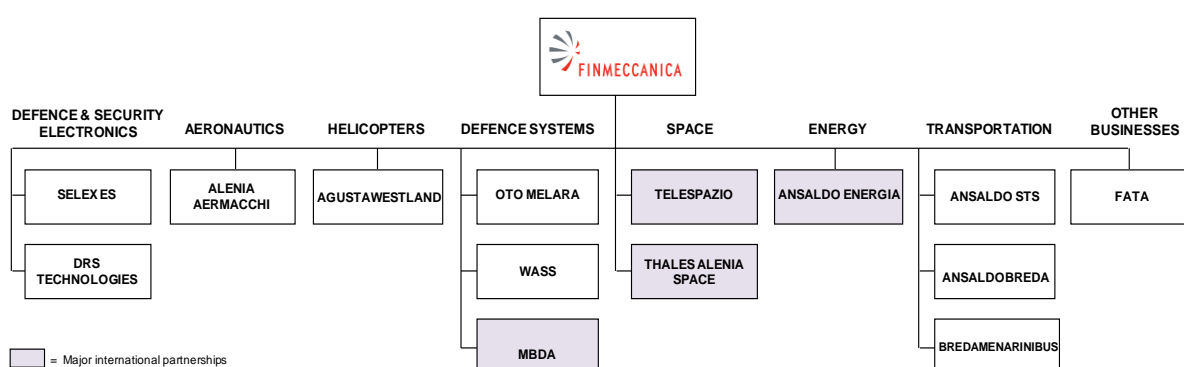
Following the privatisation, Finmeccanica has continued and still continues to pursue a growth strategy to consolidate its competitive position in the markets in which the Group operates and to create value for its shareholders. In particular, Finmeccanica has continued the development and growth of the Group

pursuing mergers and acquisitions opportunities with companies operating in similar or complementary business portfolios as well as joint ventures leading to creation of value through the synergy and rationalisation of activities and thus strengthening its market position and achieving economies of scale in its main business areas.

In May 2010, in line with its programme to optimise its industrial presence in the Defence and Security Electronics and Space sectors, Finmeccanica launched a rationalisation process to improve the business organisation and industrial performance of the companies involved. In particular, the rationalisation involved a number of specific business lines, enabling the Group to take advantage of the technological synergies within its structure and to define clear responsibilities with end customers.

During 2011, a new re-organisation programme of the Group was launched with the aim of obtaining significant benefits in terms of competitiveness, cost reduction, financial position and efficiency, from the improvement of production processes, procurement, engineering and SG&A (the selling, general and administrative costs) throughout the Group (in this respect, see, *inter alia*, "Organisation and Structure", "Description of Business by Segment" and Restructuring and Reorganisation Plan here below).

Organisation and Structure



Finmeccanica is currently active in the following sectors:

- **Helicopters** (both civil and military platforms) in which it operates through AgustaWestland;
- **Defence and Security Electronics** (radar, electro-optics, electronic warfare, sensors, integrated systems, Information and Communication Technology (ICT) systems, security and smart solutions) in which it operates through Selex ES and DRS;
- **Aeronautics** (military aircraft, aerostructures, Unmanned Aerial Vehicles (UAVs) and regional aircraft) in which it operates through Alenia Aermacchi,
- **Space** in which it operates through Telespazio (a joint ventures with the French company Thales for the space services, whose majority is held by Finmeccanica) and Thales Alenia Space (a joint ventures with Thales for the satellite manufacturing, whose majority is held by Thales);
- **Defence Systems** including other defence segments such as missiles, underwater defence systems and land and naval armaments in which it operates respectively through MBDA (Joint Venture with BAE Systems and Airbus) Oto Melara, WASS and;

Finmeccanica is also well positioned in the sectors of:

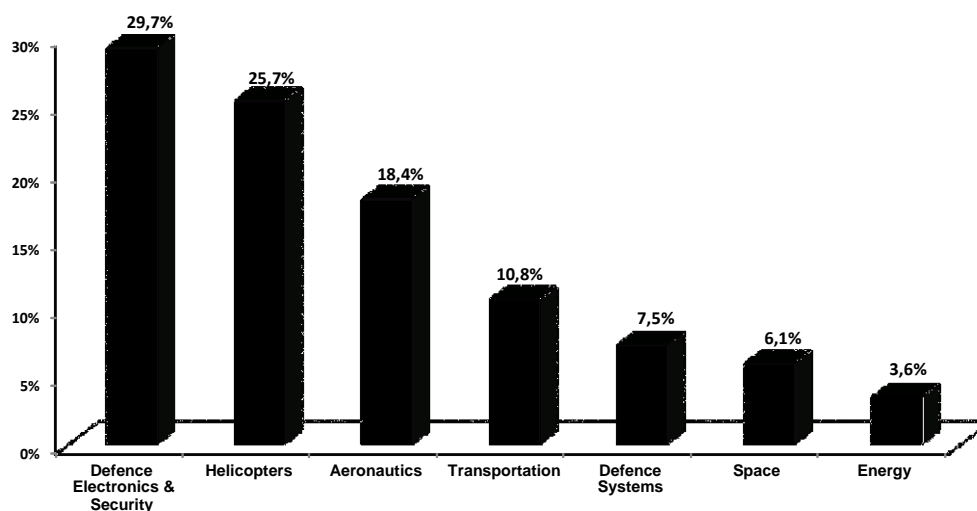
- **Energy** in which it operates through Ansaldo Energia, a full-cycle, integrated operator, with the capabilities to build turnkey power plants on green field sites using its own technologies and its own independent design, production, construction, commissioning and service resources (on 4 October 2013 the Board of Directors of Finmeccanica resolved to sell Finmeccanica's shareholding in Ansaldo Energia, in respect of which see " - Recent developments" below); and
- **Transportation** in which it operates through Ansaldo STS (Signalling and Transportation Solutions), AnsaldoBreda (rolling stock for railways and urban systems) and BredaMenarinibus (urban and intercity buses).

Finmeccanica's other activities mainly include, the activities in the field of industrial plant engineering and construction in which it operates through the FATA Group.

Furthermore, in order to support the Group's activities in the United Kingdom and in the United States, in accordance with its strategy and in the light of the importance of those markets for the Group, Finmeccanica has established two subsidiaries, Finmeccanica UK Ltd. and Finmeccanica North America Inc.

The following chart illustrates the organisational structure of the Finmeccanica Group's principal operating segments and other activities as at the date of this Base Prospectus.

The following chart illustrates the breakdown of the Finmeccanica Group's revenue for each sector for the six month period ended 30 June 2013.



Note: breakdown based on revenues gross of eliminations.

Markets and Statistics

Certain information and the estimates presented in the sections below are based on third party analysis and surveys and Finmeccanica's experience, market knowledge, accumulated data, investigation of market conditions, current expectations and projections about future events and involve substantial uncertainties. Finmeccanica cannot assure that this data or any of the assumptions underlying these estimates are accurate or correct, and none of the internal surveys or information on which Finmeccanica has relied has been verified by any independent sources. All statements, other than statements of historical facts, contained herein regarding strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. Accordingly, no undue reliance should be made on such information and estimates. In particular, this document and other statements by Finmeccanica may include forward-looking statements with respect to future synergies, future financing activities, financial structure objectives and other future financial or business performance, conditions, strategies, expectations or goals. All statements that are not descriptions of historical facts are forward-looking statements, based on management's estimates, assumptions and projections that are subject to risks and uncertainties, some of which cannot be predicted or quantified. These statements can generally be identified by the use of forward-looking terminology such as, *inter alia*, "believes", "expects", "intends", "may", "will", "would", "should" or "anticipates" or similar terminology, words and expressions. Finmeccanica does not undertake any obligation to publicly update or revise any forward-looking statements.

Furthermore, except where sourced from internal management's analysis of Finmeccanica's consolidated financial statements, information, statistics and forward-looking statements presented in the Base

Prospectus and in any Supplement thereto regarding market volumes and the market share of the Finmeccanica Group companies has been extracted from independent sources (such as, *inter alia*, Teal Group Corporation, Forecast International and Jane's). Finmeccanica confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information so published, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although Finmeccanica believes that the external sources used are reliable, Finmeccanica has not independently verified the information provided by the source. Finmeccanica does not undertake any obligation to publicly update any of the foregoing information.

Reorganisation Plan

The 2011 financial statements of Finmeccanica included non-recurring expenses for approx. EUR 3.3 billion (approximately EUR 1.1 billion at EBITA level; EUR 2.2 billion below EBITA) mainly related to:

- the impairment of part of the DRS goodwill paid in 2008 following the acquisition of the Company, aimed at aligning the asset valuation to a reduced expected demand from the company's end markets;
- the review of certain contracts mainly in Aeronautics, Space, Rolling Stock and Defense Electronics; and
- the provisions for restructuring, lay-off and other costs.

Concurrently with the incurrence of such expenses Finmeccanica launched a reorganization plan aimed at:

1. restoring the underlying profitability and operating cash flow generation of the Group, implementing efficiency and competitiveness plans in the Group and in specific business areas such as:
 - Alenia Aermacchi and subsidiaries: "3R" Plan (Relaunch, Reorganization and Restructuring);
 - Selex ES: merger of the European Defense Electronics businesses into one single company (Selex ES), with full reorganization and optimization of engineering, production footprint and processes, sourcing and indirect staff into one more cost-effective and efficient organization aimed at delivering its technologically advanced product base through a wider international market reach,
 - DRS: right-sizing actions and rationalization of businesses and industrial footprint;
 - AnsaldoBreda: completion of legacy contracts and implementation of an efficiency and restructuring plan aimed at re-engineering production processes, improving product quality and reliability and reducing the overall cost of products;
2. configuring a more focused and technologically advanced portfolio of assets, with an enhanced cash flow generation and return on capital, a more competitive and sustainable asset base and a lower level of indebtedness. In particular Finmeccanica:
 - a. consider to further lower its exposure to its Energy business (Ansaldo Energia is 55 % owned by Finmeccanica and 45% owned by a Private Equity Fund) taking into account the need to further innovate the product base and strengthen the competitive position of the company in a highly concentrated sector characterized by significant investment requirements (on 4 October 2013 the Board of Directors of Finmeccanica resolved to sell Finmeccanica's shareholding in Ansaldo Energia, in respect of which see "*Recent developments*" below);
 - b. consider to develop its Signalling and Systems Transportation business through partnerships (Ansaldo STS is a company listed in the Mercato Telematico of Borsa italiana, owned 40 pct. by Finmeccanica and 60 pct. by the public market) also outside the perimeter of the Group;

- c. consider to partner its AnsaldoBreda Rolling Stock business to ensure business sustainability, also by deconsolidating the asset;
 - continue to invest in the development of new products and technologies in Aerospace, Defense and Security, consolidating its leadership areas and extending its product offering;
 - evaluate further investments in Space, strengthening its industrial role and its market position;
 - evaluate potential international partnerships in Defense Systems to consolidate market positioning and alternative transactions targeting the deconsolidation of certain AD&S assets;
- 3. achieving an enhanced corporate governance of the Group, through (i) a higher integration level; (ii) more efficient, effective and controlled decision making processes; and (iii) higher transparency in all processes, also addressing the reputational issues that the Group has faced in the recent past. Certain processes have been centralized in Finmeccanica in order to enhance the role of strategic and industrial direction that the Holding company provides to Operating Companies;
- 4. maintaining a disciplined financial plan aimed at (i) improving the profitability of the Group, its cash flow generation and its return on capital employed; (ii) materially reducing the level of financial indebtedness not only through internal cash flow generation but also through extraordinary transactions; (iii) ensuring the timely refinancing of existing financial indebtedness; and (iv) improving the credit metrics and the business position of the company to significantly change the current credit judgment of the rating agencies and in general of the financial markets.

Description of Business by Segment

Helicopters

Overview

In the Helicopters segment, Finmeccanica's operations are carried out through AgustaWestland S.p.A. ("**Agusta Westland**") and its subsidiaries, including the Polish subsidiary PZL – Swidnik, whose acquisition was finalised during 2010. Finmeccanica is one of the leading global competitors in the design and production of helicopters, with the capacity to develop a complete range of products for both civil and military applications.

AgustaWestland's civil products include: the AW139, the AW109 Power, the Grand New and the AW101. The only mono-turbine helicopter model produced by AgustaWestland is the AW119 Koala. New products are under development such as the AW169 and the AW189.

AgustaWestland's military products include: the AW101, the AW129 Combat, the AW159 and the Apache and the Chinook, built under Boeing's license. AgustaWestland is also participating in the European NH90 transport and naval helicopter production programme. Furthermore, AgustaWestland is currently finalising the development phase of (i) the AW609, an innovative tilt-rotor vehicle that enables vertical take-off and night flight just like traditional aircraft, (ii) the AW149, and (iii) the AW169. Further information on Finmeccanica's principal products and programs in this segment is provided under "*Main Products and Programmes*" below.

AgustaWestland owns the technology and expertise necessary for all phases of helicopter production including the preliminary analysis and identification of operational requirements for designing, engineering and manufacturing transmissions, rotors, blades, metal and composite material structures and avionics, as well as final assembly, systems integration and product support activities.

With respect to product support activities, AgustaWestland offers an Integrated Operational Support ("IOS") for different platforms. IOS is AgustaWestland's "turn-key" solution that includes comprehensive technical support services, supply of spare parts, repairs and overhaul. IOS represents a core element of the strategic partnership between AgustaWestland and the U.K. Ministry of Defence.

AgustaWestland and its subsidiaries operate through main plants in Italy (Vergiate (VA), Cascina Costa (VA); Frosinone; Benevento; Brindisi; Anagni (FR), in the United Kingdom (Yeovil), in the United States (Philadelphia, PA), in Poland and in Belgium. These facilities are organised according to a network organisation model, through which AgustaWestland strives to make each plant a specialised centre for efficient manufacturing with a specific functional focus.

Key Data

The table below summarises the key financial and operating data of Finmeccanica's Helicopters segment for the periods represented:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	1,434	1,780	4,013	3,963
Order backlog.....	11,014	11,876	11,876	12,121
Revenue	2,045	1,912	4,243	3,915
EBITA ⁽¹⁾	286	219	473	417
Return on Sales (%) ⁽²⁾	14%	11.5%	11.1%	10.7%
Research & Development ⁽³⁾	N.A.	N.A.	506	472
Workforce (No.).....	N.A.	N.A.	13,050	13,303

Source: *Finmeccanica 2011 Consolidated Financial Statements; Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.*

- (1) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (2) The Group has calculated return on sales as EBITA divided by total revenue.
- (3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Strategy

In the Helicopters segment, Finmeccanica aims to consolidate its leadership position globally through continuous improvement of its products by enhancing its internal production capabilities and processes. Finmeccanica intends to pursue this goal by (i) creating and maintaining a complete, modern, diversified rotorcraft product range, (ii) accessing new markets and consolidating its presence in existing markets (UK, Italy, Poland), and (iii) creating advanced, effective and efficient industrial processes along the entire value chain.

Main Products and Programmes

Finmeccanica's main products and programmes in the Helicopters segment include the following:

Helicopters for commercial/institutional applications:

- AW139 – New generation medium twin-turbine helicopter designed for multi-role capability and flexibility of operation. The AW139 is capable of carrying up to 15 passengers and, due to its aerodynamic and digitally controlled engines, is a versatile helicopter capable of meeting the demands posed by different types of missions;
- AW109 family – Light twin-turbine helicopters for different applications. The AW109 Power version is used for a wide range of civil and paramilitary roles; the AW109 Light Utility Helicopter (LUH) is used for a wide range of military requirements, such as advanced training; the Grand version is designed to offer maximum cabin space and increased maximum load to enable it to carry out a range of possible missions;
- AW119 Ke (Koala enhanced) – Light single-turbine helicopter with an interior that is easy for rapid reconfiguration for a variety of missions such as passenger transport, emergency medical service, and law enforcement applications;

- AW101 – The AW101 combines the most advanced technologies, mission systems and manufacturing expertise with a proven aircraft design. With the largest cabin in its class and with stand-up head room, excellent safety features and incorporating the latest in vibration reduction technology the AW101 is ideally suited to both the VVIP Head of State transport and to Commercial roles including long range Search and Rescue and Disaster Relief;
- AW169 – New twin-engine helicopter type designed to meet the growing market demand for a versatile and multi-role 4-tonne class rotorcraft. Engineered to satisfy the operational and mission requirements of the most demanding parapublic and commercial operators. The AW169 is the first brand-new helicopter in this class in decades;
- AW189 - The new state-of-the-art 8 tonne class AW189 is designed in answer to the growing market demand for a versatile, affordable, multirole helicopter. Optimised to operate in harsh conditions undertaking long range, deep water missions typical of the Offshore industry, the AW189 combines high performance, competitive operating economics and superior passenger comfort.

Helicopters for military applications:

- AW609 – Due to the innovative tilt-rotor technology, this model combines the vertical take-off characteristics of a helicopter with the speed and comfort of an airplane. It can carry up to nine passengers and is designed for military use in national security matters. AgustaWestland is responsible for designing, testing and 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;
- AW101 – Medium lift helicopter that offers long-range, increased capacity and advanced technology. The AW101 fulfils wide-ranging military requirements, being suitable for various different missions;
- AW129 – Multi-role attack helicopter for day/night and all-weather combat that features a state-of-the-art cockpit and integration of the armaments, sensors, protection systems and helicopter sub-systems into a single mission system;
- AW 149 – Twin engines helicopter suited for several applications such as battlefield support, combat SAR, reconnaissance, surveillance, medical evacuation, search and rescue (SAR) and command and control support roles;
- AW 159 – Latest twin-engine multi-role, maritime and utility aircraft developed from the extremely successful AgustaWestland Lynx family of helicopters. Designated as the Lynx Wildcat by the UK MoD, the AW159 is the multi-role helicopter chosen by the British Army and Royal Navy to meet maritime combatant and land utility and reconnaissance requirements;
- Apache AH Mk1 - Developed from the US AH-64D Apache, and built by AgustaWestland under licence from Boeing for the British Army. Battle proven and effective on current operations the Apache AH Mk.1 is equipped with two RTM322 engines giving unique 'hot and high' capability;
- NH90 – Twin-engine multi-role helicopter, developed to meet military requirements of Italy, Germany, France and the Netherlands. The NH90, which was introduced in 1990, is managed through NH Industries, which includes AgustaWestland, Eurocopter and Stork Fokker. AgustaWestland has an approximate 32 per cent. production interest in this program. Within the NH90 program, AgustaWestland is developing and manufacturing the main transmission, tail rotor line, hydraulic systems, automatic fire control systems, rear rump and fuselage, electric systems and on-board computer. AgustaWestland also has the responsibility for the development of the basic avionics and the avionics for the naval version of the product, which is the most complex from the point of view of systems integration. In addition, AgustaWestland prepares the final assembly line for all transport helicopters commissioned by the Italian Army and Air Force and for all helicopters for the Italian and Dutch Naval Forces.

Defence and Security Electronics

Overview

In the Defence and Security Electronics segment, Finmeccanica's operations are carried out mainly through SELEX ES and DRS Technologies Inc. The Group also has 31.3 per cent. shareholding in Elettronica S.p.A.

An optimisation process of industrial assets in this segment initiated in 2010, continued during 2011 and 2012.

This segment includes activities pertaining to the design, development and manufacture of avionics and electro-optical equipment and systems, unmanned aircraft (UAV), radar systems, land and naval command and control systems, air traffic control systems, integrated communications equipment and systems and networks for land, naval, satellite and avionic applications, professional mobile radio communications systems, value added services (VAS) and Information Technology (IT) and security activities.

In addition to the provision of electronic equipment and systems for defence and security solutions, Finmeccanica is also engaged in the supply of integrated systems based on complex architectures and network-centric techniques. The goal is to meet the growing needs of customers for large-scale systems and to integrate a variety of functions, platforms and sets of sensors in order to ensure effective performance in the surveillance, control and protection of critical areas and infrastructures. Furthermore, Security, including protection against the risks deriving from unauthorised use of digital information and communications systems (cyber security), has become one of the priorities for governments and decision makers. The Group subsidiaries developed an offering of products and services for governmental and civil security operators, aiming at the protection of critical and strategic infrastructures and locations, while focussing on security of TLC networks and IT systems, which represent the core of modern digital economy.

Further information on Finmeccanica's principal products and programs in this segment is provided under "Main Products and Programmes" below.

The facilities of Finmeccanica's subsidiaries in this segment are principally located in Italy, the United Kingdom, Germany, Turkey, Romania and in the United States.

Key Data

The table below summarises the key financial and operating data of Finmeccanica's Defence and Security Electronics segment for the periods represented:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	1,834	2,342	5,136	4,917
Order backlog.....	8,131	8,831	8,831	9,591
Revenue	2,359	2,734	5,754	6,035
EBITA ⁽¹⁾	73	143	384	303
Return on sales (%) ⁽²⁾	3.1%	5.2%	6.7%	5.0%
Research & Development ⁽³⁾	N.A.	N.A.	732	823
Workforce (No.).....	N.A.	N.A.	25,183	27,314

Source: Finmeccanica 2011 Consolidated Financial Statements; Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.

- (1) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (2) The Group has calculated return on sales as EBITA divided by total revenue.
- (3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Strategy

In the Defence and Security Electronics segment, following on the path of a coherent strategic evolution, Finmeccanica intends to consolidate the core business, through the maximization of value from major programs in key markets in Air, Space, Land, Naval & Civil, while become a reference player for the C4ISTAR and Security domains, as well as develop and deploy capabilities to secure positions in adjacent markets (i.e. Smart systems, etc.). By better exploiting its core capabilities and technologies, Selex ES is evolving into a global Company with multi-domestic presence, while strengthening its position in emerging Countries.

DRS Technologies is reinforcing Top Line in medium-long term by growing opportunities in non-DoD markets with a focus on intelligence and border security and developing selected commercial opportunities in adjacent civil markets.

With regards to the U.S. defense spending cuts (sequestration), DRS intends to expand its product portfolio and commercial footprint. In particular:

- grow into commercial and adjacent markets, outside the current DoD core (electric vehicle power, nuclear sensors and controls, commercial infrared, border security systems, intel systems and components, coast guard, offshore patrol cutter, etc.); and
- progress in high-potential and fast-growing international markets (i.e., Saudi Arabia, Australia, South Korea, UAE, Canada, etc.), capturing targeted commercial opportunities outside the US and though leveraging the Finmeccanica Group network.

Recent Key Corporate Events and Developments

The programme to upgrade Finmeccanica's industrial structure in the Defence and Security Electronics ("D&SE") business segment, which was launched as early as 2010, continued with the corporate streamlining process, in response to the new strategic plan, which provides for an integrated organisation at a European level. This will provide all business areas with a centralized and consistent direction and will further streamline the industrial and investment structure, thus adopting a unique approach to domestic and international customers. In this respect, 2012 saw the completion of the merger of Seicos S.p.A. and Amtec S.p.A. by incorporation into SELEX Eltag S.p.A., as well as the corporate combination of SELEX Galileo S.p.A., SELEX Eltag S.p.A. and SELEX Sistemi Integrati S.p.A. into Selex ES S.p.A., with legal effect from 1 January 2013, and of the related businesses into SELEX Galileo Ltd (now Selex ES Ltd) in the United Kingdom.

On 29 February 2012, Finmeccanica and Northrop Grumman were awarded the related contract by NATO NC3A (Consultation, Command and Control) Agency.

On 23 July 2012, Finmeccanica signed a strategic partnership agreement with the Italian and Russian postal services for the supply by its subsidiary SELEX Eltag of know-how and technology to develop and modernise the Russian postal network (comprising 42 thousand offices) by upgrading the logistics network and rolling out new digital services. Under this agreement, joint activities will also be carried out in 2012, which will be aimed at identifying further business opportunities that permit the application of Italian know-how to the Russian postal services.

On 15 November 2012, Finmeccanica and EXPO 2015 S.p.A. signed an agreement according to which the Group will be the technology partner of the Universal Exhibition (Esposizione Universale) to be held in Milan from 1 May to 31 October 2015, for the Safe City & Main Operation Center platform. The partnership involves the supply of goods, infrastructures and services for a value of €mil. 28.3 and will allow the Finmeccanica Group – through its subsidiary Selex ES – to implement, for the first time in Italy, the innovative Smart, Safe and Secure City model for the surveillance and protection of the exhibition site, pavilions and other infrastructures, as well as for the security of operators and visitors, leveraging on an operating center that is able to monitor and oversee the event in terms of safety.

At the end of October 2012, as to DRS, the new Proxy Agreement was signed with the Defense Security Service, which will be applied to the entire DRS group. The company will be managed by a governance system, which on the one hand considers the needs to protect the national security interest of the United States, and, on the other, ensures higher transparency and governability on the part of the non-US shareholder with respect to the rules imposed by the previous Proxy Agreement.

On 27 June 2013, an agreement was reached with the national trade unions regarding the relaunch and reorganisation plan of Selex ES calling for a total of 2,529 redundancies, of which 1,938 in Italy, with 810 employees being placed into voluntary or incentivized redundancy, to be followed by 800 more starting in January 2014. Job security agreements will also be introduced for 9,000 employees. This Plan also seeks to rationalise production sites in Italy, reducing the number from 48 to 26.

Main Products and Programmes

Finmeccanica's main products and programmes in the Defence and Security Electronics segment include the following:

- *Avionics and Electro-optical Systems:*
 - GRIFO – Multimode mechanical scanning combat radar, operating in the X-band and designed for air superiority aircraft;
 - VIXEN-E – Fire control combat radar with E-scan antenna used in fighter and training aircraft;
 - SEASPRAY – Compact surveillance and electronic scanning radar for air-to-surface use;
 - APS-784 – X-band pulse compression radar for anti-surface vessel and anti-submarine warfare;
 - PICOSAR – Lightweight, low-volume sensor surveillance radar that can be easily installed on a wide range of platforms and is particularly useful for tactical UAV; provides an all weather, day and night high resolution synthetic aperture radar (SAR) imaging capability coupled with the detection of ground moving vehicles;
 - ATOS (Airborne Tactical Observation and Surveillance) – Open and modular architecture mission system for aircraft and helicopters; ATOS C has been improved to offer a lighter structure, in composite fibres, assembled as single or multiple operators configuration;
 - HIDAS (Helicopter Integrated Defensive Aids System) – Electronic warfare system that provides rotary wing platforms with increased survivability and utilizes multi-spectral sensors and pre-loaded intelligence to produce comprehensive tactical pictures of the operating environment;
 - DASS (Defensive Aids Sub-System) – Complex electronic warfare system for electromagnetic defence against radars and missiles to be used on fixed wing platform;
 - SIREN – Naval off-board active radar decoy;
 - LINAPS (Laser Inertial Artillery Pointing Systems) – Self-contained, gun-mounted navigation pointing and weapon management system; LINAPS enables rapid and accurate artillery deployment in all weather conditions both day and night;
 - UAVs and Aerial Targets – FALCO (Medium Altitude and Tactical systems for electronic surveillance), NIBBIO (high subsonic reconnaissance); MIRACH 100/5 (high subsonic aerial target, for advanced training of surface-to-air missile battery groups and weapon system qualification);
 - LOAM (Laser Obstacle Avoidance System) – "Navigational aid system" for rotary wing platforms;
 - GS207/GS410 Stabilizer Multi-Sensors systems: gyroscopically stabilized vision and targeting systems;
 - Mass Mounted Sight: multi-sensor, fully integrated electro-optical sighting system with visible and infrared capability; and

- AN/PAS-13D (V) Family Thermal Weapon Sights: uncooled infrared technology that provides the warfighter a crisp thermal image of target information, thereby increasing situational awareness and reducing mission-critical decision time.
- *Sensors and ATC Systems:*
 - ATCR 33 44 – Primary radar in the S and L band used in terminal area;
 - SIR S – Secondary radar in band S; and
 - SATCAS (Standard Air Traffic Control Automatic System) – System that facilitates the management and control of the entire airspace, allowing for a high level of automation and coordination between civilian and military air traffic controllers.
- *Communication systems, computing and CNI:*
 - Single and Multichannel Radio Systems, Switching and Network Management;
 - Satellite Terminals VHF/EHF/SHF; VHF/UHF/HF Radio family including encryption communications systems;
 - ARMOR C12 Rugged Convertible Notebook: ruggedized laptop computer that meets military specification. ARMOR offers WI-FI (LAN) Ethernet and Type II PCMCIA communications option;
 - RVS -330 Rugged Vehicle Systems (JV-5): ultra-rugged vehicle computing system for Force XXI battlefield command brigade and Blue Force Tracking Digitization programmes;
 - SHINCOM 3100 Shipboard Integrated Communications: all digital Secure Voice System (SVS) providing voice and data communications; and
 - MIDS (Multiple Information Distribution System) – Communication, navigation and information (CNI) system.
- *Land Radar and Command, Control, Communication, Computer and Intelligence (C4I) Systems:*
 - PAR 2090 Fixed/Mobile – X band, ground-controlled, precision-approach radar;
 - RAT 31 DL – L Band advanced radar system designed to operate in modern, and complex military air defence systems, in fixed (FADR- Fixed Air Defence Radar) and mobile (DADR- Deployable Air Defence Radar) versions; and
 - HALO (Hostile Artillery Locating System) – Autonomous system that, by using acoustics, provides highly accurate localization of indirect fire systems, explosive detonations and heavy direct fire weapons.
- *Naval Radar and Systems:*
 - RAN 40L – Advanced 3D radar for aerial and land long-range surveillance (developed in D band), with a 400 kilometre horizontal range and 30 kilometre vertical range;
 - EMPAR (European Multifunction Phased Array Radar) – Multifunctional radar which has various uses, including surveillance, target tracking and missile guides;
 - KRONOS – Array radar family operating in C band (in the land and naval versions Kronos 3D and subsequently in the MFRA version); and
 - SPN720 – Ship-borne precision approach L band Doppler radar.

- *Homeland Security:*
 - POSS (Port Surveillance System) – System designed and developed in order to protect national borders and infrastructures through the early detection and identification of threats;
 - LYRA – Radar family for homeland protection. Smaller and lighter than other radars (their dimensions are 70x40x25 and weight approximately 25 kilograms), they are to be fixed to towers, or into aircraft or used as portable devices;
 - TETRA (Terrestrial Trunked Radio) integrates turn-key analogue and digital simulcast GSM-R;
 - Integrated Video Surveillance & Security System (S3I) – Complex security and surveillance management system that provides a real-time overview of the security status of areas under surveillance and 360° panoramic vision, optical character recognition (OCR) for vehicle access control (car plate reader systems) and biometric identification systems (fingerprint identification system);
 - VTMS (Vessel Traffic Management Systems) – System for coastal maritime traffic and port movements management and for Exclusive Economic Zone applications;
 - Distant Sentry: flexible border security system configured with various ground/maritime radars, electro-optic/infrared cameras, unattended ground sensors, extended range wireless communications and hybrid power systems;
 - Integrated Swimmer Defence (ISD): provides harbour security and defends ship from threat posed by swimmers through an integrated deployment radars, cameras and sonar systems;
 - Secure communications products (routers, switch, set top box, etc) and Secure Networking Systems;
 - Information Systems for Logistic Support; and
 - Simulation and Training Systems.

Aeronautics

Overview

In the Aeronautics segment, Finmeccanica operations are carried out through Alenia Aermacchi and its subsidiaries.

With respect to certain international programmes, Alenia Aermacchi also operates through international joint ventures, such as: (i) EEIG ATR, a consortium with EADS, for the development and production of regional turboprop aircraft; (ii) Superjet International (in which it has a 51 per cent. interest), a joint venture with Sukhoi, for the commercialisation of the SuperJet100 regional jet; and (iii) Eurofighter GmbH, the international consortium with EADS and BAE Systems for the production of the multirole combat aircraft Eurofighter Typhoon (EFA).

In particular, the Group's activities in this segment include (i) the production of military aircraft for combat, transport, training and special missions and (ii) the manufacturing of civil aircraft (regional turboprop and jet propelled aircraft) and components, such as aerostructures and engine nacelles.

Finmeccanica operates in all principal segments of the military aeronautics market: (i) combat (with participation in important programmes such as EFA, Tornado and JSF (Joint Strike Fighter)); (ii) advanced trainers (M346); (iii) tactical transport with the C27J aircraft; (iv) aircraft for special missions (particularly for surveillance and patrol); and (v) unmanned aircraft (UAV and UCAV).

Finmeccanica is active in the civil aeronautics industry in (i) aerostructures (for Boeing B767, B777 and B787 aircrafts and for Airbus A380 and A321 aircraft) and (ii) regional transport aircrafts, both turboprop

(ATR 42 and 72) and jets (SuperJet 100). Further information on Finmeccanica's main products and programmes in this segment is provided under "Main Products and Programmes" below.

Finmeccanica's subsidiaries and joint ventures in this segment operate through several facilities in Italy (Turin – Caselle, Turin – Corso Marche, Naples – Capodichino, Venegono Superiore (VA), Venice, Nola (NA), Pomigliano d'Arco (NA), Grottaglie (TA), Foggia and Brindisi) and France (Toulouse). Each facility has a specific functional focus in the overall organisational structure of the segment.

Key Data

The table below summarises the key financial and operating data of Finmeccanica's Aeronautics⁽¹⁾ segment for the periods represented:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	1,692	1,556	3,169	2,919
Order backlog.....	8,992	8,819	8,819	8,656
Revenue	1,461	1,318	2,974	2,670
EBITA ⁽²⁾	61	49	104	(903)
Return on sales (%) ⁽³⁾	4.2%	3.7%	3.5%	(33.8%)
Research & Development ⁽⁴⁾	N.A.	N.A.	310	326
Workforce (No.).....	N.A.	N.A.	11,708	11,993

Source: Finmeccanica 2011 Consolidated Financial Statements; Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.

- (1) The figures relating to EEIG ATR and SuperJet International joint ventures are consolidated on a proportional basis at 50 per cent. and 51 per cent. respectively.
- (2) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (3) The Group has calculated return on sales as EBITA divided by total revenue.
- (4) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Strategy

In the Aeronautics segment, Finmeccanica intends to strengthen Alenia Aermacchi's positioning as a prime global player in both the civil and military markets.

In the military market, Finmeccanica is using its technologies and capabilities to participate in the main European programs for combat aircraft (e.g. Eurofighter) and unmanned aircraft (e.g. Neuron). In particular, Finmeccanica intends (i) to keep the presence in "combat", developing future enhancements and critical technologies, sustaining EFA international campaign and increasing both volume and perimeter of JSF, (ii) to improve the competitive position in "medium tactical transport" segment, developing multi-mission and gunship versions, while obtaining contracts in markets with high technical requirements and going on with cost reduction projects (iii) to define the best partnership for the development in the short term of a dual MALE UAV to secure a qualified role in the future European UCAV; (iv) to confirm the leadership in the "training sector" by developing the M346 Light Combat version and the Basic High Efficiency Trainer (M345) through an industrial cooperation.

In the civil market, Finmeccanica's main objective is to improve its role as an independent prime partner for civil aerostructures, leveraging on its competencies in systems development and integration and in aerostructures technologies, in order to develop cutting-edge capabilities in composite material structures. In particular, Alenia Aermacchi aims at (i) developing a new turboprop with capacity exceeding 90 passengers, possibly in partnership with an international player; , (ii) evaluating a future cooperation with Russian aeronautics industry depending on the success of the Superjet100; and (iii) focusing on core aerostructures with hi-tech and significant value added content

Recent Key Corporate Events and Developments

In the Aeronautics business segment, the merger of subsidiaries Alenia Aermacchi S.p.A. and Alenia SIA S.p.A. by incorporation into Alenia Aeronautica S.p.A. took effect on 1 January 2012.

On 17 January 2013, Alenia Aermacchi and General Dynamics signed a Letter of Intent that ratifies the partnership of the two companies in the tender for the supply of the future advanced trainer to the US Air Force (T - X programme). The two companies will offer the customer an integrated training system for pilots based on Alenia Aermacchi's T-100 platform, which is a variation of the M-346 advanced trainer in the US market. General Dynamics will play the role of Prime Contractor – through the C4 Systems business unit – and will share with the team its proven experience as a system integrator in order to deliver to the customer: aircraft, flight simulators, multimedia training courses and logistics support.

On 18 June 2013, Alenia Aermacchi and the Secretariat General of Defence/National Armaments Directorate of the Italian Ministry of Defence signed an agreement to jointly define the operational specifications for the development of a new basic-advanced trainer, the M-345 HET (High Efficiency Trainer), expected to enter service between 2017-2020.

Main Products and Programmes

Finmeccanica's main products and programmes in the military aeronautics area include the following:

- C27J – Military aircraft for tactical transport. It carries over 11 tons and operates from short and rough airstrips in remote areas, without external support. Sharing the glass-cockpit, engines and propellers with the C130J, it has inbuilt communication systems to facilitate coordination with other military transports. The C27J has been sold worldwide;
- Eurofighter Typhoon (EFA) – European program for the development of advanced combat aircraft. Alenia Aeronautica has a 19.5 per cent. work share in the product, which is now deployed by the Italian, British, German and Spanish air forces and has also been ordered by Austria and Saudi Arabia and selected by Greece. Alenia Aeronautica is in charge of final assembly for the 121 Italian aircraft. Its responsibilities include the design and manufacturing of the left wing, rear fuselage and wing pylons and the system design of the navigation, armament, utility control, propulsion and secondary power systems for all aircraft;
- M346 – New generation advanced and lead-in fighter trainer, designed with a new generation avionics system, using innovative design-to-cost and design-to-maintain criteria. The M346 has a high thrust to weight ratio of almost 1 to 1, vortex-lift aerodynamics, full authority and a quadruple fly-by-wire flight control system allowing for flying qualities that are similar to modern frontline fighters and also improve its teaching effectiveness. It is an ideal platform for integrated training;

M345 - The new basic-advanced lightweight fast jet trainer with Life-Cycle Costs comparable to those of heavyweight turboprops, but providing much better training effectiveness because of a real jet environment and real jet handling. With its flexibility and excellent flying qualities, in particular at high operational speed, the M-345 allows significant "downloading" of flying hours from the advanced training phase

- MB339 – Fully acrobatic, two-seater, single-turbojet advanced/LIFT trainer. The MB339 is in service across nine different nations and the 223 units have already covered 600 thousand flight-hours. Due to its highly sophisticated on-board systems and manoeuvrability, this aircraft is particularly well-suited for advanced and lead-in fighter phases of the training schemes for pilots and for training on managing military systems. A customized version (MB339 PAN) is operated by the Italian Air Force acrobatic team, "Frecce Tricolori"; and
- ATR42/72 – Family of turboprop regional aircraft: the MP Surveyor version is used for maritime and coastal surveillance and the ASW version is used for searching, detecting, identifying, tracking and attacking both underwater and surface targets.

Finmeccanica's main products and programs in the civil aeronautics area include the following:

Aerostructures/Components:

- Boeing 787 (B787) – Alenia Aeronautica participates as a risk-sharing partner in the development of the aircraft and is responsible for the manufacturing of the centre-rear fuselage and the horizontal stabilizer. In the Grottaglie (TA) plant, an innovative and automatic production line has been set up for the manufacture of the fuselage components (as one single piece), each made of 380 individual elements;
- Airbus 380 (A380) – Alenia Aeronautica participates as risk-sharing partner in this program for the world's largest commercial aircraft and sole twin-deck, four aisle airliner. The participation of Alenia Aeronautica in the program accounts for 4 per cent. of the airframe; and
- Airbus 321 (A321) – Alenia Aeronautica is responsible for a fuselage section and for the tail cone and mechanical components.

Regional aircraft:

- ATR42/72 – Family of turboprop, bi-motor regional aircraft used for short haul passenger flights. These aircraft have a fast acceleration for take-off, low fuel consumption (about one-fifth of the usual amount) and the ability to use short runways. They are manufactured in joint venture with EADS by the EEIG ATR consortium; and
- SuperJet 100 – Family of new generation regional jets (75 – 100 seats) manufactured via a joint venture with the Russian company Sukhoi.

Space

Overview

Space is a core asset in the Finmeccanica portfolio for its strategic and technological relevance, key also in delivering sensing, positioning and communication capabilities to other Group's businesses. In the Space segment, Finmeccanica's activities are mainly carried out through the Space Alliance between Finmeccanica and Thales, which comprises two joint ventures dedicated respectively to:

- satellite services – Telespazio, which is based in Italy and has its main industrial facilities in Italy (Rome, Fucino (AQ), Gera Lario (CO), Matera, Scanzano (PA), France (Paris, Toulouse), Spain (Madrid, Barcelona) and Germany (Munich), in which Finmeccanica holds 67 per cent. and Thales 33 per cent.; and
- satellite manufacturing – Thales Alenia Space, which is based in France and has its main industrial facilities in France (Toulouse, Cannes and Colombes), Italy (Rome, Turin, L'Aquila, Milan), Belgium (Charlesroi, Antwerpen) and Spain (Madrid), in which Finmeccanica holds 33 per cent. and Thales 67 per cent.

Finmeccanica operates also in the segment of space propulsion and satellite launcher, carried out through AVIO Space, in which Finmeccanica holds approximately 14 per cent.

Telespazio and its subsidiaries focus on (i) defence and security services, (ii) satellite navigation and info-mobility, (iii) Earth observation, (iv) provision of telecommunications networks and services, (v) in-orbit control of satellites and ground station operations and (vi) multimedia and value added applications, based on infrastructures.

Thales Alenia Space and its subsidiaries focus on the design, development and production of space systems, satellites, orbital infrastructures, space transport systems, equipment and instruments. Thales Alenia Space products are used for a range of applications (for example telecommunications, Earth observation, science and defence and security). Thales Alenia Space is also a major supplier of the European Space Agency (ESA), the French space agency (CNES), the Italian space agency (ASI) and of the Italian, French and German Ministry of Defence. Moreover, Thales Alenia Space exports Koreasat 5 and Koreasat 6 satellites in South Korea, Star One in Brazil and Yahsat in the United Arab Emirates.

Key Data

The table below summarises the key financial and operating data of Finmeccanica's Space⁽¹⁾ segment for the periods represented:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	286	241	866	919
Order backlog.....	2,066	2,261	2,261	2,465
Revenue	484	462	1,053	1,001
EBITA ⁽²⁾	36	30	84	18
Return on sales (%) ⁽³⁾	7.4%	6.5%	8.0%	1.8%
Research & Development ⁽⁴⁾	N.A.	N.A.	53	77
Workforce (No.).....	N.A.	N.A.	4,131	4,139

Source: *Finmeccanica 2011 Consolidated Financial Statements; Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.*

- (1) The figures refer to the two joint ventures (Thales Alenia Space and Telespazio Holding) and are consolidated on a proportional basis at 33 per cent. and 67 per cent., respectively.
- (2) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (3) The Group has calculated return on sales as EBITA divided by total revenue.
- (4) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Strategy

In the Space segment, Finmeccanica aims to strengthen its competitive positioning as a major European player in satellite and orbital infrastructures manufacturing and space services. In particular, in the space manufacturing area, Thales Alenia Space plans to (i) strengthen its presence in the major European military/civil programmes (i.e. SICRAL, COSMO SkyMed), (ii) participate in Galileo, the global satellite navigation programme and (iii) maintain a primary role in European and national commercial and scientific programmes. In the space service area, Telespazio intends to ensure continuity of areas of excellence in observation, sensors, infrastructures and retain core capabilities in telecom, navigation, and specialized equipment, also developing a focused services approach, exploiting key projects with the capability to offer integrated solutions (infrastructure + services) across the value chain.

Recent Key Corporate Events and Developments

In January 2012 Telespazio started a corporate rationalisation process pursuant to which Telespazio S.p.A. merged its parent company Telespazio Holding Srl, so becoming the parent of the Telespazio group companies.

In July 2012 Telespazio Deutschland GmbH (100% owned by Telespazio France Sas) merged into Vega Space GmbH (100% owned by Telespazio S.p.A.) and changed its denomination into Telespazio Vega Deutschland GmbH. In September 2012, Telespazio successfully completed the restructuring of certain of its operations in Germany, merging Vega Space GmbH and Telespazio Deutschland GmbH into a single company (Telespazio Vega Deutschland GmbH).

In February 2013, Thales Alenia Space and the ISS-Reshetnev Company, the Russian leader in the manufacture of satellites for communication, navigation and geodesy purposes, signed an agreement to form a joint venture that will initially focus on producing telecommunications satellites in Russia.

Main Products and Programmes

Finmeccanica's principal products and programmes in the Space segment include the following:

- Navigation and Info-mobility – Telespazio is taking part in the development of the European satellite navigation programme Galileo. For this project, Telespazio set up a control centre for

the control of satellites and mission management at the Fucino Space Centre. Telespazio is also working to support the development of the Italian infrastructure for the architecture of Public Regulated Services ("PRS");

- COSMO-SkyMed – Low-orbit dual-use (for civil and military applications) Earth observation satellite system operating in the X-band. Co-funded by the Italian Ministry of Education, University and Research (MIUR) and Ministry of Defence, the programme is managed by the ASI and exploits the most advanced remote sensing technology with the four SAR (Synthetic Aperture Radar) satellites – two of which launched in 2007, one in 2008 and one in 2010 – and a complex and geographically distributed ground segment. The system is entirely deployed by 2010 and managed by Telespazio. Thales Alenia Space, as prime contractor, is responsible for the development of the entire constellation and for the second generation of satellites (under development);
- SICRAL Family – First Italian system for secure military communications, in UHF, SHF and EHF/Ka Band. The system has been in service since May 2001 and is based on innovative technologies that enable the satellite to adapt promptly to emergency conditions. Thales Alenia Space developed SICRAL 1B to extend the operative capability of the first SICRAL up to 2019 and is working on SICRAL 2 version, a programme in cooperation with French MoD;
- Mars Express – European scientific probe designed to study the atmosphere of Mars and map the geology of its surface. Thales Alenia Space was responsible for the satellite integration and testing and the manufacturing of the MARSIS instrument, capable of detecting the presence of water beneath the surface with a high level of resolution, as well as for the MARSIS Operation Centre;
- Cassini-Huygens – NASA/ESA/ASI program to study Saturn and its nine major moons. The spacecraft reached Saturn's orbit in July 2004 and the Huygens probe descended on Titan in January 2005. Thales Alenia Space built the antenna and radar systems for the mission to provide high reliability and high performance; and
- Rosetta – Probe designed to reach and study the nucleus of Comet 67P/Churyumov Gerasimenko during one of its periodic visits to the inner solar system. It was launched in 2004 and should reach the comet in 2014. Thales Alenia Space was responsible for the development of the satellite's special digital S and X band transponder, vital for the link between the probe and Earth and was the main contractor for the integration and testing.

Defence Systems

Overview

In the Defence Systems segment, Finmeccanica's operations are mainly carried out through Oto Melara, WASS and MBDA, the joint venture with BAE Systems and EADS, in which Finmeccanica holds a 25 per cent. stake.

Oto Melara operates in the field of land and naval armaments, with specific technological strengths in the development and production of naval guns, turrets and guided ammunitions. Furthermore, Oto Melara is active in the production of wheeled armoured vehicles and other tracked vehicles through CIO, a consortium with Iveco Defense Vehicles.

WASS is active in the field of underwater defence systems in selected market segments such as torpedoes (heavy and light weight) and countermeasures.

The MBDA joint venture was created in 2001 by BAE Systems (37.5 per cent.), EADS (37.5 per cent.) and Finmeccanica (25 per cent.) combining the missiles and missile systems activities of Matra BAE Dynamics, EADS Aerospaziale Matra Missiles and Alenia Marconi Systems. MBDA offers more than 40 missile systems in production or in development. The combination of air-to-air, air-to-surface, anti-ship and surface-to-air missile systems makes MBDA by revenues the leading player in the European Union and the second in the world.

OTO Melara has its main facilities in Italy (La Spezia and Brescia), with local presence in Spain and in the United States.

WASS has its main facilities in Italy (Livorno and Naples).

MBDA has its main plants in the United Kingdom (Stevenage, Bristol and Lostock), in France (Paris), in Italy (Rome, Fusaro (NA) and La Spezia) and in Germany (Schrobenhausen, Unterschleissheim, Ulm and Aschau).

The Finmeccanica Group is not involved in the development, production, selling and testing of cluster bombs, anti personnel mines (APM) or land mines.

Key Data

The table below summarises the key financial and operating data of Finmeccanica's Defence Systems⁽¹⁾ segment for the periods represented:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	508	522	1,005	1,044
Order backlog.....	3,263	3,381	3,381	3,656
Revenue	593	564	1,256	1,223
EBITA ⁽²⁾	61	54	164	117
Return on sales (%) ⁽³⁾	10.3%	9.6%	13.1%	9.6%
Research & Development ⁽⁴⁾	N.A.	N.A.	257	247
Workforce (No.).....	N.A.	N.A.	3,963	4,066

Source: Finmeccanica 2011 Consolidated Financial Statements; Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.

- (1) The figures relating to the MBDA joint venture are consolidated on a proportional basis at 25 per cent.
- (2) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (3) The Group has calculated return on sales as EBITA divided by total revenue.
- (4) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Strategy

In the Defence Systems segment, Finmeccanica intends to exploit specific technological excellences in its main product range. In this respect Finmeccanica may conclude wider international strategic alliances. In particular, (i) in the land and naval armaments, to safeguard the positioning of Oto Melara as the principal supplier of the Italian Ministry of Defence, whilst consolidating its leadership in the niche naval gun market and leveraging on the technological skills acquired in turrets for land combat vehicles, (ii) in the underwater defence systems, to strengthen the worldwide leadership position of WASS, also developing dual-use technologies and products, and (iii) in the missile systems, to maintain and strengthen the position of MBDA.

Main Products and Programmes

Finmeccanica's principal products and programmes in the Defence Systems segment include the following:

Land and naval armaments

- Vehicles (through CIO consortium) – PUMA 4x4 and 6x6: light wheeled armoured fighting vehicles suitable for combat roles such as reconnaissance and anti-tank. They also perform combat support roles like command post and ambulance; 8x8 CENTAURO AFV: highly mobile and protected vehicle that combines the firepower of a main battle tank with the speed and agility of a wheeled vehicle; DARDO: armoured IFV designed to provide infantry support; its armament consists of a 25 mm gun plus two TOW launchers that allow suitable firepower, even against MBTs; ARIETE: armoured fighting vehicles designed to satisfy the Italian army requirements;

- Land Turrets – HITFACT (105-120 mm): three-man, power operated turret armed with a 120mm, 45 calibre or 105 mm 52 calibre low-recoil-force gun for light and medium weight tanks and wheeled; HITFIST (25-30 mm): two-man, power operated turret armed with a 25 or 30 mm automatic gun; HITROLE (7.62, 12.7, 40 mm): one-man, electrically power-operated turret for light vehicles;
- Naval Guns – Large Calibres: 127/54 compact gun mount dual purpose, rapid fire, 5-inch for frigates and destroyers; 127/64 Lightweight: rapid fire suitable for large and medium size ships; Medium Calibres: 76/62 family in the Compact version (lightweight, rapid fire gun mount for all types of ships for anti-surface and anti-ship role) and Super Rapid version (lightweight, rapid fire for air-defence and anti-surface role); Small calibres: 12.7 mm, 25 mm, 30 mm and 40 mm naval guns; and
- Land and Naval Guided Ammunitions – Vulcano family: Extended Range (ER) unguided ammunition and Long Range (LR) guided ammunition for 127 naval guns; Strales system: an evolution for the 76/62 naval artilleries, which uses the DART precision guided ammunition.

Underwater defence systems

- MU90 – Light weight, "NATO standard" calibre torpedo developed through an international cooperation programme based on the requirements of the Italian and French navy. It is being sold in many countries within and outside Europe. MU90 can be launched from ships, helicopters and from naval patrol towers and, together with a similar product manufactured by the United States company Raytheon, it is the most significant product in its category on an international level;
- Black Shark – Heavy weight torpedo: multipurpose weapon designed to be launched by surface vessels or submarines. It is meant to counter the threat posed by any type of surface or underwater target. The BLACK SHARK is a new generation of powerful, long-range, wire guided and self-homing heavy weight torpedoes;
- Flash Black – Innovative light weight torpedo, in terms of flexibility, performance and reduced life cycle cost, designed to meet all challenging operational requirements for Anti Submarine Warfare (ASW);
- C310 – Anti-torpedo countermeasures system designed to cope with active and/or passive torpedoes, available both in non wire-guided and self-homing models; and
- C303/S – Anti-torpedo countermeasures system designed to counter attacks of acoustic homing torpedoes, active/passive, lightweight and heavyweight, wire and non wire-guided, through the use of, light weight, high-performance stationary jammers and mobile decoys.

Missile systems

- MARTE – Medium-range anti-ship missile designed for the new generation of naval anti-surface warfare helicopters employed to support maritime operations in coastal as well as in complex open water scenarios;
- ASTER – Family of vertically launched missiles developed within the Franco-Italian FSAF programme. Aster 30 will feature in a family of air defence systems for the armed forces of both France and Italy as well as for the British Royal Navy;
- METEOR – Air-to-air missile system intended to meet the requirements of six European nations for future combat scenarios and capable of being integrated on Europe's major platforms (Eurofighter Typhoon, Gripen and Rafale); and
- MEADS (Medium Extended Air Defence System) – Multi-national NATO programme to develop a future divisional air defence system to replace existing systems such as the Patriot and HAWK. The original partners of the programme included the U.S., Germany, France and Italy, but France withdrew from the programme due to budgets problems. Under the balance, the U.S. has 58 per cent. of the programme, with Germany 25 per cent. and Italy 17 per cent. The participants to the programme are EADS, EADS/LFK and MBDA Italia.

Energy

Overview

In the Energy segment, Finmeccanica's operations are mainly carried out through Ansaldo Energia, a joint ventures with First Reserve Corporation an international private equity entity specialised in the energy sector to which Finmeccanica sold a 45 per cent. equity interest in Ansaldo Energia in March 2011 and its subsidiaries (Ansaldo Nucleare S.p.A., Asia Power Projects Private Ltd and Ansaldo Swiss AG) and Ansaldo Thomassen and Yeni Aen Insaat Anonime Sirteki.

Finmeccanica is engaged in engineering and manufacturing activities in the field of power generation, such as (i) generation systems ("New Units") (gas and steam turbines, generators, plants and applications), (ii) services (assistance and spare parts for gas and steam turbines and combined cycles), (iii) nuclear (engineering for new plants, services, decommissioning) and (iv) services related to power generation from renewable energy resources.

Ansaldo Energia is one of the finest examples of Italian technology and innovation in the energy sector, with an installed capacity of over 175,000 MW in more than 90 countries. It is a full-cycle, integrated operator, with the capabilities to build turnkey power plants on green field sites using its own technologies and its own independent design, production, construction, commissioning and service resources. .

The Group has its main plants in Italy (Genoa), Netherland (Rheden) and Switzerland (Wurenlingen) and UAE (Abu Dhabi).

For further information, see "- *Recent developments*", below.

Key Data

The table below summarises the key financial and operating data of Finmeccanica's Energy⁽¹⁾ segment for the periods represented:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	190	445	834	1,258
Order backlog.....	1,900	1,978	1,978	1,939
Revenue	284	306	715	981
EBITA(2)	22	20	65	91
Return on sales (%) (3).....	7.7%	6.5%	9.1%	9.3%
Research & Development(4)	N.A.	N.A.	17	23
Workforce (No.).....	N.A.	N.A.	1,830	1,872

Source: *Finmeccanica 2011 Consolidated Financial Statements; Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.*

- (1) The figures relate to 100 per cent. of Ansaldo Energia for 2010; 100 per cent. for the first six months of 2011, while are consolidated on a proportional basis at 55 per cent. for 2012.
- (2) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (2) The Group has calculated return on sales as EBITA divided by total revenue.
- (3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Recent Key Corporate Events and Developments

The merger of the parent Ansaldo Energia Holding into the subsidiary Ansaldo Energia was finalised on 30 June 2012. One of the aims is to streamline the corporate structure, with a view to decreasing operating costs and increasing profitability.

On 21 March 2013, Ansaldo Energia and Politecnico of Milan signed a three-year agreement on specific research and training activities. Specifically, Ansaldo Energia may support Politecnico in teaching activities and may finance research fellowships and doctorates (PhD), scholarships and internships, while Politecnico will provide technical and scientific support to the company's research activities. Furthermore, Ansaldo Energia and Politecnico will jointly participate in the national energy Cluster being established, which provides for joint research activities in the sectors of flexibility of combined cycles and of the development of new-generation gas turbines.

On 4 October 2013, the Board of Directors of Finmeccanica resolved to sell Finmeccanica's shareholding in Ansaldo Energia to Fondo Strategico Italiano S.p.A. (for further information see "*Recent developments*" below).

Main Products and Programmes

Finmeccanica's main products and programmes in the Energy segment include the following:

- Power plants for energy generation – Conventional, co-generative, geothermal and simple and combined cycles, up to a power of 800 MW;
- Gas turbines (from 70 to 280 MW) – Featuring advanced technological solutions and designed to satisfy clients' requirements in terms of efficiency, reliability, flexibility and a low environmental impact;
- Steam turbines (from 810 to 1,200 MW) – Covering the entire range of applications for the generation of geothermal, co-generation, fossil fuel cycle and combined cycle energy; and
- Turbo-generators and hydro-generators – Including air, water and hydrogen cooling models using widely tested technological solutions.

Transportation

Overview

In the Transportation segment, Finmeccanica's operations are carried out by Ansaldo STS (in the signalling and transportation systems areas), AnsaldoBreda (in the rolling-stock areas) and BredaMenarinibus (in the urban and intercity buses).

Ansaldo STS is active in the design manufacture, installation and maintenance of railway and mass transit of signalling and integrated "turn-key" transportation systems. Ansaldo STS has its main facilities in Italy (Genoa, Naples, Tito Scalco (PZ) and Piosasco (TO)), France (Les Ulis, Riom), United States (Pittsburgh, Pennsylvania, Batesburgh, South Carolina) and Australia (Brisbane, Karratha). Since 2006, Ansaldo STS has been publicly listed on the Milan Stock Exchange. Currently, the public float of Ansaldo STS is 60 per cent. and its market capitalisation is approximately EUR 1,250 million as of the date of this Base Prospectus.

AnsaldoBreda is active in the manufacture of technologically advanced rolling stock for railway and urban transit systems. AnsaldoBreda builds complete trains, including high-speed trains, double-deck electric trains, electric multiple unit, diesel multiple unit, single and double deck passenger, metro vehicles and Sirio trams. AnsaldoBreda operate through their main facilities located in Italy (Naples, Pistoia, Reggio Calabria).

BredaMenarinibus is active in the manufacture of urban and intercity buses. BredaMenarinibus has its main plant in Italy (Bologna).

Key Data

The table below summarises the key financial and operating data of Finmeccanica's Transportation segment for the periods represented:

	Six months ended and as at 30 June		Year ended and as at 31 December	
	2013	2012	2012	2011
	<i>(EUR million, unless otherwise stated)</i>			
New orders	459	938	2,290	2,723
Order backlog.....	8,191	8,679	8,679	8,317
Revenue	862	940	1,719	1,877
EBITA ⁽¹⁾	(16)	7	(67)	(110)
Return on sales (%) ⁽²⁾	(1.9%)	0.7%	(3.9%)	(5.9%)
Research & Development ⁽³⁾	N.A.	N.A.	49	46
Workforce (No.).....	N.A.	N.A.	6,568	6,876

Source: *Finmeccanica 2011 Consolidated Financial Statements; Finmeccanica 2012 Consolidated Financial Statements; Finmeccanica 2013 Half-Year Financial Report.*

- (1) The Group has calculated EBITA as net profit adjusted for: (i) any impairment in goodwill; (ii) amortisation of the intangible assets identified in the purchase price allocation of the intangible assets amortisation in business combinations, as required by IFRS 3; (iii) restructuring costs that are a part of significant defined plans; and (iv) other exceptional costs or income connected to significant events that are not related to the ordinary performance of the business.
- (2) The Group has calculated return on sales as EBITA divided by total revenue.
- (3) These amounts represent expenses incurred for all research and development activities and charged to income for the period or capitalized as intangible assets.

Strategy

In the Transportations segment, with respect to the rolling-stock area, Finmeccanica has launched a new restructuring plan of AnsaldoBreda in order to restore its profitability in the short term, while leveraging on a strong order backlog and capturing opportunities to reduce its exposure within the segment. In the system and signalling areas, Finmeccanica intends to support Ansaldo STS in its stated growth strategy in order to increase its earning potential. In particular, Ansaldo STS intends to (i) access new markets with significant growth prospects (such as China, Saudi Arabia and Russia, etc.), (ii) broaden its signalling and transportation systems offering in order to satisfy new demand relating to homeland security requirements, and (iii) develop more standardized platforms.

Recent Key Corporate Events and Developments

In July 2012 Ansaldo STS reached a strategic agreement with the China-based Cnr Dalian and the Taiwan-based General Resources Company, licensing the "TramWave" technology to the joint venture that will be formed by Cnr Dalian and General Resources. The TramWave solution offers cable-free electric power distribution and was developed and patented by Ansaldo STS for use in urban transport systems, eliminating the visual impact of traditional overhead cables.

In October 2012, AnsaldoBreda reached a trading agreement with Cnr Dalian for the transfer of AnsaldoBreda's technology related to the Sirio platform for 600 new trams to be used for public transport in China. With the exception of the first ten, which AnsaldoBreda will produce in its Pistoia facilities and which will be used to train Cnr Dalian personnel, the vehicles will be produced by Cnr Dalian in China under licence from AnsaldoBreda.

In July 2013 Ansaldo STS has been awarded a USD 680 million contract to build the longest line of the new metropolitan system in Riyadh as part of the ArRiyadh New Mobility (ANM) consortium. The contract includes an option for a further sum of around USD 249 million for the next 10 years of maintenance

Main Products and Programmes

Finmeccanica's main products and programmes in the Transportation segment include the following:

Ansaldo STS

- Interlocking Systems – Systems that manage the movement and position of trains in stations and the complex networks on which they operate;
- Automatic Train Control (ATC) – Systems that manage the movement of trains under security conditions, which automatically enforce a speed limit which is consistent with the circulation

conditions ahead (block conditions) and, in specified circumstances, also enforces a penalty train stop with full brake application;

- European Railway Traffic Management System (ERTMS) – European standard applied to ATC systems. The system enables the supervision in real-time of the train operation according to the traffic conditions, taking into account the European network interoperability. The ERTMS standard contemplates three different level of application (ERTMS 1, 2 and 3);
- Centralised Train Control (CTC) – Modular system which allow supervision and command of train and metro traffic (for a single line or for an entire network) providing effective traffic optimization with forecasting and conflict display and resolution; and
- Automated metro, (i.e. Copenhagen, Brescia, Milan line 5, Salonicco, etc.).

AnsaldoBreda

- Driverless Metro (low and medium capacity) The driverless metro project main principle consists in the union between design and technology to obtain a vehicle, that assures safe, reliable and high quality service in the respect of the environment;
- SIRIO – Tram which originates from the modular platform of tram products developed by AnsaldoBreda. SIRIO features low internal noise levels, low floor on the entire inner surface, wide doors, devices for the disabled and an air conditioning system for passengers;
- 9000 and 7000 series vehicles – Metro vehicles designed by Pininfarina with clear and defined lines to increase aerodynamic efficiency and the design focused on two issues: passenger safety and access for the disabled;
- ETR 500 and the new ETR 1000 – in operation in the HS sections of the Italian railway network, consists with two locomotives and a variable number of passenger cars (1st class, 2nd class, restaurant) in a easily variable composition. Locomotives, equipped with the new European signalling system ERTMS, are capable of being supplied either at 25 kV 50 Hz, or at 3 kV dc or at 1,5 kV dc (with reduced performances); and
- V250 – High-speed train characterized by increased services and compliance with European interoperability rules and for the reliability of its components parts.

BredaMenarinibus

Urban and suburban bus family

- *Avancity plus* – Product range which improves the appreciated bus basic features, through the original contents of internal and external style. The new DEUTZ engines, at a top level for power and torque, comply with the lowest EEV emission limits in advance on the Directive scheduled timing.
- *Vivacity plus* – Product range to cross historic centres as well as small and medium towns and suitable for every urban context featuring a narrow and difficult road network. The new *Vivacity plus* joins the reduced dimensions with a great passenger capacity and the low fuel consumption of the new DEUTZ engine 4 cylinders complying with the lowest EEV emission limits in advance on the Directive scheduled timing; and

Intercity bus

- *Lander* – "Regional" 12 meters bus. Its engine is one of the most modern unit currently available on the market: the MAN D 20, 10,5 litres of displacement, featuring the EGR-PMK system to cut the exhaust emissions. The driving cabin complies with the ergonomic standards ISO-VDV, makes the bus driving easier, by improving comfort, visibility and safety.

Low emission bus

- Zeus – Minibus for circulation in historic centers mounting a new and more powerful AC water cooled electric motor (an IGBT inverter and new lithium ions batteries provide ZEUS with premium features on the electric minibus market).

Other Activities

In the Other Activities segment, Finmeccanica's operations are mainly carried out through:

- Fata: a wholly owned Finmeccanica subsidiary, which operates in the area of plants for processing aluminium and steel flat rolled products and engineering design in the electricity generation area for primary aluminium production companies; and
- Other entities which provide financial support and management services to Finmeccanica are: Finmeccanica Group Services S.p.A. (the Group service management company), Finmeccanica Group Real Estate S.p.A. (which manages, rationalise and improve the Group's real estate properties), Finmeccanica Finance S.A. and Meccanica Holdings USA Inc. (both of which provide financial support to the Group). A process for the merger by way of incorporation of Finmeccanica Group Services S.p.A. into Finmeccanica Group Real Estate S.p.A. has started; once completed, the entity resulting from such merger will be renamed Finmeccanica Global Services S.p.A.

Employees

As of 30 June 2013, the Finmeccanica Group employed 66,782 employees of which about 59% per cent. in Italy and about 41% per cent. abroad.

The following table sets forth the number of Finmeccanica Group employees as at 31 December 2012 and 2011 and the number of those employees in Italy.

	<u>Total number of employees</u>	<u>Number of employees in Italy</u>	<u>Number of employees outside Italy</u>
31 December 2012	67,408	39,418	27,990
31 December 2011	70,474	40,224	30,250

Finmeccanica's employees worldwide include the categories set forth in the following table.

	<u>2012</u>	<u>2011</u>	<u>Net change</u>
Senior Manager ⁽¹⁾	2,058	2,208	(150)
Middle Managers	7,771	8,169	(398)
Clerical Employees	40,371	41,901	(1,530)
Manual Labourers	17,208	18,196	(988)
Total	67,408	70,474	(3,066)

Source: Finmeccanica's internal data.

(1) Includes pilots.

Finmeccanica's Italian employees are employed pursuant to collective bargaining contracts. The national collective contract for metal engineering workers, which governs the terms and conditions of employment of most of Finmeccanica's employees, has been renegotiated on December 5 2012, and it has a 3 years expiration period (until December 2015). Employees in Italy have the benefit of provisions of Italian law providing for severance payment upon termination of employment. Under law, these employees are entitled to receive a severance payment based on annual salary, length of employment and inflation. Finmeccanica maintains reserves for such payments in accordance with Italian law.

Litigation

Civil, administrative and tax proceedings

In the ordinary course of its activities, Finmeccanica and the other companies of the Group are presently involved in a number of civil, administrative and tax proceedings involving substantial exposure. Finmeccanica believes that the extent of the litigation to which it is subject is a direct result of its size and history, as well as the business sectors in which it operates. Finmeccanica has conducted a review of its ongoing litigation and has made provisions considered appropriate in light of the circumstances when a loss is certain or probable and reasonably estimable, in accordance with applicable accounting principles. As of 31 December 2012, Finmeccanica has recognised in its consolidated financial statements provisions for legal and tax proceedings amounting to EUR 242 million.

In certain cases when Finmeccanica believes that an adverse outcome of a given litigation may not occur or that such dispute may be resolved in a satisfactory manner and without significant impacts on the Company, no specific provisions are made in the Finmeccanica's consolidated financial statements. The most significant proceedings in respect of which no specific provisions are made in the Finmeccanica's consolidated financial statements are summarised below.

Dennis Reid vs. Finmeccanica and Alenia Spazio (now So.Ge.Pa. S.p.A.)

In 2001, Dennis Reid sued Finmeccanica and its subsidiary Alenia Spazio (now So.Ge.Pa. S.p.A.) in a Texas court to allege breaches by the former Finmeccanica-Space Division of agreements relating to the implementation of the Gorizont satellite program. The Texas courts dismissed the case for lack of jurisdiction but Reid commenced a new lawsuit against Finmeccanica and So.Ge.Pa. before the Delaware Chancery Court. In the new suit, Reid claims the same damages he was claiming in the Texas lawsuit. On 29 June 2007, Finmeccanica filed a motion to dismiss the case for being time barred under the statute of limitations and the lack of jurisdiction of the Delaware Chancery Court. In March 2008, the Court issued an order accepting Finmeccanica's motion and ruling that the action was time-barred. The plaintiff filed an appeal before the Supreme Court of Delaware against such order and the Supreme Court issued a ruling reversing the Court of Chancery's decision and remanding to the Delaware Chancery Court for the decision relating to the Finmeccanica's jurisdictional motion. The discovery phase relating jurisdiction has started and is still ongoing.

G.M.R. S.p.A. vs. Finmeccanica and AnsaldoBreda

In February 2011, G.M.R. SpA., as the sole shareholder of Firema Trasporti, brought an action against Finmeccanica and AnsaldoBreda before the Court of Santa Maria Capua Vetere in order to ascertain the companies' liability for the insolvency of Firema Trasporti and to obtain the compensation of damages to be determined during the proceeding. The plaintiff asserts that, during the time when Finmeccanica was a shareholder of Firema Trasporti (from 1993 to 2005), the latter was subject to the direction and coordination of Finmeccanica to its detriment and was managed in the sole interests of the Finmeccanica Group and that, even after Finmeccanica sold its stake in the company, Firema Trasporti, under various contracts in place with AnsaldoBreda, was in fact financially dependent upon the Group, which behaved in an abusive manner. Finmeccanica and AnsaldoBreda appeared before the court, requesting the rejection of the plaintiff's action as wholly lacking foundation. Following the first hearing held on 31 May 2011, the Court decided to reserve judgement on the preliminary objections raised by the defendants. By an order issued on 30 October 2012, the Court scheduled the next hearing on 4 June 2013, fixing the terms to the parties for filing the briefs. Such hearing has been postponed *ex officio* to 19 November 2013.

Pont Ventoux S.c.a.r.l. vs. Ansaldo Energia

In January 2009 Pont Ventoux S.c.a.r.l. introduced an arbitration proceedings against the temporary association of companies set up by Ansaldo Energia, as representative (31 per cent.), Alstom Power Italia S.p.A. (17 per cent.) and Voith Siemens Hydro Power Generation S.p.A. (52 per cent.) in connection with a contract for the provision of two electric generators, for a total amount of approximately Euro 15 million as part of the project for the construction of the hydro-electric power station in Val di Susa. The plaintiff claims direct and indirect damages and image damages for a total amount of EUR 90 million, asserting that the liability limitation clause does not apply in the event of gross negligence. Ansaldo Energia believes that its tasks have been duly fulfilled and that the claims do not concern the activities performed by Ansaldo Energia. On June 2011, the court-appointed expert's opinion has been submitted and the parties are exchanging their respective briefs. The date on which the final award was scheduled to be issued has been postponed from December 2012 to May 2013. On 23 May 2013, the arbitration court

rendered a partial award providing for the integration of the court-appointed expert's opinion. Such award excluded also the existence of: (i) some damages components and (ii) wilful misconduct and gross negligence. Therefore, should the defendants be deemed liable, they would be required to compensate damages within the limits of the value of the agreement. Subsequently, with an order dated 19 June 2013, the arbitration court scheduled a hearing for clarifications on the court-appointed expert's opinion on 12 July 2013. At such hearing the Court ordered that the clarifications were to be produced before 30 September 2013, but this has now been postponed to 28 February 2014.

DCNS S.A. vs. Wass

In September 2011 DCNS introduced, before the International Chamber of Commerce of Paris, an arbitration proceeding against Wass in connection with a contract for the design and development of the Torpedo F21 for the French Navy entered into between the parties in 2008. The plaintiff claimed a total amount of EUR 50 million arguing that Wass was in breach of contract for the suspension of the supply since November 2010. Considering that such suspension is a consequence of the decision of Italian Foreign Ministry to suspend the export license, Wass is disputing that the non-performance is caused by force majeure. Moreover, Wass has made a counterclaim for damages (for a total amount of EUR 55 million) caused by breaches of contract by DCNS which illegitimately, without Wass' authorisation, in September 2009 concluded a contract with Brazilian Navy for the supply of the F21 Torpedo which was to be developed under the above mentioned contract. On 26 March 2012, the parties reached an agreement in order to forbid DCNS to use the technology developed under the 2008 contract and consequently Wass gave up the motion for a preliminary injunction proposed by it. In light of the documentation produced during the investigation phase, which was completed in December 2012, Wass increased its counterclaims up to EUR 75 million. The first hearing for discussion was held on 23 January 2013 and the arbitration tribunal granted a deadline to the parties for the filing of further pleadings. DCNS increased up to EUR 67 million the amount claimed for damages compensation. The final hearing was held on 24 April 2013. The dispute has not been settled yet.

Simmi S.p.A. vs Ansaldo Breda

On 7 February 2013, Simmi S.p.A. ("**Simmi**"), subject to bankruptcy proceedings (*fallimento*), brought an action before the Civil Court of Nola against AnsaldoBreda, in order to ask the Court to ascertain AnsaldoBreda's liability and to order it to pay compensation for damages, to be quantified in the course of the proceedings, which is allegedly estimated at EUR 51 million. Specifically, Simmi maintains that, within the long-term business relationship between the parties, AnsaldoBreda took advantage of its own bargaining power to impose Simmi contractual supply conditions which were unfairly burdensome. This conduct of AnsaldoBreda, which according to the plaintiff constituted an abuse of economic dependence, would have caused, over time, growing financial difficulties to Simmi, such as to force it to start a procedure of composition with creditors. AnsaldoBreda, in appearing before the court, raised a preliminary objection concerning the lack of territorial jurisdiction of the Court appealed to, and asked the Court to reject the plaintiff's claims as they were unfounded as of fact and as of right. By an order dated 12 April 2013, the Court of Nola stated its own lack of territorial jurisdiction and referred the case to the Court of Naples, while granting a time limit of three months from the service of the abovementioned order to resume the proceedings. Simmi has resumed the case before the Court of Naples, which has scheduled the hearing on 9 July 2013 and then postponed it *ex officio* to 4 March 2014.

Janua Dei S.r.l. and Società Progetto Cina S.r.l. vs. Finmeccanica

On 4 March 2013, Mr. Pio Maria Deiana, on his own account and in his capacity as Director of Janua Dei S.r.l. and of Società Progetto Cina S.r.l., served a writ of summons on Finmeccanica to appear before the Court of Rome, in order to ask the Court to establish the invalidity of the settlement agreement signed in December 2000. By this agreement, the aforesaid companies and the then Ansaldo Industria (which was a subsidiary of Finmeccanica until 2004 and which is now cancelled from the Register of Companies) had settled, by way of conciliation, the proceedings brought by these Companies before the Court of Genoa in 1998, in order to ask the Court to establish breach of contracts on the part of Ansaldo Industria within agreements aimed at a commercial cooperation for the construction of a waste disposal and cogeneration plant in China, which then was not built. As stated by the plaintiffs in the writ of summons, the abovementioned settlement agreement was concluded based on unfair conditions, thus taking advantage of the distress of Mr. Deiana and of the economic dependence of the plaintiff companies with respect to Ansaldo Industria. The claim is submitted against Finmeccanica, making reference to a general liability of the same arising from the control exercised by it on Ansaldo Industria at the time of the events being disputed. The required damage, to be quantified in the course of the proceedings, is allegedly estimated at

Euro 2,700 million. Finmeccanica will appear before the Court and will ask it to reject the plaintiff's claims as they are fully unfounded as of fact and as of law. The date of the first hearing of the proceedings was initially scheduled on 25 July 2013 and it was postponed to 16 October 2013.

Finmeccanica and Banca di Roma vs. Agenzia delle Entrate

This proceeding relates to the sale of a receivable by Finmilano S.p.A., a former subsidiary of Finmeccanica S.p.A., in 1987. The receivable was sold at a discount to its face value against deferred payment by the buyer. The Tax Authorities claimed that the transaction had the nature of a financing transaction and that, accordingly, the loss recorded by Finmilano in connection with the sale could not be deducted in its entirety in the year of the sale but, rather, had to be recognized over the following periods until payment of the consideration by the buyer. Finmeccanica is part of these proceedings as a result of the indemnity provided to Banca di Roma (currently Unicredit Group) which subsequently acquired Finmilano from Finmeccanica. In 2009 the Supreme Court stated that the litigation has to be examined by the Tax Court of second instance (*Commissione Tributaria Regionale*). The Rome Regional Tax Commission recently upheld the arguments of the Tax Authorities. On 6 June 2012, Finmeccanica filed an appeal against the Rome Regional Tax Commission's ruling with the Court of Cassation. Finmeccanica does not currently expect it will incur in significant losses in this respect. The proceeding is still pending.

Agenzia delle Entrate vs. Telespazio S.p.A.

This proceeding relates to a tax claim for EUR 30 million filed by the Tax Authorities against Telespazio S.p.A. in respect of the tax assessment for direct income taxation (IIDD) for the year 2000. The Tax Authority is challenging the right of the company to deduct, for tax purposes, certain losses incurred in connection with a sale of receivables executed following unsuccessful attempts to recover such receivables. No provision has been made in the financial statements for this claim as the Company believes the transaction was properly accounted for. In February 2008 the Company received a demand for the provisional payment of EUR 8.3 million for additional tax accrued plus interest pending the decision of the court of first instance. The Company requested that this payment be suspended until November 2008. The hearing at the tax court of first instance took place in May 2008 and on 25 September 2008 a decision was issued in Telespazio's favour. In June 2009 the Tax Authorities appealed the decision which was rejected by the tax court of second instance pursuant a ruling issued on 30 March 2010. The Tax Authorities have subsequently filed an appeal with the Court of Cassation, against which Finmeccanica has raised objections. The proceeding is still pending.

AgustaWestland S.p.A. vs. the Lombardy Regional Tax Authority

AgustaWestland S.p.A. initiated a dispute against the Lombardy Regional Tax Authority challenging the tax assessment for IRES and IRAP for the year 2006 demanding the payment of taxes –without any notification received concerning the effectiveness of the transactions – on some negative income components due to their failure to meet the requirements of Art. 110(11) of the Consolidated Law on Income Tax (TUIR). The Tax Authority argues that the proper treatment of these items should result in the company owing EUR 8.5 million (plus interest) more in taxes, as well as a fine of an equal amount. The company instead believes that it acted properly and that there are valid basis supporting the illegality/groundlessness of the assessment received as to its merits and from a procedural standpoint. Since AgustaWestland believes that its treatment is correct, it filed an appeal to the Milan Local Tax Court on 27 March 2012. The proceeding is still pending.

SELEX Sistemi Integrati S.p.a. vs. Lazio Regional Tax Office

SELEX Sistemi Integrati S.p.a. commenced a dispute against the Lazio Regional Tax Authority challenging the tax assessment reports for IRES and IRAP for the year 2007 whereby the tax authority claimed for payment of taxes, disallowing the deductibility of some negative income components due to their failure to meet the requirements of Art. 110(11) of the Consolidated Law on Income Tax (TUIR). With respect to these income items the tax authority itself approved a specific request for a private letter ruling (*istanza di interpello*) filed by the Company in 2004. By the aforesaid tax assessment reports, the Tax Authority argues that the proper treatment of these items should result in the company owing further EUR 1.7 million (plus interest) in taxes, to which penalties of an equal amount are to be added. The company has promptly filed an appeal with the Rome Local Tax Court and the Court requested that the payment be suspended and scheduled the next hearing on 20 September 2013.

Pending disputes on existing contracts

In addition to the above, given the nature of the Group's customers as well as the complexity and the cutting-edge technological content of the contracts entered into by the companies belonging to the Group, the Group's long-term contracts are sometimes affected by disputes with customers in relation to compliance of works with customers' requests and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account the possible developments in the relevant disputes (for further information see the explanatory notes of the Finmeccanica 2012 Consolidated Financial Statements and section No. 13 of the explanatory notes headed "*Provisions For Risks And Contingent Liabilities*" of the Finmeccanica 2013 Half-Year Financial Report, incorporated by reference into this Base Prospectus).

This was the case regarding the agreement for the supply of three trains to a Belgian company, Nationale Maatschappij der Belgische Spoorwegen ("NMBS"), in relation to which on 10 July 2013 AnsaldoBreda, despite challenging the termination of the agreement claimed by the NMBS, executed payments of the sums enforced under the related bank guarantees to the amount of Euro 37.3 million. The first hearing in relation to this dispute was held on 18 September 2013 in which AnsaldoBreda appeared before the court objecting that the faults alleged by NMBS should be attributable to the poor maintenance carried out by NMBS and to use which was non-compliant with the specifications in the case of unfavourable climate conditions. The next hearing has not been scheduled yet.

Furthermore, on 30 August 2013 the Dutch NS Financial Services Company, which in 2004 entered into an agreement with AnsaldoBreda for the supply of sixteen V-250 trains, sought (without filing any judicial claim) termination of the aforementioned agreement alleging faults, planning deficiencies and delays in the supply of the trains and claimed for recovery of advance payments, payment of penalties and compensation for further damages for an aggregate amount of Euro 313.7 million. On 26 September 2013, AnsaldoBreda brought an action in the Court of Utrecht against NS Financial Services Company for the performance of the contract and for compensation of damages. The first hearing in relation to this dispute has been scheduled for 30 October 2013. On 30 September 2013, NS Financial Services Company sent a written notification to Finmeccanica for the payment of the above amount of Euro 313.7 million under the parent company guarantee issued by Finmeccanica with respect to said agreement (for further information on such agreements, see section No. 13 of the explanatory notes headed "*Provisions For Risks And Contingent Liabilities*" of the Finmeccanica 2013 Half-Year Financial Report, incorporated by reference into this Base Prospectus).

Judicial investigations and criminal proceedings

Finmeccanica and certain companies of the Group have been recently involved in certain judicial investigations and criminal proceedings. As these investigations and legal proceedings are either at a preliminary phase or have not been concluded based also on the available information and the analyses performed, in most cases the competent corporate bodies of the companies involved did not make any specific provision in their financial statements and Finmeccanica did not make any specific provision in its consolidated financial statements for the financial year ending 31 December 2012 and for the six months ending 30 June 2013.

Notwithstanding the foregoing, it cannot be excluded at this stage that such proceedings and investigations – relating to, *inter alia*, corruption, international corruption, criminal association and fraud crimes ascribed to certain managers, officers and employees of the Finmeccanica Group – may result in convictions of such persons and possibly of the relevant entities of the Finmeccanica Group should it be proved that (a) the relevant crimes have been committed by such managers, officers and employees in the interest or for the benefit of the relevant Finmeccanica Group entities pursuant to Legislative Decree No. 231 and (b) the relevant company has failed to implement a proper internal organisational management model (*modello di organizzazione, gestione e controllo*) pursuant to Decree 231. Should the entities belonging to the Finmeccanica Group be condemned in accordance with Decree 231, the judge may decide to apply, in addition to pecuniary penalties, (i) disqualifications, for a certain period of time, from exercise of the relevant affected business; (ii) suspension or revocation of relevant authorizations, licenses or concessions; (iii) prohibition to trade with the Public Administration; (iv) exclusion from grants, loans, contributions and/or subsidies, and revocation of those that might have been already granted and (v) prohibition of publicizing goods or services.

For a detailed description of such criminal investigations and proceedings involving the companies belonging to the Finmeccanica Group, see section No. 10 of the "*Corporate governance report and*

shareholder structure" headed "*Internal control and risk management system*" included in the Finmeccanica 2012 Consolidated Financial Statements and the section No. 13 of the explanatory notes to the Finmeccanica 2013 Half-Year Financial Report headed "*Provisions For Risks And Contingent Liabilities*", both incorporated by reference into this Base Prospectus (for further information, see "*Information incorporated by reference*").

In this respect, the Finmeccanica Group (i) started closer internal investigations aimed at verifying any inadequate behaviours of the management and personnel involved in the foregoing criminal investigations/proceedings; (ii) took steps to strengthen internal procedures and implement more effective processes for corporate governance system in order to prevent that events similar to those which have recently involved the Group might occur again in the future; and (iii) established an independent committee to review and support modifications to the corporate governance system of the Group. For further information see "- *Corporate Governance*", below.

Corporate Governance

Corporate governance rules for Italian companies, such as Finmeccanica, whose shares are listed on the Italian Stock Exchange are provided in the Italian Civil Code, in the Financial Services Act, Consob Regulation No. 11971 of 14 May 1999 ("**Regulation No. 11971**") and in the self-regulatory code for listed companies promoted by Borsa Italiana S.p.A. and adopted by Finmeccanica (the "**Corporate Governance Code**").

Finmeccanica has adopted a traditional system of corporate governance, based on a conventional organisational model involving shareholders' meeting, a board of directors, a board of statutory auditors and independent auditors.

Pursuant to its by-laws, the management of Finmeccanica is entrusted to a collegial body made up of no fewer than 8 and no more than 12 members appointed by the shareholders' meeting (collectively the "**Board of Directors**", each a "**Director**").

Directors are appointed for the period established by the shareholders' meeting appointing them which shall not exceed three financial years; the Directors may be reappointed. Article 18 of Finmeccanica's by-laws provides for a voting list system for the appointment of the members of the Board of Directors. The Golden Share Decree no longer includes among the special powers of the Italian State, the power to appoint a Director without voting rights.

The Board of Directors has the widest possible powers to perform the ordinary and extraordinary tasks involved in managing Finmeccanica. It is authorised to take all the steps it deems appropriate in order to achieve Finmeccanica's aims and corporate objectives, with the sole exception of the powers expressly reserved by law or Finmeccanica's by-laws to the shareholders' meeting. Pursuant to Article 2365, paragraph 2 of the Italian Civil Code and Article 24 of Finmeccanica's by-laws the Board of Directors is in addition entrusted to resolve upon the following matters: (i) the merger or demerger of Finmeccanica, in the cases provided by applicable laws; (ii) the establishment or closure of secondary office; (iii) reduction of share capital in the event of the withdrawal of one or more shareholders; (iv) adjustment of the by-laws to applicable regulations; and (v) the relocation of the Finmeccanica's registered office within the territory of the Republic of Italy.

Pursuant to Finmeccanica's by-laws, the board of statutory auditors is composed of five auditors and two alternate auditors, each of which shall meet the requirements provided for by applicable law and Finmeccanica's by-laws (collectively the "**Board of Statutory Auditors**"). The alternate auditors will replace any statutory auditors who resign or is otherwise unable to serve as a Statutory Auditor in accordance with Finmeccanica's by-laws. All members of the Board of Statutory Auditors are appointed by the shareholders' meeting for three financial years and can be reappointed. The by-laws of Finmeccanica provide for a voting list system for the appointment of all member of the Board of Statutory Auditors. The Statutory Auditors may be removed only upon the occurrence of a grounded reason (*giusta causa*) and with the approval of an Italian Court.

The Board of Statutory Auditors is, *inter alia*, vested with the powers to supervise on compliance with applicable laws and Finmeccanica's by-laws and on appropriateness of organisational, administrative and accounting structure adopted by the Board of Directors.

According to Articles 147-*bis* and 148 of the Financial Services Act, the relevant implementing regulations and Finmeccanica's by-laws provisions, at least 1/5 (for the first term of office) and at least

1/3 (for the two following terms) of the respective members of the new board of directors and board of statutory auditors to be appointed upon termination of the office of the current Board of Directors and Board of Statutory Auditors, shall be composed of the under-represented gender. With respect to the Board of Directors, compliance with such ratio shall also be ensured in case of cooptation of directors who cease to hold their position during the term of office pursuant to Article 2386 of the Italian Civil Code.

Board of Directors

The current Board of Directors consists of 11 members. The Shareholders' Meeting of Finmeccanica held on 4 May 2011 appointed 11 members of the current Board of Directors for the three-year period 2011-2013. Such three-year period will expire upon the approval of the financial statements of Finmeccanica for the financial year ending on 31 December 2013.

The following table sets forth the name, age and position of the current members of the Board of Directors of Finmeccanica.

Name	Age	Position
Giovanni De Gennaro ⁽¹⁾	64	Chairman
Guido Venturoni ⁽²⁾	79	Deputy Chairman
Alessandro Pansa ⁽³⁾	50	Chief Executive Officer
Paolo Cantarella.....	68	Non-executive Director
Giovanni Catanzaro.....	68	Non-executive Director
Dario Frigerio ⁽⁴⁾	51	Non-executive Director
Dario Galli.....	55	Non-executive Director
Ivanhoe Lo Bello ⁽⁵⁾	50	Non-executive Director
Silvia Merlo.....	44	Non-executive Director
Alessandro Minuto Rizzo ⁽⁴⁾	72	Non-executive Director
Francesco Parlato.....	52	Non-executive Director

- (1) Mr. Giovanni De Gennaro was appointed as a Director on the shareholders' meeting held on 4 July 2013 in order to replace Mr. Giuseppe Orsi (Director up to 15 February 2013) and was vested with the powers of Chairman by the Board of Directors on the meeting held on the same day.
- (2) Mr. Guido Venturoni was vested with the powers of the Deputy Chairman on the Board of Directors' meeting held on 13 February 2013.
- (3) On 1 December 2011, Mr. Alessandro Pansa was co-opted as a Director by the Board of Directors and the appointment was ratified by the shareholders' meeting held on 16 May 2012. On 13 February 2013, the Board of Directors appointed Mr. Alessandro Pansa (already a Director and the Chief Operating Officer of Finmeccanica) Chief Executive Officer of Finmeccanica.
- (4) Mr. Dario Frigerio and Mr. Alessandro Minuto Rizzo were appointed on the shareholders' meeting held on 4 July 2013 in order to replace resigning members of the Board of Directors (Mr. Christian Streiff, Director up to 4 July 2013, and Mr. Franco Bonferroni, Director up to 21 September 2012).
- (5) On 11 May 2012 Mr. Marco Iansiti resigned from the position of Director of Finmeccanica. On 16 May 2012 Ivanhoe Lo Bello was co-opted as a Director by the Board of Directors and the appointment was ratified by the shareholders' meeting held on 15 April 2013.

On 11 September 2013, Mr. Carlo Baldocci resigned from his office of Director without voting rights. He was appointed as Director without voting rights by Ministerial Decree on 27 April 2011. In this respect, the Golden Share Decree no longer provides for the power of the Ministry of Economy to appoint a Director without voting rights (for further information on the Golden Share Decree, see "*The "golden share" and new special powers of the Italian government may restrict Finmeccanica's ability to manage its business*").

As reported in the table above, the Board of Directors is made up exclusively of non-executive Directors (*i.e.*, without delegated powers and/or management duties within Finmeccanica), with the exception of the Chief Executive Officer and Chief Operating Officer Mr. Alessandro Pansa.

The curriculum vitae of each of the members of the Board of Directors may be found on the Company's website (<http://www.finmeccanica.com/en/governance-finmeccanica/cda>).

The business address of each member of the Board of Directors is Finmeccanica's registered office at Piazza Monte Grappa 4, 00195 Rome, Italy.

Other offices held by members of the Board of Directors

The table below lists the offices on the boards of directors, boards of statutory auditors, supervisory committees or other positions other than those within Finmeccanica held by the members of Finmeccanica's Board of Directors.

Name	Position	Main positions held by Directors outside Finmeccanica
Giovanni De Gennaro.....	Chairman	
Guido Venturoni	Deputy Chairman	
Alessandro Pansa	Chief Executive Officer	Member of the Board of Directors of Effe 2005 Gruppo Feltrinelli SpA and Librerie Feltrinelli S.r.l.; member of the Board of Directors of Fondo Strategico Italiano S.p.A.; member of the Counsel for Relations Italy and U.S.A.
Paolo Cantarella	Director	Chairman of the Board of Directors of Interpartner S.p.A.; Member of the Boards of Directors of Iren S.p.A. and GVS; Member of the Advisory Board of Mandarin Capital Partners; Operating Partner of Advent International.
Giovanni Catanzaro.....	Director	Sole Director of Advisory Board of Lombardia Integrata; Chairman of A.Y.C. Immobiliare S.p.A.; Managing director of Lombardia Informatica S.p.A.; President of the Auto Yachting Club of Catania.
Dario Frigerio.....		Member of the Board of Directors of Sogefi S.p.A.; Member of the Boards of Directors of Objectway SpA.
Dario Galli	Director	Director of Financière Fideuram S.A.
Ivanhoe LoBello.....	Director	Member of the Board of Directors of CRIAS; Member of the Board of Confindustria; Member of the Board of Directors and member of the Chairman's Committee of CIVITA; Chairman of UniCredit Leasing S.p.A., Member of the Board of Statutory Auditors of Infocamere; Chairman of the Chamber of Commerce of Syracuse.
Silvia Merlo	Director	Managing Director of Merlo S.p.A. Industria Metalmeccanica and of Tecnoindustrie Merlo S.p.A.; Member of the Board of Banca Cassa di Risparmio di Savigliano S.p.A.
Alessandro Minuto Rizzo.....	Director	
Francesco Parlato	Director	Director of the General Finance and Privatisation Section of the Treasury Department; Member of the Policy Committee of Cassa Depositi e Prestiti.

Independent Directors

The Board of Directors of Finmeccanica carries out periodic assessments of the independence of its non-executive members and those assessments are submitted to the Board of Statutory Auditors.

In the meeting held on 23 April 2013 the Board of Directors assessed the independence of its own non-executive members, excluding (i) Carlo Baldocci, who was a Director with no voting right (see "*Board of Directors*", above) and (ii) Alessandro Pansa, who is the Chief Executive Officer and the Chief Operating Officer. In the meeting held on 31 July 2013 the Board of Directors assessed the fulfilment of the independence requirements for the new Directors appointed by the shareholders' meeting held on 4 July 2013, in compliance with applicable laws and the Corporate Governance Code. As at the date of this Base Prospectus, the independent Directors are Mr. Guido Venturoni, Mr. Paolo Cantarella, Mr. Giovanni Catanzaro, Mr. Dario Frigerio, Mr. Dario Galli, Mr. Ivanhoe Lo Bello, Ms. Silvia Merlo and Mr. Alessandro Minuto Rizzo, with the exception of Mr. Francesco Parlato due to his employment relationship with the Ministry of Economy and Finance (which holds an equity interest in Finmeccanica equal to approximately 30.204% of its share capital). As for the Chairman Mr. Giovanni De Gennaro, in compliance with Corporate Governance Code provisions, the Board found that he cannot be considered independent being a significant representative of the Company as Chairman of the Board of Directors. Therefore, the guidelines set forth in the Corporate Governance Code, according to which at least one third of the members of the board of directors, for issuers belonging to FTSE-Mib index, shall meet requirements of independence and qualify as independent directors, is complied with.

None of the non-executive Directors in charge has, directly or indirectly, a significant commercial, financial or professional relationship with Finmeccanica and/or its subsidiaries.

Independent Directors meet at least once a year without other Directors. On 26 May 2011, the Board of Directors has confirmed the appointment of Guido Venturoni as Lead Independent Director. The Lead Independent Director (i) cooperates with the Chairman in order to ensure that (a) Directors receive full and prompt information and in taking appropriate actions to allow Directors and Statutory Auditors to improve their knowledge of Finmeccanica and the Group; (ii) convenes, either independently or upon request of Directors, special meetings of independent Directors; (iii) contributes to the process of assessment of the Board of Directors; (iv) supports the Chairman in relation to the planning of the Board of Directors' meetings; and (v) informs the Chairman of any matters to be submitted to the Board of Directors for scrutiny and appraisal.

Committees of the Board of Directors

The Board of Directors has deemed it appropriate to establish specific committees consisting of some of its members in order to increase the efficiency and the effectiveness of its activities. Such committees have an advisory and supportive role.

As at the date of this Base Prospectus, three committees have been established within the Board of Directors:

- the **Strategy Committee** which is responsible for a preliminary assessment of strategic options and the business plan prepared by the Chief Executive Officer of Finmeccanica, before they are submitted to the approval of the Board of Directors. As at the date of this Base Prospectus the Strategy Committee is composed of eight members: Mr. Giovanni De Gennaro (Chairman), Mr. Alessandro Pansa, Mr. Paolo Cantarella, Mr. Dario Galli, Mr. Ivanhoe Lo Bello, Mr. Alessandro Minuto Rizzo, Mr. Francesco Parlato and Mr. Guido Venturoni.
- the **Remuneration Committee**, having the task of, *inter alia*, (i) submitting proposals to the Board of Directors on Finmeccanica's remuneration policy as for Directors and executives holding strategic responsibilities, (ii) determining, on the basis of the powers conferred upon it by the Board of Directors and in compliance with the remuneration policy approved by the Board of Directors, remuneration, regulatory treatment and performance targets for the variable component of the remuneration for Directors with delegated powers and Directors holding specific functions, (iii) preparing compensation plans for the benefit of Directors and executives of Finmeccanica and other companies belonging to the Group, to be approved by the Board of Directors and the shareholders' meeting and (iv) assessing on a periodical basis the adequacy and consistency of the aforesaid remuneration policy and monitoring its implementation. In accordance with the Corporate Governance Code, the Remuneration Committee is entirely composed of non-executive directors, the majority of which (including the Chairman) are also independent Directors. As of the date of this Base Prospectus, the Remuneration Committee is composed of four members: Mr. Dario Galli (Chairman), Mr. Dario Frigerio, Ms. Silvia Merlo and Mr. Francesco Parlato. The activities to be performed by the Remuneration Committee are governed by a specific set of rules, as amended by the Board of Directors' resolution passed on 19 December 2012. Such rules are available on the Company's website (<http://www.finmeccanica.com/en/governance-finmeccanica-1/comitati-committees/comitato-remunerazione>).
- the **Control and Risks Committee** (formerly the internal audit committee), performing advisory and informative functions as listed in the Corporate Governance Code. As at the date of this Base Prospectus all members of the Control and Risks Committee are non-executive and independent Directors in accordance with the guidelines laid down in the Corporate Governance Code. The Control and Risks Committee performs also the functions as Committee for Transactions with Related Parties. As at the date of this Base Prospectus, the Control and Risks Committee is composed of four members: Mr. Paolo Cantarella (Chairman), Mr. Giovanni Catanzaro, Ms. Silvia Merlo and Mr. Guido Venturoni. The rules of the Control and Risks Committee reflect the procedures, organisation and provisions of the Corporate Governance Code as to internal audit. Such procedures are available on Finmeccanica's web site (<http://www.finmeccanica.com/en/governance-finmeccanica-1/comitati/comitato-controllo-rischi>).

The Board of Directors has resolved to postpone the establishment of the Appointments Committee at a later stage, namely by the date of expiry of the current term of office of the Board of Directors.

General remuneration policy

In compliance with regulations governing transparency of the remuneration set forth under Article 123-ter of the Financial Services Act, the Board of Directors in the meeting held on 23 April 2013 - having considered the valuations made and the proposals put forward by the Remuneration Committee - approved Finmeccanica's policy on the remuneration of the members of the administrative bodies, general managers and other executives with strategic responsibilities - envisaged in paragraph 3, letter a) of the above mentioned Article 123-ter of the Financial Services Act - for 2013 and the following financial years.

The remuneration report for the year 2013 is available on Finmeccanica's web site (<http://www.finmeccanica.com/en/governance-finmeccanica-1/remunerazione-1>).

Board of Statutory Auditors

The shareholders' meeting held on 16 May 2012 appointed Finmeccanica's Board of Statutory Auditors for a period of three financial years, until the shareholder's meeting called to approve Finmeccanica's financial statements for the financial year ending 31 December 2014.

The following table sets forth name, age and position of the current members of the Board of Statutory Auditors of Finmeccanica.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Riccardo Raul Bauer	62	Chairman
Niccolò Abriani	47	Auditor
Maurilio Fratino	61	Auditor
Silvano Montaldo	56	Auditor
Eugenio Pinto	54	Auditor
Stefano Fiorini	44	Alternate Auditor
Vincenzo Limone	63	Alternate Auditor

The curriculum vitae of each of the members of the Board of Statutory Auditors is available on the Finmeccanica's website (<http://www.finmeccanica.com/en/governance-finmeccanica/collegio-sindacale>).

The business address of each member of Finmeccanica's Board of Statutory Auditors for the purposes of their office is Finmeccanica's registered office at Piazza Monte Grappa 4, 00195 Rome, Italy.

As far as the Finmeccanica's Board of Statutory Auditors is concerned, the Board of Statutory Auditors has ascertained that, on the basis of the provisions set forth in the Corporate Governance Code , all regular Statutory Auditors satisfy the "independence" requirements.

Conflict of interest

There are no potential or existing conflicts of interest between the duties of the members of the Board of Directors and the Board of Statutory Auditors to Finmeccanica and their private interests and/or other duties.

Establishment of a "Flick Committee"

In the context of a series of measures aimed at ensuring fairness and transparency of the activities carried out by the Group (including the approval of new internal rules, the establishment of surveillance committees and the involvement of third independent parties), on 15 April 2013, the Board of Directors of Finmeccanica resolved upon the establishment of a committee entrusted with the task of suggesting criteria and standards required to comply with the international best practices (the "**Flick Committee**"). The Flick Committee will formulate recommendations on how to achieve these high standards and will report to the Board of Directors. The Flick Committee is composed of: (i) Mr. Giovanni Maria Flick (chairman of the Committee), President Emeritus of the Italian Constitutional Court and former Minister of Justice from 1996 to 1998; (ii) Mr. Alberto Alessandri, Professor of Criminal and Commercial Law at Bocconi University; (iii) Mr. Vittorio Mincato, Chief Executive Officer of ENI S.p.A. from 1998 to 2005,

past President of Assonime, former member of FIAT's Board of Directors and member of FIAT's Internal Surveillance Committee from 2005 to 2012; (iv) Mr. Giorgio Sacerdoti, Professor of International Law at Bocconi University and past Vice President of the OECD Committee Against International Corruption from 1995 to 2001; and (v) Mr. Angelo Tantazzi, past Chairman of Borsa Italiana S.p.A. from 2000 to 2011 and Deputy Chairman of the London Stock Exchange Group plc from 2007 to 2010.

Surveillance Body/Model Pursuant to Legislative Decree No. 231/2001

Legislative Decree No. 231 of 8 June 2001 ("**Legislative Decree No. 231/2001**"), introduced into the Italian legal system a specific corporate liability for certain types of criminal offences committed in the interests or for the benefit of the Company. In accordance with the provisions of the Decree No. 231/2001, Finmeccanica has adopted appropriate measures with the purpose of preventing the commission of any offences by Directors, Auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica.

On 15 April 2013, the Board of Directors of Finmeccanica approved the new Organisational, Management and Control Model as per Legislative Decree No. 231/2001 (the "**Model**") implementing recent amendments made to such decree in 2012. The Model is based on the guidelines issued by Confindustria (updated in 2008) and provides for, *inter alia*, the establishment of a surveillance body (the "**Surveillance Body**").

On 21 February 2013, following the resignation of the external members, the Board of Directors replaced the resigning members and increased the maximum number of the members of the Surveillance Body up to five members. The current Surveillance Body is composed of three external members and an internal one.

All the Italian companies belonging to the Finmeccanica Group have adopted their respective models pursuant to Legislative Decree No. 231/2001 and they are reviewing and updating such models in the course of 2013. These companies have also appointed the relevant surveillance bodies.

The Model is available on Finmeccanica's website (<http://www.finmeccanica.com/en/governance-finmeccanica-1/etica-compliance-ethics-compliance-1/modello-231>http://www.finmeccanica.it/Corporate/EN/Corporate/Investor_Relations/Corporate_Governance/Modello_Organizzativo_L231/index.sdo) and Finmeccanica's Italian subsidiaries published their models on their respective websites.

Finmeccanica's internal regulation

Transactions with related parties

On 26 November 2010, the Board of Directors of Finmeccanica approved a new procedure that regulates the approval and the execution of the transactions with related parties entered into by Finmeccanica, directly or through subsidiaries, which was adopted in accordance with the provisions of Article 2391-bis of the Italian Civil Code and the implementing CONSOB Regulation No. 17221 of 12 March 2010 (as subsequently amended by CONSOB Regulation No. 17389 of 23 June 2010). Such procedure which replaces, with effect from 1 January 2011, any previous regulation for transactions with related parties approved by the Board of Directors of Finmeccanica, has been amended on 13 December 2011.

For further information, see "*Procedure for related parties transactions*" available on Finmeccanica's website (<http://www.finmeccanica.com/en/governance-finmeccanica-1/operazioni-parti-correlate-1>).

Procedure for Privileged and Confidential information

For the purpose of ensuring a proper management of corporate information, Finmeccanica's Rules of Procedure of the Board of Directors provides that a procedure for the internal management and disclosure to the public of documents and information, with specific reference to privileged information regarding Finmeccanica, be adopted by the Board of Directors.

On 26 March 2013, the Board of Directors adopted such procedure, which lays down principles, actions and obligation to be met in relation to privileged and confidential information concerning Finmeccanica and its subsidiaries (the "**Procedure**"). The Procedure is available on Finmeccanica's web site (<http://www.finmeccanica.com/en/governance-finmeccanica-1/market-abuse-1>).

On 27 March 2013, Finmeccanica issued a specific directive aimed at giving instructions to its subsidiaries in order to ensure a consistent implementation of the Procedure.

Internal Dealing Code

Since 2006 Finmeccanica has adopted an internal dealing code (the "**Internal Dealing Code**") implementing applicable laws and regulations in this respect. The Internal Dealing Code governs the flows of information to the market with respect to transactions involving shares of Finmeccanica or other financial instruments connected thereto and executed, directly or indirectly, by key persons within Finmeccanica or by persons closely connected to them. The Internal Dealing Code has been updated in November 2011 and is available on Finmeccanica's web site (<http://www.finmeccanica.com/en/governance-finmeccanica-1/internal-dealing-1>).

Code of Ethics

Finmeccanica has approved a code of ethics (the "**Code of Ethics**") which sets forth the commitments and ethical responsibilities in the conduct of business and corporate affairs binding on, *inter alia*, the members of the Board of Directors and Board of Statutory Auditors, General Manager and Executives, employees and other co-workers whatsoever, representatives of directly or indirectly controlled companies and all those who have relationships of any nature with Finmeccanica.

One of the major rules of the Code of Ethics relates to the prevention of any conflicts of interest, even potential.

According to that rule, Finmeccanica always requires its directors, employees, consultants and anyone who cooperates with the company to sign in advance a specific document representing that no conflict of interest occurs between that person and Finmeccanica.

Any person becoming aware of the occurrence of a conflict of interest must report that occurrence to the Surveillance Body pursuant to Legislative Decree No. 231/2001 and according to certain procedures.

In addition, directors, employees and co-workers of whatsoever nature of Finmeccanica must avoid any situation and refrain from any action that could cause their personal interest, either direct or indirect, to interfere with their offices.

Any situation of personal interest, even potential, shall be promptly communicated to Finmeccanica and any person incurred in such situation shall refrain from being involved or participating in any act that might prejudice Finmeccanica or any third party.

The Code of Ethics also establishes that any conduct adopted in the context of a contractual relationship by co-workers, auditors, consultants, partners, other parties in transactions and other parties external to the company and which is in contrast with the lines of conduct indicated by the Code of Ethics shall cause a unilateral termination of the contractual relationship, in application of the clauses that Finmeccanica includes in any agreement.

The Code of Ethics is available on Finmeccanica's web site (<http://www.finmeccanica.com/en/governance-finmeccanica-1/etica-compliance-ethics-compliance-1/codice-etico>).

Shareholders

According to communications provided pursuant to Article 120 of the Financial Services Act, and available information, as at the date of this Base Prospectus shareholders which own a shareholding exceeding 2 per cent. of the Finmeccanica voting capital were as follows:

Declarer	Direct Shareholder	Type of possession	Percentage of voting capital
Italian Ministry of Economy and Finance	Italian Ministry of Economy and Finance	Owner	30.204%
	Total		30.204%
Deutsche Bank Trust Company Americas	Deutsche Bank Trust CompanyAmericas	Owner	3.600%

	Total		3.600%
FMR LLC	FMR LLC	Assets under management	2.133%
	Total		2.133%
Grantham Mayo Van Otterloo & Co. LLC	Grantham Mayo Van Otterloo & Co. LLC	Assets under management	2.045%
	Total		2.045%
Libyan Investment Authority (Arab Bkg Corp/Libyan Inves, Man)	Libyan Investment Authority (Arab Bkg Corp/Libyan Inves, Man)	Owner	2.010%
	Total		2.010%

External auditors

Pursuant to Italian laws and securities regulations, Finmeccanica's accounts must be audited by external independent auditors appointed by the shareholders. The external independent 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.

The shareholders' meeting of Finmeccanica held on 16 May 2012 resolved – upon grounded proposal by the Board of Statutory Auditors – to appoint KPMG S.p.A. as independent external auditors of Finmeccanica's financial statements for the financial years from 2012 (included) to 2020 (included).

KPMG S.p.A., a member of KPMG International, a Swiss cooperative, has its office in Italy at Via Ettore Petrolini 2, 00197 Roma, Italy ("**KPMG**"). KPMG is an accounting firm registered under No. 70623 in the Register of independent auditors held by the Ministry of Economy and Finance and is also a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms. KPMG's appointment will expire with the approval of annual financial statements of Finmeccanica as at and for the year ending 31 December 2020 by the general meeting of shareholders.

The previous auditors of Finmeccanica were PricewaterhouseCoopers S.p.A., whose office is Largo Angelo Fochetti 29, 00154 Rome, Italy ("**PWC**"). PWC is an accounting firm registered under No. 119644 in the Register of independent auditors held by the Ministry of Economy and Finance and is also a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms. PWC has audited the financial statements of Finmeccanica for, *inter alia*, the financial years ended on 31 December 2011.

Neither the current nor the previous auditors of Finmeccanica have/had material interest in Finmeccanica and are/were independent accountants in respect to Finmeccanica.

Recent developments

On 4 October 2013, the Board of Directors of Finmeccanica resolved to sell Finmeccanica's shareholding in Ansaldo Energia to Fondo Strategico Italiano S.p.A. ("**FSI**").

The transaction has been agreed at a fixed price of EUR 777 million, and an earn out worth up to, in aggregate, EUR 130 million maturing over the years 2014, 2015 and 2016, subject to Ansaldo Energia's fulfillment of the economic results laid down in its approved business plan.

The transaction provides for the sale of 99.55%⁵ of Ansaldo Energia's share capital: 84.55% (39.55% owned by Finmeccanica and 45% by First Reserve Corporation) at the closing date, expected to take place by the end of 2013; the remaining 15% stake of Finmeccanica to be sold, through a put and call option, to be exercised from 30 June 2017 to 31 December 2017, based on the reference price of EUR 777 million, capitalised at an annual compound interest rate of 6%.

⁵ Ansaldo Energia's management holds 0.45% of the company's shares.

Finmeccanica will achieve the following results through the execution of this transaction:

- proceeds of EUR 273 million at the closing date, for the sale of 39.55% of its shareholding in Ansaldo Energia;
- proceeds of EUR 117 million, plus 6% *pro rata temporis* interest rate, deriving from the exercise of the put-call option in 2017 on its remaining 15% stake in Ansaldo Energia;
- at closing, deconsolidation of financial debt amounting, at 30 June 2013, to approximately EUR 220 million for the 55% stake of Finmeccanica in Ansaldo Energia;
- proceeds of up to EUR 130 million, in aggregate, through the earn out in 2015, 2016 and 2017.

The sale of Ansaldo Energia contributes to consolidating Finmeccanica's capital structure and constitutes a fundamental step in the implementation of Finmeccanica's strategic plan, which envisages strengthening governance, operational restructuring and streamlining the Group's portfolio of activities. As a result, Finmeccanica will be able to further focus its resources on the Aerospace, Defence and Security Electronics sectors, develop new technologies and products – both civilian and military – that represent its core activities, thereby creating value for shareholders and contributing to the growth of the technological capabilities of the Italian industrial system.

In the context of a broader process of restructuring and reinforcing the Italian electro-mechanical industry, Finmeccanica and FSI have also signed a non-binding memorandum of understanding which envisages the entry of an industrial player in the sharecapital of Ansaldo Energia and indicates Doosan as the preferred partner, also considering the strategic and industrial negotiations entertained with Finmeccanica. In the aforementioned memorandum of understanding, Finmeccanica and FSI have agreed to assess opportunities for strategic transactions in the railway sector, also involving leading international players.

Pursuant to the provisions made in Article 6 of Consob Regulation No. 17221 of 12 March 2010, as amended, the purchasing party FSI is a related party to Finmeccanica as, like Finmeccanica, FSI is controlled by the Ministry of Economy and Finance, which currently holds a 30.20% stake in Finmeccanica and an 80% stake in FSI (through its controlled company Cassa Depositi e Prestiti S.p.A.).

On the basis of the foregoing, the transaction was approved by the Board of Directors of Finmeccanica following a unanimous vote in favour thereof passed by the Control and Risks Committee in its capacity as Committee for Related Parties Transactions.

CONSOLIDATED CAPITALISATION OF FINMECCANICA

The following table sets out the consolidated capitalisation and indebtedness of Finmeccanica restated from the audited consolidated financial statements as at and for the year ended 31 December 2012 and 31 December 2011 pursuant to IAS 19 and extracted from the unaudited consolidated condensed half-year financial information as at and for the six months ended 30 June 2013.

	30 June 2013	31 December(*) 2012	31 December(*) 2011
	<i>(unaudited)</i>	<i>(audited)</i>	
		<i>(EUR million)</i>	
Bonds	4,437	4,421	3,951
Bank debt	1,629	960	860
Cash and cash equivalents	(1,239)	(2,137)	(1,331)
Net Bank Debt and Bonds	4,827	3,244	(3,480)
Securities	(3)	(5)	(40)
Current loans and receivables from related parties	(51)	(73)	(184)
Other current loans and receivables	(478)	(558)	(887)
Current Loans and Receivables and Securities	(532)	(636)	(1,111)
Related-party loans and borrowings	491	634	949
Other loans and borrowings	143	131	125
Other Loans and Borrowings	634	765	1,074
Net Financial Debt	4,929	3,373	3,443
Share capital ⁽¹⁾	2,525	2,525	2,525
Retained earnings and consolidation reserves	745	881	1,783 ⁽²⁾
Minority Interests	304	305	303
Shareholders' equity	3,574	3,711	4,611⁽²⁾
Total capitalisation	8,503	7,084	8,054⁽²⁾

(*): amount restated to include the effect of the adoption of IAS 19 (revised)

⁽¹⁾ Ordinary shares as of 30 June 2013 with a nominal value of EUR 4.40 each. The Parent Company's share capital fully subscribed and paid-up is divided into 578,150,395 ordinary shares (578,150,395 authorised shares issued and 578,117,945 outstanding) with a par value of EUR 4.40 each, including 32,450 treasury shares.

⁽²⁾ IAS 19 revised effect on comparative information as at 31 December 2011 is as follows:

STATEMENT OF FINANCIAL POSITION	Retained earnings and consolidation reserves	Shareholders' equity	Total capitalisation
31 December 2011	1,776	4,604	8,047
Effect of IAS 19R	7	7	7
31 December 2011 (restated)	1,783	4,611	8,054

CONSOLIDATED FINANCIAL INFORMATION RELATING TO FINMECCANICA

The following tables set out:

- (a) the condensed consolidated income statements for the six months ended 30 June 2013 and 2012, the reclassified consolidated statement of financial position as of 30 June 2013 and the consolidated net financial debt of Finmeccanica as of 30 June 2013, presented in the Finmeccanica standard format that is in accordance with Finmeccanica's management information and is derived from the unaudited consolidated financial information as of and for the six months ended 30 June 2013 prepared in accordance with IAS 34, applicable to interim financial reporting;
- (b) the consolidated income statements for the years ended 31 December 2012 and 2011, the reclassified consolidated statement of financial position as of 31 December 2012 and 2011 and the consolidated net financial debt of Finmeccanica as of 31 December 2012 and 2011, presented in the Finmeccanica standard format that is in accordance with Finmeccanica's management accounts. The financial information is derived from the audited consolidated financial statements as of and for the year ended 31 December 2012 prepared for the Italian legal and statutory purposes in accordance with International Financial Reporting Standards IFRS, as adopted by the European Union, and published in the EU regulations as of the date of the approval of the consolidated financial statements by the Board of Directors of Finmeccanica, restated to include the effect of the adoption of IAS 19 (revised). IFRS should be understood as the International Financial Reporting Standards, the International Accounting Standards, the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the interpretations of the Standing Interpretations Committee (SIC).

Condensed Consolidated income statement of Finmeccanica

	For the six months ended 30 June			
	2013	of which with related parties	2012(*)	of which with related parties
	(unaudited)			
	(EUR million, unless otherwise stated)			
Revenue	7,951	1,058	8,027	973
Raw materials and consumables used and personnel costs.....	(7,223)	(93)	(7,305)	(105)
Amortisation, depreciation and impairment	(400)		(338)	
Other net operating income (expenses)	(49)	1	(9)	(2)
	279		375	
Finance income (costs)	(237)	(2)	(211)	(1)
Share of profit (loss) of equity accounted investments.....	(12)		(13)	
	30		151	
Profit (loss) before taxes and the effect of discounted operations.....	30		151	
Income taxes	(92)		(84)	
Net profit (loss)	(62)		67	
Equity holders of the Company.....	(79)		50	
Non-controlling interests.....	17		17	
Earnings (loss) per Share				
Basic	(0,137)		0,085	
Diluted	(0,137)		0,085	

(*): amount restated to include the effect of the adoption of IAS 19 (revised)

Consolidated income statement of Finmeccanica

	For the year ended 31 December			
	2012 ^(*)	of which with related parties	2011 ^(**)	of which with related parties
	(audited) (EUR million)			
Revenue	17,218	2,270	17,318	2,193
Other operating income	774	6	553	8
Raw materials and consumables used	(5,860)	(66)	(5,992)	(24)
Purchase of services	(5,743)	(159)	(5,925)	(180)
Personnel costs	(4,666)		(4,848)	
Amortisation, depreciation and impairment	(1,896)		(1,781)	
Other operating expenses	(1,114)	(8)	(2,261)	(2)
Changes in inventories of work in progress, semi-finished and finished goods	324		55	
(-) Work performed by the Group and capitalised	506		495	
	(457)		(2,386)	
Finance income	615	5	1,010	6
Finance costs	(973)	(12)	(986)	(14)
Share of profit (loss) of equity accounted investments	(13)		(90)	
Profit before taxes and the effect of discontinued operations	(828)		(2,452)	
Income taxes	36		146	
Net profit	(792)		(2,306)	
Equity holders of the Company	(834)		(2,345)	
Minority interests	42		39	
Earnings/(loss) per Share				
Basic	(1.443)		(4.061)	
Diluted	(1.443)		(4.061)	

(*): amount restated to include the effect of the adoption of IAS 19 (revised)

(**): figures not restated

Reclassified consolidated statement of financial position of Finmeccanica

	As at 30 June	As at 31 December	
	2013	2012 ^(*)	2011 ^(*)
	(unaudited) (audited)		
	(EUR million)		
Non-current assets	12,624	12,725	13,552 ⁽⁶⁾
Non-current liabilities ⁽¹⁾	(3,752)	(3,966)	(4,147) ⁽⁶⁾
	8,872	8,759	9,405
Inventories	5,420	5,192	4,486
Trade receivables ⁽²⁾	8,661	8,576	8,932
Trade payables ⁽³⁾	(12,786)	(13,902)	(13,162)
Working capital	1,295	(134)	256
Provisions for short-term risks and charges	(831)	(876)	(932)
Other net current liabilities ⁽⁴⁾	(833)	(665)	(676)
Net working capital	(369)	(1,675)	(1,352)
Net invested capital	8,503	7,084	8,053
Group shareholders' equity	3,270	3,406	4,308 ⁽⁶⁾
Minority interests	304	305	303
Shareholders' equity	3,574	3,711	4,611⁽⁶⁾
Net financial debt	4,929	3,373	3,443
Net assets held for sale ⁽⁵⁾	-	-	(1)

(*): amount restated to include the effect of the adoption of IAS 19 (revised)

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:

- (1) Includes all non-current liabilities except "Non-current borrowings".
- (2) Includes "Contract work in progress - net."
- (3) Includes "Advances from customers- net".
- (4) Includes "Income tax receivables", "Other current assets" and "Derivative assets", excluding "Income tax payables", "Other current liabilities" and "Derivative liabilities".
- (5) Includes the net amount of "Non-current assets held for sale" and "Liabilities directly correlated with assets held for sale".
- (6) IAS 19 revised effect on comparative information as at 31 December 2011 is as follows:

<u>STATEMENT OF FINANCIAL POSITION</u>	<u>Non current assets</u>	<u>Non-current liabilities</u>	<u>Group shareholders' equity</u>	<u>Shareholders' equity</u>
31 December 2011	13,543	(4,145)	4,301	4,604
Effect of IAS 19R	9	(2)	7	7
31 December 2011 (restated)	13,552	(4,147)	4,308	4,611

Consolidated net financial debt of Finmeccanica

	<u>30 June 2013</u>	<u>31 December 2012</u>	<u>31 December 2011</u>
	<u>(unaudited)</u>	<u>(audited)</u>	
	<i>(EUR million)</i>		
Bonds.....	4,437	4,421	3,951
Bank debt.....	1,629	960	860
Cash and cash equivalents	(1,239)	(2,137)	(1,331)
Net Bank Debt and Bonds	4,827	3,244	(3,480)
Securities	(3)	(5)	(40)
Current loans and receivables from related parties.....	(51)	(73)	(184)
Other current loans and receivables	(478)	(558)	(887)
Current Loans and Receivables and Securities	(532)	(636)	(1,111)
Related-party loans and borrowings	491	634	949
Other loans and borrowings	143	131	125
Other Loans And Borrowings	634	765	1,074
Net Financial Debt	4,929	3,373	3,443

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 and legal 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 Base Prospectus and is subject to any change in law that may take effect after such date.

Luxembourg

The following is a general description of certain tax considerations, under the existing laws of Luxembourg as currently applied by the Luxembourg tax authorities of Luxembourg relating to a holding of Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of any other jurisdiction of acquiring, holding, redeeming and disposing of Notes and receiving any amounts under the Notes. This summary is based upon the law as in effect on the date hereof and is subject to any change in law that may take effect after such date, and may be retroactively applicable. Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only.

1. Income tax

A holder of a Note who derives income from such Note or who realises a gain on the disposal or redemption (including any foreign exchange gain) thereof will not be subject to Luxembourg taxation on income or capital gains unless:

- such holder is, or is deemed to be, resident in Luxembourg; or
- such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

In those cases:

- if the holder is a natural person resident of Luxembourg, income derived from a Note will bear individual income tax at a progressive rate up to 40 per cent., plus an unemployment fund contribution levied thereon at a rate of 7 per cent. (or 9 per cent. in certain cases), unless the law of 23 December 2005 (the "**Law**") applies. Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Capital gains will only be taxable if they occur on a sale of Notes which takes place up to six months after these were acquired. In addition, Luxembourg tax resident individuals, acting in the course of the management of their private wealth, can now opt to self-declare and pay a 10 per cent. tax on interest payments made by certain paying agents (defined in the same way as in the EU Savings Tax Directive described below) not established in Luxembourg, i.e. paying agents located in a Member State other than Luxembourg or in a state which has concluded an international agreement directly related to the EU Savings Tax Directive. In case this option is exercised, such interest does not need to be reported in the annual tax return.

- If the holder is a legal entity, or if the Notes are attributable to a permanent establishment or permanent representative in Luxembourg, subject to corporate income tax, such income or gain will bear corporate income tax and municipal business tax. The combined rate for these two taxes is 29.22 per cent. in the City of Luxembourg.

2. **Withholding tax**

No Luxembourg withholding tax is imposed on any payments on the Notes, except as described above in respect of the Law or as provided under "*European Union Savings Tax Directive*" below in respect of income paid or attributed to, or collected (in the cases foreseen by articles 4(2) and 11(5) of the Directive) for, a beneficial owner who is an individual resident in another Member State.

3. **Net wealth tax**

Luxembourg net wealth tax will not be levied on a holder of a Note unless:

(i) such holder is, or is deemed to be, a corporate entity resident in Luxembourg and subject to net wealth tax (the Law has abolished net wealth tax in respect of natural persons from 1 January 2006);

or

(ii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;

Net wealth tax is levied annually at the rate of 0.5 per cent. on the net wealth of enterprises resident of Luxembourg.

4. **Estate and gift tax**

No Luxembourg inheritance tax is levied on the transfer of Notes upon the death of a holder thereof in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Luxembourg gift tax will be levied in the event that a gift of Notes is made pursuant to a notarial deed signed before a Luxembourg notary or recorded in Luxembourg.

5. **Registration taxes**

It is not compulsory that the Notes be filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of Luxembourg) of the Notes, in accordance therewith, except that, in case of use of the Notes, either directly or by way of reference (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of a fixed or an *ad valorem* registration duty of 0.24% and calculated on the amounts mentioned in the Notes. Indeed, a 0.24% registration duty could be levied on any notarial or other public deed making a precise reference to a loan or obligation of sum of money.

6. **VAT**

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of Notes, provided that Luxembourg value-added tax may, however, be payable in respect of fees charged for certain services rendered to the relevant 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.

7. **European Union Savings Tax Directive**

The EU Savings Tax Directive was implemented in Luxembourg by the Law of 21 June 2005. Under the EU Savings Tax Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within its jurisdiction to, or collected by such a paying agent for, an individual resident or Residual Entities established in that other Member State (as defined in Article 4-2 of

the EU Savings Tax Directive); however, for a transitional period, Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (as from 1 July 2011). In the case of Luxembourg, the recipient of the interest payment may opt for the information exchange procedure instead of the application of the above withholding system. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for, an individual resident or Residual Entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for, an individual resident or Residual Entities established in one of those territories.

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Tax Directive, which included the Commission's advice on the need for changes to the EU Savings Tax Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the EU Savings Tax Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those were implemented, the proposed changes made in relation to the amendments would, *inter alia*, (i) extend the scope of the EU Savings Tax Directive, they may amend to payments made through certain intermediate structures (whether or broaden the scope of the requirements described above) for the ultimate benefit of EU resident individuals, and (ii) provide for a wider definition of interest subject to the EU Savings Tax Directive. Investors who are in any doubt as to their position should consult their professional advisors.

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 21 "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 the Republic of Italy in effect on the date of this Base Prospectus, which are subject to change potentially retroactively.

Prospective purchasers of Notes should consult their tax and legal 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.

*On 13 August 2011 the Italian Government issued a law decree ("**Decree No. 138**") containing a set of extraordinary measures to stabilise public finances. Decree No. 138 introduces, among other things, significant changes to Legislative Decree No. 239 of 1 April 1996 as amended and supplemented ("**Legislative Decree No. 239**") and Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Presidential Decree No. 917**"), modifying the tax regime for income from financial sources (such as interest and capital gains on Notes and other securities). Decree No. 138 has been converted into law by Law No. 148 of 14 September 2011, which came into force one day after its publication in the Official Gazette No. 216 on 16 September 2011.*

Save for the exceptions described below, all withholding and substitute taxes on Italian income and gains derived from financial income, formerly set at either 12.5 per cent. or 27 per cent., is set at a uniform rate of 20 per cent. The change affects all financial income (known as "income from capital") and capital gains (known as "miscellaneous income"), such as interest, income and gains from bonds.

The new 20 per cent. rate applies on income accrued from 1 January 2012. Decree No. 138 contains certain provisional rules, which are not described in this summary.

Certain other amendments to the tax regime of financial instruments have been introduced by Law Decree 6 December 2011, No. 201, converted into law, with amendments, by Law 22 December 2011, No. 214 (the "**Decree 201**"), providing for the general application of stamp duties (*imposta di bollo*) to financial instruments. Provisional rules are also set forth by the Decree 201, which are not described herein.

1. Tax Treatment of Notes – General

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 and Finmeccanica Finance which qualify as *obbligazioni* or *titoli similari alle obbligazioni* (debentures similar to bonds) pursuant to Article 44, paragraph 2(c) of Presidential Decree No. 917.

For the above purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and that do not allow any direct or indirect participation either in the management of the issuer or in the business in connection with which they have been issued, nor any control on such management.

2. Italian Resident Noteholders

Where the Italian resident Noteholder who is the beneficial owner of Notes (issued by Finmeccanica or by Finmeccanica Finance) is (i) an individual not engaged in an 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 - other than companies - not carrying out mainly or exclusively 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 20 per cent. (either when Interest is paid, or when payment therefore is obtained by the holder on a sale of the relevant Notes). All the above categories are qualified as "net-recipients"; therefore, the *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

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) are not subject to 20 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in the Republic of Italy of non-resident corporations to which the Notes are effectively connected; (ii) Italian resident individuals holding Notes not in connection with an 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 20 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 the Republic of Italy of foreign intermediary).

Italian resident individuals holding Notes not in connection with an entrepreneurial activity who have opted for the Asset Management Option are subject to a 20 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. The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Interest paid to Italian resident collective investment funds and SICAVs is subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the aforesaid funds. Proceeds distributed by the collective investment funds or the SICAV or received by certain categories of unitholders upon redemption or disposal of the units are generally subject to a 20 per cent. withholding tax.

Italian resident pension funds subject to the regime provided under Legislative Decree No. 252 of 5 December 2005 (the "**Decree No. 252**") 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).

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 the Republic of Italy of foreign corporation, subject to general Italian corporate taxation.

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14-bis of Law No. 86 of 25 January 1994 (the "**Italian Real Estate Funds**") are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund. Proceeds paid by the Real Estate Investment Funds to their unitholders are generally subject to a 20 per cent. withholding tax. Law Decree 13 May 2011, No. 70, converted into law with amendments by Law 12 July 2011, No. 106, has introduced new changes to the tax treatment of the unitholders of Italian Real Estate Funds, including a direct imputation system ("tax transparency") for certain non-qualifying unitholders (e.g. Italian resident individuals) holding more than 5 per cent. of the units of the fund.

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 the Republic of Italy or (ii) a permanent establishment in the Republic of Italy of an intermediary resident outside the Republic of 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**") and by Article 41 of Decree No. 269 of 30 September 2003, payments of Interest in respect of the Notes issued by Finmeccanica will not be subject to the *imposta sostitutiva* at the rate of 20 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 are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information; 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.

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 made to (i) international bodies and organisations established in accordance with international agreements ratified in the Republic of Italy; (ii) foreign institutional investors, even not subject to income tax or to other similar taxes, which are resident in countries which allow for an adequate exchange of information; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

To ensure payment of Interest in respect of the Notes issued by Finmeccanica without the application of 20 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. 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

Starting from 1 January 2012, pursuant to the new provisions introduced by Decree No. 138, the 20 per cent. surcharge formerly applicable in case of early redemption of securities with an original maturity of 18 months or more, does no longer apply.

5. Payments made by the Guarantor

There is no 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 20 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. In the case of payments to non-Italian residents, the withholding tax should be final. 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.

6. Capital Gains

Pursuant to Legislative Decree No. 461, a 20 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. Noteholders may set off any losses with their gains. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses.

Individuals may opt among the tax declaration regime, the *Risparmio Amministrato* regime and *Risparmio Gestito* regime.

Under the tax declaration regime the 20 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 by the sixteenth day of the following month 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 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 20 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 20 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 Noteholder is not required to report capital gains realised in its annual tax return.

The 20 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 the Republic of Italy to which the Notes are effectively connected if the Notes are held in the Republic of 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 the Republic of Italy to which the Notes are effectively connected, through the sale, transfer or redemption of the Notes are exempt from taxation in the Republic of Italy to the extent that the Notes are listed on a regulated market,

in the Republic of Italy or abroad, even if the Notes are held in the Republic of 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 the Republic of Italy or abroad, non-Italian resident beneficial owners of the Notes with no permanent establishment in the Republic of 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; or (ii) international entities or bodies set up in accordance with international agreements which have entered into force in the Republic of Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; or (iv) institutional investors, even not subject to income tax in their country of residence, which are resident in a country which allows for an adequate exchange of information with the Republic of Italy, 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 the Republic of 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 the Republic of Italy according to the relevant tax provisions.

7. Stamp tax

Article 19 of Decree 201 has introduced a stamp tax at proportional rates on periodical bank statements (*estratti conto*) sent by banks and financial intermediaries regarding, with certain exceptions (e.g. investments in pension funds), all financial instruments deposited in the Republic of Italy. The stamp tax is collected by banks and other financial intermediaries. By operation of law, the bank statement is deemed as sent to the investor at least once a year.

Such stamp tax is applied, on a yearly basis, on the market value of the financial instruments, or, lacking such value, on the nominal or reimbursement value of such instruments, at a 0.15 per cent. rate (for 2013 onward). The stamp duty can be no lower than €34.20 and, as of 2013, it cannot exceed €4,500, for taxpayers different from individuals.

8. Wealth tax on securities deposited abroad

Pursuant to Article 19 of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay a wealth tax at a rate of 0.15 per cent. (for 2013 onward).

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the country where the financial assets are held (up to an amount equal to the Italian wealth tax due).

9. Italian inheritance and gift tax

According to Law No. 286 of 24 November 2006 inheritance and gift taxes are to be paid on transfer of bonds and other securities by reason of death or gift at the following rates:

- (1) transfers in favour of spouses and direct descendants or ancestors are subject to a tax of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000 for each beneficiary;
- (2) transfers in favour of brothers or sisters are subject to a tax of 6 per cent. on the value of the inheritance or the gift exceeding EUR 100,000 for each beneficiary;
- (3) transfers in favour of relatives up to the fourth degree or relatives-in-law to the third degree, are subject to a tax of 6 per cent. on the entire value of the inheritance or the gift;
- (4) any other transfer is subject to a tax of 8 per cent. on the entire value of the inheritance or the gift.

10. EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity known as "residual entities" as defined in article 4-2 of the EU Savings Tax Directive established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at the rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction within its jurisdiction to, or collected by such a paying agent for, an individual resident or certain limited types of entity known as "residual entities" established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for, an individual resident or certain limited types of entity known as "residual entities" established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

11. Tax monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended, individuals resident in Italy who, at the end of the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). Such obligation is not provided if, *inter alia*, each of the overall value of the foreign investments or financial activities held at the end of the fiscal year, and the overall value of the related transfers carried out during the relevant fiscal year, does not exceed €10,000.

Law No. 97 of 6 August 2013, has introduced certain amendments to the tax monitoring regime, including, *inter alia*: (i) exclusion from the disclosure obligations of the inbound and outbound transfers and other transfers occurring abroad in relation to securities; (ii) inclusion within the disclosure obligations of investments held abroad: (a) not exceeding the €10,000 threshold and/or (b) held indirectly by the Italian investor (e.g. through a company or another entity). Such amendments apply as from 1 August 2014.

12. Implementation in the Republic of Italy

Italy has implemented the EU Savings Tax Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree 84**"). Under Decree 84, subject to a number of important conditions being met, where interest is paid (including interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State of the European Union or in a dependent or associated territory under the relevant international agreement (currently Jersey, Guernsey, the Isle of Man, the Netherlands Antilles, the British Virgin Islands, Turks and Caicos Islands, the Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (including any banks, SIMs, fiduciary companies and SGRs resident for tax purposes in the Republic of Italy) are required to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, undertakings for collective investments in transferable securities or "UCITS" recognised in accordance with Directive 85/311/EEC.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would constitute "payments of interest" under Article 6 of the EU Savings Tax Directive and, as far as Italy is concerned, Article 2 of Decree 84. Accordingly, such payments of interest arising out of the Notes would fall within the scope of the EU Savings Tax Directive being the Notes issued after 1 March 2001.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the relevant Issuer to any one or more of Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Mediobanca-Banca di Credito Finanziario S.p.A., Merrill Lynch International, Mizuho International plc, MPS Capital Services S.p.A., NATIXIS, Société Générale, UBS Limited and UniCredit Bank AG (the "**Dealers**"). The arrangements under which Notes 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 October 2013 (the "**Dealer Agreement**") and made between the Issuers, the Guarantor and the Dealers. In the case of any Tranche of Notes the method of distribution is an agreement between the relevant Issuer, the Guarantor and a single Dealer for that Tranche to be issued by the relevant Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the relevant Issuer, the Guarantor and more than one Dealer for that Tranche to be issued by the relevant Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms. 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 subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such subscription. 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.

United States of America

Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered 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.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) 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 (ii) it has not offered or sold and will not offer or sell any Notes other than to persons (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or (B) 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 FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended (the "**FIEA**")) and, accordingly, each Dealer has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any Resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. For the purposes of this paragraph, "**Resident of Japan**" shall mean any resident of Japan including any corporation or other entity organised under the laws of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation. Each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus, any Final Terms or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus, any Final Terms or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

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 it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and that offers and sales of Notes in France will be made only to providers of investment services relating to portfolio management for the account of third parties and/or to qualified investors (*investisseurs qualifiés*), as defined in Articles L.411-2 and D.411-1 of the French *Code monétaire et financier*, but excluding individuals.

In addition, each Dealer has represented and agreed, and each further Dealer 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 France this Base Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in France may be made as described above.

The Netherlands

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 firm of Euronext Amsterdam N.V., admitted in a function on one or more markets or systems held or operated by Euronext Amsterdam N.V., in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations (the "**Savings Certificates Act**").

No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Global Note; (b) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals who do not act in the conduct of a business or profession; (c) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof; or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series or Tranche are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter.

In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with.

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.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms or any related offering material 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 possess, distribute or publish this Base Prospectus or any Final Terms or any related 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), 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 Issuers. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing and Admission to Trading

Application has been made for Notes issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system, or which will be admitted to listing, trading and/or quotation on such competent authority, stock exchange and/or quotation system as the relevant Issuer and the relevant Dealer(s) may agree.

Authorisations

The update and increase in the maximum amount of the Programme and the performance of obligations thereunder (including under the Notes when issued) was authorised by a resolution of the Board of Directors of Finmeccanica Finance passed on 22 July 2013 and a resolution of the Board of Directors of Finmeccanica passed on 31 July 2013.

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 obligations under the Notes and, where relevant, the giving of the guarantee in relation to them.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1 855 Luxembourg.

The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms 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.

Significant/Material Change

Since 31 December 2012, there has been no material adverse change in the prospects of the Issuers or the Guarantor or of the Finmeccanica group taken as a whole, nor since 30 June 2013 has there been any significant change in the financial or trading position of the Issuers or the Guarantor or of the Finmeccanica group taken as a whole.

Dealers transacting with the Issuer – Potential conflicts of interest

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or the Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes

issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, the term "affiliate(s)" also includes parent companies.

Documents available for inspection

For so long any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered offices of the Issuers and the Guarantor and the Specified Office of the Fiscal Agent and of the Paying Agent in Luxembourg namely:

- (a) the Agency Agreement;
- (b) a copy of the Deed of Guarantee(s) (if any);
- (c) the Deed of Covenant;
- (d) the Dealer Agreement;
- (e) the Programme Manual (which contains the forms of the Notes in global and definitive form and the form of the Deed of Guarantee);
- (f) the Base Prospectus and any supplements thereto and any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any competent 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 competent authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders);
- (g) the by-laws (*statuto*) of Finmeccanica – Società per azioni; and
- (h) the articles of association of Finmeccanica Finance.

Financial statements available

For so long as any Notes shall be outstanding, copies of the following documents may be inspected during normal business hours at the registered offices of the Issuers and the Guarantor, and may be obtained free of charge during normal business hours at the Specified Office of the Fiscal Agent and of the Paying Agent in Luxembourg:

- (a) the most recently published annual consolidated financial statements of Finmeccanica and the consolidated interim financial statements (if published) of Finmeccanica (in each case with an English translation thereof as soon as such translation is available); and
- (b) the most recently published English language annual consolidated financial statements of Finmeccanica Finance, the French Language annual accounts of Finmeccanica Finance and the interim financial statements (if published).

In addition, the documents under (a) above are also available on Finmeccanica's website at <http://www.finmeccanica.com/investors/centro-documentale/bilanci-e-relazioni/bilanci-e-relazioni>.

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