



Report on Corporate Governance
and Shareholder Structure

FINANCIAL YEAR 2011

27 March 2012

Website: www.finmeccanica.it

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REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE**INDEX**

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CORPORATE GOVERNANCE REPORT AND SHAREHOLDER STRUCTURE

INTRODUCTION

The purpose of this Report, pursuant to Art. 123-*bis* of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998), as well as the current laws and regulations governing disclosures concerning compliance with codes of conduct, is to provide the necessary periodic and analytical description of Finmeccanica Spa's corporate governance system and its shareholder structure.

Specifically, the disclosure contained herein is prepared in compliance with the provisions on the contents under paragraphs 1 and 2 of the abovementioned Article 123-*bis* and on the basis of the articles of the Corporate Governance Code of Listed Companies. In relation to the latter the Company declares that it intends to comply with this Code, which was approved in March 2006 by the "Corporate Governance Committee", as amended in March 2010, as well as, to the extent required of any issuers belonging to the FTSE-Mib index, as updated in December 2011.

The aforementioned Corporate Governance Code can be found on the Borsa Italiana website (www.borsaitaliana.it).

1. ISSUER PROFILE

The following is a brief profile of the Company. A fuller description is provided in later sections of this Report.

Share Capital

The share capital of Finmeccanica, totalling €2,543,861,738.00, is represented by 578,150,395 shares and consists solely of ordinary shares with a par value of €4.40 each.

The Minister for the Economy and Finance holds a 30.204% stake in the share capital of Finmeccanica. The State's participation is governed by the terms of the Prime Minister's Decree of 28 September 1999, which states that the publicly owned stake may not fall below a minimum threshold of 30% of the Company's share capital, a requirement confirmed by Art. 59 of Law 133 of 6 August 2008.

At the date of the approval of this Report the Company owned no. 32,450 treasury shares, equal to about 0.0056% of the share capital.

Special Powers

In accordance with Law 474 of 30 July 1994, as amended by Law 350 of 24 December 2003 (the 2004 Finance Act), the Minister for the Economy and Finance, jointly with the Minister for Productive Activities (now the Minister for Economic Development), holds “special powers” (the so-called “golden share”) in a number of State-owned companies, including Finmeccanica. Following the changes introduced by the law and in implementation for the provisions of Ministerial Decree 3257 of 1 April 2005, the Ministry for the Economy and Finance set out the exact content of the clauses in the Bylaws that attribute special powers in Finmeccanica. This was incorporated in the Company’s Bylaws as Article 5.1-*ter* by resolution of the Board of Directors on 21 April 2005.

Specifically, according to this clause, the “special powers”, described below in detail in Section 2, letter D.1), include the rights:

- to oppose the acquisition of material shareholdings (at least 3%) in the Company;
- to oppose the signing of agreements or contracts in which at least 3% of the share capital is represented;
- to veto, if duly justified in view of the harm that would be done to State interests, decisions to wind up the Company, sell the business, conduct mergers or demergers, relocate the Company’s registered office to a different country or change its business purpose;
- to appoint a Director without voting rights.

Company Organisation

The organisation of the Company, based on the traditional model, is consistent with the applicable laws provided for listed issuers and is as follows:

- BOARD OF DIRECTORS, which is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company’s business purpose, except for those acts reserved to the Shareholders’ Meeting by law or by the Bylaws. The current Board of Directors was appointed by the Shareholders’ Meeting on 4 May 2011 for the three-year period 2011- 2013 and was subsequently integrated by co-option on 1 December 2011, as illustrated in details in point 4.1 below.
- BOARD OF STATUTORY AUDITORS, which has the task of monitoring: (a) compliance with the law and Bylaws and observance of the principles of proper business administration; (b) the adequacy of the Company’s organisational structure, internal audit system and administrative and accounting system, and also the latter’s reliability as a means of accurately reporting business operations; (c) the adequacy of the Company’s instructions to subsidiaries with regard to disclosures. The current Board of Statutory Auditors was appointed by the Shareholders’ Meeting on 29 April 2009 for the 2009-2011 term.

- SHAREHOLDERS' MEETING, which has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the Bylaws.
- INDEPENDENT AUDITORS: the Shareholders' Meeting of 23 May 2006 appointed PricewaterhouseCoopers SpA to audit the Company's accounts for the period from 2006 to 2011.
- OFFICER IN CHARGE OF PREPARING THE COMPANY'S ACCOUNTING DOCUMENTS:
On 26 May 2011, pursuant to Art. 154-*bis* of the Consolidated Law on Financial Intermediation, the Board of Directors appointed Alessandro Pansa, Board Member - General Manager of the Company, as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

Objectives and Corporate Mission

Finmeccanica intends to maintain and strengthen the role as the first Italian industrial group in the high technology sector, developing a synergistic and integrated portfolio of activities primarily focused on the Aerospace, Defence and Security sectors, through which to efficiently serve the needs of domestic customers, to participate in the development of European and international programmes and to compete selectively in the global market. The Group is firmly focused on three strategic pillars: Helicopters, Defence and Security Electronics and Aeronautics. Furthermore, Finmeccanica is the European leader in the Defence Systems and has significant skills also in the Transportation and Energy sectors.

Finmeccanica pursues its own mission in strict accordance with the objective of creating value for its shareholders and aiming at protecting and strengthening its competence in the various businesses.

2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE

A) STRUCTURE OF THE SHARE CAPITAL (art. 123-*bis*, para. 1, lett. a), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The Company's share capital consists exclusively of common shares with a par value of €4.40 each, all accompanied by the same rights and obligations and having the same voting rights at both ordinary and extraordinary Shareholders' Meetings.

B) RESTRICTIONS ON SHARE TRANSFER (art. 123-*bis*, para. 1, lett. b), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

In accordance with the laws on privatisation, the Company Bylaws (Art. 5.1-*bis*) provide as follows:

“Under Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, no one, except for the State, public bodies or entities controlled thereby and any other party authorised by law, may possess, on any basis, shares in the Company that constitute a shareholding of more than 3% of the share capital represented by shares with voting rights.

The maximum shareholding limit is also calculated in consideration of the total holding of the controlling undertaking, which may be a natural person, legal person or corporation, by direct or indirect subsidiaries and by the subsidiaries of a single controlling undertaking, by affiliated undertakings and by relatives within the second degree of consanguinity or affinity or spouses, provided that the spouses are not legally separated.

With also reference to parties other than companies, the term “control” is held to be within the meaning of Art. 93 of Legislative Decree 58 of 24 February 1998. The term “affiliation” is held to be within the meaning of Art. 2359(3) of the Italian Civil Code, and is also deemed to exist between parties who, directly or indirectly, through their subsidiaries, other than those which manage mutual funds, sign, with third parties or otherwise, agreements relating to the exercise of voting rights or the transfer of shares, belonging to third parties or otherwise, or other agreements or contracts with third parties or otherwise, as referred to in Art. 122 of the aforesaid Legislative Decree 58 of 24 February 1998, if such agreements or contracts concern at least 10% of the voting capital for listed companies or 20% of the voting capital for unlisted companies.

For the purposes of calculating the aforesaid shareholding limit (3%), consideration is also given to shares held through trust companies and/or intermediaries or by third parties in general”.

C) MATERIAL SHAREHOLDINGS IN THE SHARE CAPITAL (art. 123-bis, para. 1, lett. c), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The persons who, at the date of the approval of this Report, held, either directly or indirectly, a significant stake exceeding 2% of the share capital, on the basis of the notices disclosed pursuant to article 120 of the Consolidated Law on Financial Intermediation and of the other available information, are reported in Table 1 attached hereto.

D) HOLDERS OF SECURITIES THAT CONFER SPECIAL RIGHTS (art. 123-bis, para. 1, lett. d), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

No securities have been issued conferring special rights.

D.1) SPECIAL POWERS OF THE ITALIAN MINISTRY FOR THE ECONOMY AND FINANCE

The special powers conferred upon the Minister for the Economy and Finance by Art. 5.1-ter of the Bylaws provides that pursuant to Art. 2(1) of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as replaced by Art. 4(227) of Law 350 of 24 December 2003, the Italian Minister for the Economy and Finance, jointly with the Italian Minister for Productive Activities (now Minister for Economic Development), has the following special rights:

- a) “the right to oppose the acquisition, by parties subject to the shareholding limit, as referred to in Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, of material shareholdings, this being understood to mean shareholdings that – as laid down by Decree of the Italian Minister for the Treasury, Budget and Economic

Planning of 8 November 1999 – represent at least 3% of the share capital composed of shares with voting rights at Ordinary Shareholders' Meetings. The objection shall be raised within 10 days from notification, to be issued by the Directors when entry in the shareholders' register is requested, if the Minister considers that the operation could harm the vital interests of the State. During the period in which the right of opposition may be exercised, the voting right and any other rights not relating to equity pertaining to shares representing the material shareholding shall be suspended. If the right of opposition is exercised, in the form of a ruling duly justified by the actual harm caused by the operation to the vital interests of the State, the shareholder concerned may not exercise the voting rights or rights not relating to equity pertaining to the shares representing the material shareholding and shall transfer these shares within a period of one year. In case of non-compliance, the court, upon the request of the Italian Minister for the Economy and Finance, shall order the sale of the shares representing the material shareholding in accordance with the procedures set out in Art. 2359-ter of the Italian Civil Code. The ruling by which the right of opposition is exercised may be challenged by the shareholder concerned within 60 days before the Regional Administrative Court of Lazio”;

- b) “the right to oppose the signing of pacts or agreements as set out in Art. 122 of the Consolidated Law on Financial Intermediation, Legislative Decree 58 of 24 February 1998, in the event that – as laid down by Decree of the Italian Minister of the Treasury, Budget and Economic Planning of 8 November 1999 – such pacts or agreements represent at least 3% of the share capital composed of shares with voting rights at Ordinary Shareholders' Meetings. So that the right of opposition may be exercised, CONSOB shall inform the Italian Minister for the Economy and Finance of any material agreements and contracts within the meaning of the present article of which it has been informed under said Art. 122 of the Consolidated Law on Financial Intermediation, Legislative Decree 58/1998. The right of opposition must be exercised within 10 days from the date of notification by CONSOB. During the period in which the right of opposition may be exercised, the voting right and any other rights not relating to equity of shareholders who signed the agreement shall be suspended. If an opposition ruling is issued, duly justified in view of the actual harm caused by said agreements or contracts to the vital interests of the State, said agreements or contracts shall be invalidated. If the behaviour at meetings of syndicated shareholders suggests that the obligations assumed under the agreements or contracts referred to in Art. 122 of the Consolidated Law on Financial Intermediation, as referred to in Legislative Decree 58/1998, still apply, resolutions adopted with the vote of the shareholders concerned may be challenged. The ruling exercising the right of opposition may be challenged within 60 days by shareholders who signed the agreements or contracts before the Regional Administrative Court of Lazio”;

- c) “the right of veto, duly justified in view of the actual harm caused to the vital interests of the State, resolutions to wind up the Company, transfer the business, proceed with mergers or demergers, relocate the Company’s registered office to a different country, change the corporate purpose or amend the Bylaws, where such resolutions abolish or alter the powers referred to in the present article. The ruling by which the right of veto is exercised may be challenged within 60 days by dissenting shareholders before the Regional Administrative Court of Lazio;
- d) the right to appoint a Director without voting rights” (see letter “L” below).

E) EMPLOYEE SHAREHOLDINGS: VOTING MECHANISM (art. 123-bis, para. 1, lett. e), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

No provision is made for any employee shareholding scheme.

F) VOTING RESTRICTIONS (art. 123-bis, para. 1, lett. f), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

In accordance with the laws on privatisation (Law 474/94), the Corporate Bylaws provide that voting rights relating to shares held above the maximum limit of 3% laid down by Art. 5.1-bis of the Bylaws may not be exercised.

Article 5.1-bis also provides that “voting rights held by shareholders in excess of the shareholding limit shall be reduced proportionally, unless otherwise previously and jointly indicated by all the shareholders concerned.

In case of non-compliance, meeting resolutions may be challenged under Art. 2377 of the Italian Civil Code if the required majority would not have been reached had the votes exceeding the maximum limit not been included.

However, non-voting shares shall be included for the purposes of calculating the meeting quorum”.

Note should also be taken of the contents of subsection D.1) above, with reference to Art. 5.1-ter of the Bylaws and, specifically, the special powers described therein.

G) SHAREHOLDERS’ AGREEMENTS (art. 123-bis, para. 1, lett. g), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The Company has no knowledge of any shareholders’ agreements as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, regarding the shares.

H) CLAUSES ON CHANGE OF CONTROL (article 123-bis, paragraph 1, letter h), of the Consolidated Law on Financial Intermediation) AND BYLAW PROVISIONS CONCERNING TAKEOVER BIDS (articles 104, paragraph 1-ter and 104-bis, paragraph 1, of the Consolidated Law on Financial Intermediation)

Material agreements entered into by Finmeccanica or its subsidiaries and which will become effective, will be amended or extinguished in case of a change of control of the company concerned are listed below with an indication of the corresponding effects.

PARTIES	AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE	
FINMECCANICA	BNPP-BNL, BANCA INTESA SANPAOLO, UNICREDIT, SOCIETE GENERALE, THE BANK OF TOKYO-MITSUBISHI, HSBC BANK PLC, SUMITOMO, ROYAL BANK OF SCOTLAND PLC, BANK OF AMERICA-MERRIL LINCH, BANCO SANTANDER	LOAN AUTHORISATION AGREEMENT	AFTER AN OPTIONAL 90-DAY REGISTRATION PERIOD, BANKS MAY REQUEST THE RESTITUTION OF THEIR STAKE
FINMECCANICA	ING BANK NV AND ING BANK NV, MILAN BRANCH	GUARANTEE AGREEMENT FOR ANSALDOBREDA	AFTER AN OPTIONAL 90-DAY REGISTRATION PERIOD, THE BANKS MAY CANCEL THE AGREEMENT AND REQUEST A REFUND FOR GUARANTEES ISSUED.
FINMECCANICA	BAE SYSTEMS AND EADS	SHAREHOLDERS' AGREEMENT RELATING TO MBDA SAS, A COMPANY OPERATING IN THE MISSILE SYSTEMS SECTOR	IN CASE OF CHANGE OF CONTROL OF FINMECCANICA, THE OTHER SHAREHOLDERS – BAE SYSTEMS AND EADS – HAVE THE OPTION OF DECIDING WHETHER TO EXTINGUISH FINMECCANICA'S RIGHT TO APPOINT CERTAIN MANAGERS AND TO OBTAIN CERTAIN INFORMATION ABOUT MBDA. IF THIS IS REQUESTED BY THE SHAREHOLDERS, FINMECCANICA CAN ASK THESE SHAREHOLDERS TO BUY ITS STAKE IN MBDA AT MARKET PRICE
FINMECCANICA	EUROPEAN INVESTMENT BANK	LOAN AGREEMENT FOR ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA)	EIB MAY REQUEST EARLY REIMBURSEMENT IF A PARTY OR GROUP OF PARTIES ACTING IN CONCERT ACQUIRES CONTROL OF FINMECCANICA PURSUANT TO ART. 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF FINMECCANICA
FINMECCANICA	THALES	A SHAREHOLDERS'	IN CASE OF A CHANGE IN

		AGREEMENT RELATING TO THALES ALENIA SPACE SAS (TAS) (FINMECCANICA 33%), A COMPANY OPERATING IN THE SATELLITE MANUFACTURING SECTOR	CONTROL OF FINMECCANICA TO A COMPETITOR OF THALES, THALES IS ENTITLED TO BUY FINMECCANICA'S SHARES IN TAS AT A PRICE TO BE AGREED BY THE PARTIES
FINMECCANICA	THALES	A SHAREHOLDERS' AGREEMENT RELATING TO TELESPAZIO HOLDING SRL (TPZH) (FINMECCANICA 67%), A COMPANY OPERATING IN THE SATELLITE SERVICES SECTOR	IN CASE OF A CHANGE IN CONTROL OF FINMECCANICA TO A COMPETITOR OF THALES, THALES IS ENTITLED TO SELL TO FINMECCANICA ITS SHARES IN TPZH AT A PRICE TO BE AGREED BY THE PARTIES
FINMECCANICA	THALES AND BENIGNI	SHAREHOLDERS' AGREEMENT RELATING TO ELETTRONICA SPA (FINMECCANICA 31.33%), COMPANY OPERATING IN THE DEFENCE ELECTRONICS SECTOR	IN CASE OF A CHANGE OF CONTROL, THE OTHER SHAREHOLDERS HAVE THE RIGHT TO BUY FINMECCANICA'S SHARES IN ELETTRONICA ON A PRO-RATA BASIS AT A PRICE TO BE AGREED BY THE PARTIES.
FINMECCANICA	BANKS: GARANTI, İŞ BANKASI, VAKIFLAR, YAPI KREDİ	GUARANTEE AGREEMENT IN THE INTEREST OF ANSALDO ENERGIA SPA (100% ANSALDO ENERGIA HOLDING SPA)	IN CASE OF A CHANGE IN CONTROL OF ANSALDO ENERGIA DURING THE FIRST FIVE YEARS OF THE CONTRACT, THE BANKS MAY ASK FINMECCANICA TO REPAY THEIR LOAN SHARE.

PARTIES	AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
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SUBSIDIARY

AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	GENERAL ELECTRIC COMPANY (THROUGH THE AVIATION BUSINESS UNIT, MA, USA - "GE")	FRAMEWORK AGREEMENT RELATING TO THE SUPPLY OF HELICOPTER ENGINES	RENEGOTIATION OF AGREEMENTS IF CONTROL OF AGUSTAWESTLAND IS ACQUIRED BY A COMPETITOR OF GE; AGUSTA IS LIABLE FOR ANY BREACH OF CONFIDENTIALITY IN RELATION TO GE'S PROPRIETARY INFORMATION
AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	BELL HELICOPTER TEXTRON	LICENSE FOR THE PRODUCTION AND SALE OF 412, 412SP, 412HP, 412EP-SAR, 212, 206A, 206B HELICOPTERS AND SPARE PARTS	TERMINATION OF THE AGREEMENT IN CASE OF TRANSFER OF OWNERSHIP OF AGUSTAWESTLAND TO A THIRD-PARTY HELICOPTER MANUFACTURER AND SELLER, EXCLUDING INTRA-GROUP TRANSFERS
AGUSTAWESTLAND	BOEING COMPANY	AGREEMENT FOR THE	EXPRESS CANCELLATION

SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	DEFENCE & SPACE GROUP	REVISION AND SALE OF THE CH47C AND SPARE PARTS	CLAUSE, EXCLUDING TRANSFER OF CONTROL WITHIN THE FINMECCANICA GROUP
AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	OJSC “OPK” OBORONPROM; LLC “INTERNATIONAL HELICOPTER PROGRAMS”; CJSC HELIVERT (THE JVCOMPANY)	AGREEMENT RELATING TO THE JOINT VENTURE FOR THE LICENCE FOR PRODUCTION AND SALE OF THE CIVIL HELICOPTER AW139 IN RUSSIA AND IN OTHER CIS COUNTRIES.	TERMINATION OF THE JOINT VENTURE AGREEMENT AND WINDING-UP OF THE J.V. COMPANY ON THE PART OF THE MEMBERS.
AGUSTAWESTLAND TILT-ROTOR LLC 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	BELL HELICOPTER TEXTRON INC.	LICENCE AGREEMENT FOR THE TECHNOLOGY OF THE HELICOPTER AW609	THE TRANSFER OF THE LICENCE AGREEMENT, IN THE CASE OF CHANGE OF CONTROL IN AGUSTAWESTLAND TILT- ROTOR LLC OR OF GROUP COMPANIES, IS INEFFECTIVE, EXCEPT WITH THE WRITTEN CONSENT BY BELL HELICOPTER TEXTRON INC.
ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA	BOEING COMPANY	GENERAL TERMS AGREEMENT CONCERNING ALENIA AERONAUTICA’S STAKE (NOW ALENIA AERMACCHI SPA) IN THE BOEING 787 PROGRAMME	AUTHORISATION OF BOEING REQUIRED IN THE CASE OF CHANGE OF CONTROL OF ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA). BOEING HAS THE RIGHT TO TERMINATE THE CONTRACT IN THE EVENT THIS CLAUSE IS VIOLATED
ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA	ABU DHABI UAV INVESTMENT LLC	JOINT VENTURE AGREEMENT CONCERNING THE FORMATION OF A COMPANY (ADVANCED MALE AIRCRAFT LLC) IN ABU DHABI FOR THE DEVELOPMENT AND PRODUCTION OF A CLASS OF REMOTELY-PILOTED AIRCRAFT	TERMINATION OF THE AGREEMENT AT THE OPTION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL. TERMINATION SUBJECT TO THE INITIATION OF A SPECIAL AMICABLE SETTLEMENT PROCESS AND NOT AN ARBITRATION PROCEDURE. IN THE ALTERNATIVE, THE NONBREACHING PARTY MAY DEMAND THAT THE BREACHING PARTY SELL ITS SHARES AT MARKET VALUE LESS 20%, OR THAT THE BREACHING PARTY PURCHASE THE SHARES OF THE NONBREACHING PARTY AT MARKET VALUE PLUS 20%
ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA	LOCKHEED MARTIN	STRATEGIC TEAMING AGREEMENT THAT SETS OUT THE GENERAL TERMS OF THE RELATIONSHIP BETWEEN THE PARTIES UNDER THE JOINT STRIKE FIRE (“JSF”) PROGRAMME TO BUILD A 5TH GENERATION MULTIROLE FIGHTER	TERMINATION OF THE AGREEMENT AT THE OPTION OF LOCKHEED MARTIN IN CASE OF CHANGE OF OWNERSHIP OR CONTROL OF ALENIA AERONAUTICA OR SALE OF ASSETS THAT WOULD RESULT IN A SIGNIFICANT LOSS OR DECREASE IN EXPERTISE OR FACILITIES

		PLANE	ESSENTIAL TO THE PERFORMANCE OF ALENIA AERONAUTICA'S OBLIGATIONS (NOW ALENIA AERMACCHI SPA)
<p>WORLD'S WING SA 94.94% ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA)</p> <p>ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA 94.94% ALENIA</p>	OAO SUKHOI COMPANY, OAO SUKHOI DESIGN BUREAU ZAO SUKHOI CIVIL AIRCRAFT	JOINT VENTURE AGREEMENT CONCERNING SUKHOI CIVIL AIRCRAFT, A RUSSIAN COMPANY THAT PRODUCES THE SUKHOI SUPERJET 100 REGIONAL AIRCRAFT	IN THE EVENT OF CHANGE OF CONTROL OF ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA), SUKHOI COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUKHOI CIVIL AIRCRAFT COMPANY, HELD BY ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) THROUGH WORLD'S WING SA, AT MARKET PRICE, EQUAL TO THE LESSOR OF FAIR MARKET VALUE AND FLOOR VALUE (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF SHAREHOLDINGS IN SUPERJET INTERNATIONAL AND IN SUKHOI CIVIL AIRCRAFT COMPANY) PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) UNDER THE FUNDING PLAN, LESS 10%
<p>WING NED BV 100% ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA)</p> <p>ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA</p>	SUKHOI COMPANY SUPERJET INTERNATIONAL SPA	JOINT VENTURE AGREEMENT CONCERNING SUPERJET INTERNATIONAL SPA, AN ITALIAN COMPANY THAT MARKETS REGIONAL JETS, INCLUDING THE SUKHOI SUPERJET 100	IN THE EVENT OF CHANGE OF CONTROL OF ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA), SUKHOI COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUPERJET INTERNATIONAL, HELD BY ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) THROUGH WING NED BV, AT A MARKET PRICE, EQUAL TO THE LESSOR OF FAIR MARKET VALUE AND FLOOR VALUE (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF SHAREHOLDINGS IN SUPERJET INTERNATIONAL AND IN SUKHOI CIVIL AIRCRAFT COMPANY) PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) UNDER THE FUNDING PLAN, LESS 10%
ALENIA NORTH AMERICA INC.	L-3 COMMUNICATIONS INTEGRATED SYSTEMS LP	JOINT VENTURE AGREEMENT CONCERNING US COMPANY GLOBAL	IF A STAKE EQUAL TO OR MORE THAN 50% OF THE STAKE OF THE LLC OR

100% FINMECCANICA THROUGH ALENIA AERONAUTICA SPA (NOW ALENIA AERMACCHI SPA)		MILITARY AIRCRAFT SYSTEMS LLC, FOR UNDERTAKING ACTIVITY IN RELATION TO THE C27J AIRCRAFT	ASSETS IS TRANSFERRED TO A COMPETITOR OF THE OTHER PARTY, THE PARTY NOT INVOLVED WILL BE ENTITLED TO A PURCHASE OPTION AT THE MARKET VALUE ON THE SHAREHOLDING OF THE PARTY THAT UNDERWENT THE CHANGE OF CONTROL
ANSALDOBREDA SPA (100% FINMECCANICA) AS A MEMBER OF THE TREVI CONSORTIUM ALONG WITH: • ALSTOM FERROVIARIA SPA • FIREMA TRASPORTI SPA • BOMBARDIER TRANSPORTATION ITALIA SPA	CONSORZIO TREVI (IN LIQ.) WHICH HAS A LOCOMOTIVE SUPPLY CONTRACT WITH TRENITALIA SPA	BYLAWS OF THE TREVI CONSORTIUM	THE BYLAWS OF THE TREVI CONSORTIUM STIPULATE THAT THE SHAREHOLDERS' MEETING CAN DECIDE TO EXCLUDE A MEMBER OF THE CONSORTIUM
ANSALDOBREDA SPA 100% FINMECCANICA	BOMBARDIER TRANSPORTATION GMBH	COOPERATION AGREEMENT CONCERNING THE JOINT DEVELOPMENT, MANUFACTURE AND SALE OF THE NEW HIGH-SPEED TRAIN	IN THE CASE IN WHICH MORE THAN 50% OF THE SHARE CAPITAL OF ONE OF THE PARTIES OR ITS PARENT COMPANY IS TRANSFERRED TO A COMPETITOR OF THE PARTIES, OR IN THE CASE OF MERGER OF ONE OF THE PARTIES WITH A COMPETITOR OR IN THE CASE OF THE TRANSFER OF THE ASSETS TO A COMPETITOR, THE PARTY NOT INVOLVED WILL BE ENTITLED TO TERMINATE THE CONTRACT.
ANSALDO ENERGIA HOLDING SPA 54.55% FINMECCANICA	GROUP OF BANKS WITH BANCA IMI, BNP PARIBAS AND UNICREDIT AS LEAD MANAGERS	AGREEMENT FOR THE GRANTING OF TWO CREDIT LINES, ONE OF WHICH IS A REVOLVING LINE	THE BANKS MAY REQUEST THE REPAYMENT OF THE LOAN SHOULD FINMECCANICA LOSE CONTROL OVER ANSALDO ENERGIA HOLDING. FURTHERMORE THE BANKS MAY REQUEST THE REPAYMENT OF THE REVOLVING CREDIT LINE IN THE CASE OF CHANGE OF CONTROL IN FINMECCANICA
ANSALDO STS SPA 40.065% FINMECCANICA	NAPLES CITY COUNCIL	CONCESSION AGREEMENT FOR THE CONSTRUCTION OF LINE 6 OF THE METRO	TERMINATION OF THE CONTRACT IN CASE OF MERGER OF ANSALDO STS WITH OTHER NON-GROUP COMPANIES
SELEX GALILEO LTD 100% FINMECCANICA THROUGH SELEX ELECTRONIC SYSTEMS SPA	NORTHROP GRUMMAN	"MISSILE COUNTER MEASURE (INFRARED)" CONTRACT	TERMINATION OF THE CONTRACT OR ALTERNATIVELY A REQUEST FOR ADDITIONAL PERFORMANCE GUARANTEES, AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A

			CHANGE IN CONTROL
SELEX SYSTEMS INTEGRATION LIMITED 100% FINMECCANICA THROUGH SELEX ELECTRONIC SYSTEMS SPA	LOCKHEED MARTIN IS&GS (CIVIL) UK	TEAMING AGREEMENT FOR PRESENTING A BID FOR THE JOINT MILITARY AIR TRAFFIC SERVICES PROJECT	TERMINATION OF THE CONTRACT AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL
TELESPAZIO SPA 100% THROUGH TELESPAZIO HOLDING SRL (FINMECCANICA 67%)	DLR GfR	BYLAWS FOR SPACEOPAL GMBH (50% TELESPAZIO SPA; 50% DLR GfR), A COMPANY OPERATING IN THE FIELD OF SATELLITE SERVICES RELATING TO THE GALILEO PROJECT	RIGHT OF THE SHAREHOLDER NOT SUBJECT TO A CHANGE IN CONTROL, WITH THE PRIOR AUTHORISATION OF THE SHAREHOLDERS' MEETING, TO SELL ITS SHARES TO A THIRD PARTY OR ANOTHER SHAREHOLDER OR TO WITHDRAW IN EXCHANGE FOR A PAYMENT TO BE DETERMINED
TELESPAZIO SPA 100% THROUGH TELESPAZIO HOLDING SRL (FINMECCANICA 67%)	ITALIAN SPACE AGENCY (ASI)	SHAREHOLDERS' AGREEMENT RELATING TO E-GEOS SpA (TELESPAZIO SPA 80%, ASI 20%), A COMPANY OPERATING IN THE EARTH OBSERVATION SATELLITE FIELD	RIGHT OF ASI TO, AT ITS OPTION: - REPURCHASE THE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CONTRIBUTED BY ASI TO E-GEOS - SALE OF SHARES TO THE SHAREHOLDERS OF E-GEOS IN PROPORTION TO THE STAKES HELD IN THE COMPANY
DRS SYSTEMS MANAGEMENT LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	SUNBURST MANAGEMENT INC.	PARTNERSHIP AGREEMENT CONCERNING LAUREL TECHNOLOGIES, A COMPANY OPERATING IN THE CIRCUIT CARD AND CABLE ASSEMBLY SECTOR	RIGHT OF THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL TO PURCHASE THE OTHER PARTY'S STAKE AT A PRICE EQUAL TO THE BOOK VALUE OF THE STAKE RECORDED BY THE OTHER PARTY
DRS DEFENSE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	THALES USA INC.	JOINT VENTURE AGREEMENT CONCERNING DRS SONAR SYSTEMS LLC (NOW ADVANCED ACOUSTIC CONCEPTS, LLC), A COMPANY OPERATING IN THE SONAR SECTOR	OPTION OF THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL (I) TO PURCHASE THE STAKE OF THE OTHER PARTY AT THE MARKET PRICE AS DETERMINED BY AN EXPERT, OR (II) TO OFFER ITS STAKE AT A REASONABLE PRICE TO THE PARTY SUBJECT TO THE CHANGE OF CONTROL WHICH, IF IT REFUSES THE OFFER, WILL BE REQUIRED TO SELL ITS STAKE AT THE SAME PRICE (IN PROPORTION TO THE PERCENTAGE HELD) TO THE PARTY NOT SUBJECT TO A

			CHANGE OF CONTROL
DRS RADAR SYSTEMS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	THALES NEDERLAND BV, THALES USA DEFENCE & SECURITY INC.	TECHNOLOGY TRANSFER E LICENCE AGREEMENT	RIGHT TO TERMINATE THE CONTRACT
DRS DEFENCE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	DRS TECHNOLOGIES INC	LOAN AGREEMENT	IN CASE OF CHANGE OF CONTROL, DRS DEFENCE SOLUTIONS IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF DRS TECHNOLOGIES
FINMECCANICA GROUP REAL ESTATE (100% FINMECCANICA)	FINMECCANICA	LOAN AGREEMENT	RIGHT OF TERMINATION IN FAVOUR OF FINMECCANICA IN CASE OF CHANGE IN THE CONTROL STRUCTURES OF FINMECCANICA GROUP REAL ESTATE OR OF ANY TRANSFER OF THE BUSINESS TO THIRD PARTIES OR OF A SIGNIFICANT BRANCH OF BUSINESS OF FINMECCANICA GROUP REAL ESTATE ITSELF
DRS TECHNOLOGIES INC. AND ITS SUBSIDIARIES (100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.)	FINMECCANICA	LOAN AGREEMENT	IN CASE OF CHANGE OF CONTROL, DRS TECHNOLOGIES IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF FINMECCANICA.

As regards Takeover Bids, it should be pointed out that the Company's Bylaws do not provide for exceptions to the provisions on the passivity rule under article 104, paragraph 1-ter, of the Consolidated Law on Financial Intermediation, nor any provisions in the application of the neutralisation rules under article 104-bis, paragraph 1, of the Consolidated Law on Financial Intermediation.

I) COMPENSATION FOR DIRECTORS IN CASE OF RESIGNATION OR DISMISSAL WITHOUT JUST CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A TAKEOVER BID (art. 123-bis, para. 1, lett. i, CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The information required by article 123-bis, paragraph 1, letter i), of the Consolidated Law on Financial Intermediation is contained in the Report on remuneration published pursuant to article 123-ter of the Consolidated Law on Financial Intermediation (points 9 and 18 hereof).

L) LAWS GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BYLAWS (art. 123-bis, para. 1, lett. l, CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

As regards the appointment and replacement of directors, reference is made to point 4.1. below herein.

As regards any amendments to the bylaws, it should be noted that, pursuant to article 123-bis of the Consolidated Law on Financial Intermediation, they shall be approved by the Shareholders' Meeting pursuant to law.

Under Art. 24.1 of the Bylaws, the Board of Directors has the power to adapt the Bylaws to legislative provisions.

Under Art. 22.3 of the Bylaws, any proposals to amend articles or to adopt new Bylaws are decided by the Board of Directors with the vote in favour of 7/10ths of the Directors in office, excluding the Director without voting rights, appointed in accordance with Art. 5.1-ter(d) of the Bylaws.

Finally, as illustrated in subsection d.1 of section D, the Minister for the Economy and Finance, jointly with the Minister for Productive Activities (now the Minister for Economic Development), has a veto over the adoption of amendments to the Bylaws that revoke or modify the powers referred to in Art. 5.1-ter of the Bylaws or that alter the object of the company.

M) AUTHORISATION FOR SHARE CAPITAL INCREASE AND AUTHORISATION TO PURCHASE TREASURY SHARES (art. 123-bis, para. 1, lett. m, CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

Directors have no authority to increase the share capital under Art. 2443 of the Italian Civil Code, nor do they have the power to issue equity instruments.

It should be reported that the Finmeccanica Shareholders' Meeting of 16 January 2008 ratified the share buy-back programme proposed by the Board of Directors on 21 November 2007 for up to approximately 8% of the Company's share capital (a maximum of 34 million common shares), distributed as follows:

- approximately 2.6% for stock incentive plans (a maximum of 11.1 million common shares, 7.5 million of which are intended to be assigned over the next few years), subject to the withdrawal of any unused purchase authorisations and the availability of treasury shares allocated to service the plans, and without prejudice to existing resolutions of Shareholders' Meetings concerning the ratification of these stock incentive plans;
- approximately 5.4% (22.9 million common shares) to create maximum shareholder value.

The programme provides that the shares purchased will remain available to be used to service the stock incentive plans and as part of industrial projects or extraordinary financial operations. The

Shareholders' Meeting determined that the share buy-back programmes were to be implemented within 18 months, that is by 16 July 2009, and in accordance with standard market practice for this kind of operation, taking into account the Company's performance. The programme was to be financed primarily using cash flow from operations generated by the Group.

Shares to service the programme were to have been purchased, at suitable intervals, at a maximum and minimum unit price equivalent to the reference price on the Italian Electronic Stock Exchange (MTA) on the day before the purchase (plus or minus 5% for the maximum and minimum price respectively), either on the market or by buying and selling derivatives traded on regulated markets.

During this 18-month period (by 16 July 2009), Finmeccanica purchased a total of 2,573,000 shares (equal to roughly 0.4450% of the share capital), all of which will go to service the existing stock incentive plans, as the conditions for a broader buy-back programme were not met.

Subsequently, on 4 May 2011, the Shareholders' Meeting of Finmeccanica resolved to authorise the purchase and sale of treasury shares, setting a time limit for the purchase on 31 December 2011 and up to a maximum amount of no. 1,530,287 ordinary shares, to be intended to meet the residual requirements connected to the current stock incentive Plans.

The shares serving the requirements of the Plans had to be purchased, according to the priorities deemed appropriate, at a maximum and minimum unit price equal to the relevant price recorded in the Electronic Stock Market (*Mercato Telematico Azionario*, MTA) on the day prior to the purchase (more or less 5% for the maximum price and for the minimum one, respectively), through the purchase on the market or through the purchase and sale of derivative instruments traded on regulated markets.

In consideration of this resolution, in addition to the shares already held at the end of 2010 and equal to no. 712,515, an additional number of 265,000 treasury shares were purchased which are intended to meet the residual requirements of both the 2002-2004 incentive plan and the 2008-2010 incentive plan.

Following the allocations made to those entitled on 1 December 2011, at the date of the approval of this report Finmeccanica holds no. 32,450 treasury shares, equal to about 0.0056% of the share capital.

N) DIRECTION AND COORDINATION

Finmeccanica is not subject to direction and coordination pursuant to Art. 2497 *et seq.* of the Italian Civil Code

3. COMPLIANCE

In the meeting of 17 October 2006 the Board of Directors of Finmeccanica resolved to bring the Company's Corporate Governance model into line with the application criteria and principles of the Corporate Governance Code of Listed Companies, in relation to which the Company declares that it complies with it. The model then approved the developments subsequently introduced by the Code and transposed them into the document "**RULES OF PROCEDURE OF THE BOARD OF DIRECTORS REGULATIONS – ROLE, ORGANIZATION AND FUNCTIONING**" (the "**RULES OF PROCEDURE**"), which was approved in its final version at the Board's meeting of 1 March 2007, and was then updated in the meeting of 17 February 2011 in order to bring it into line with the new CONSOB regulatory provisions concerning transactions with related parties and subsequently amended in relation to the changes made in the organisational structure of the Company.

The text of the abovementioned Corporate Governance Code can be accessed by the public on the website of Borsa Italiana (www.borsaitaliana.it)

The text of the Rules of Procedure may be consulted on the Company's website (Investor Relations/Corporate Documents section). Neither Finmeccanica nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company's corporate governance structure.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (art. 123-bis, para. 1, lett. l) CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The Company's administrative body is a Board of Directors comprised of between 8 and 12 members who are appointed by the shareholders. The shareholders also establish the number of members and the length of their terms in office.

Regarding the appointment of the Directors, the Bylaws (section 18.4) provide for the specific "list voting" mechanism, as described below: "The directors, subject to the powers of appointment described in the previous paragraph, are appointed by the meeting on the basis of lists submitted by the shareholders and by the outgoing board of directors in which the candidates are to be numbered consecutively.

If the outgoing board of directors submits a list of its own, this shall be filed with the registered office of the company at least 25 days before the date of the meeting on first call, and made public by the company at least 21 days before the date of the meeting, again on first call, according to the procedures provided for by the regulations in force.

Lists submitted by shareholders shall be filed with the registered office at least 25 days before the date of the meeting on first call, and made public by the Company at least 21 days before the date of the meeting, again on first call, according to the procedures provided for by the regulations in force.

Each shareholder may submit or contribute to the submission of one list only and each candidate may stand in one list only under penalty of being ineligible for election.

Only shareholders who, alone or together with other shareholders, represent at least 1% of the voting shares in the ordinary shareholders' meeting will be entitled to submit lists, or such lesser number as may be laid down by provisions of law or regulations, where applicable. In order to prove ownership of the number of shares necessary for the submission of lists, shareholders must file appropriate certification, proving ownership of the number of shares represented, with the registered office, within the time limit prescribed for the publication of the lists by the Company.

At least two Directors must meet the independence requirements as laid down for statutory auditors pursuant to law. The candidates who meet the abovementioned independence requirements shall be expressly identified in the lists. Furthermore, all candidates must meet the honesty requirements laid down by the regulations in force.

Together with each list, and within the time limit prescribed for the filing of such lists, declarations by the individual candidates must also be filed, in which they accept their nominations and certify, under their own responsibility, that there are no grounds for ineligibility for election or incompatibility and that all the requirements prescribed by the regulations in force are met for their respective positions including the independence requirements as required by the current Bylaws.

The Directors appointed shall notify the Company without delay of any loss of the abovementioned independence requirements and honesty, as well as of the emergence of grounds for ineligibility or incompatibility.

Each party entitled to vote may vote for one list only.

The directors shall be elected as follows:

- a) two thirds of the directors to be elected, with fractions being rounded down to the nearest whole number, shall be drawn from the list that has obtained the majority of votes cast, in the order in which they appear in the list;
- b) the remaining directors will be drawn from the other lists; for that purpose, the votes obtained by these lists will then be divided by one, two, three and so on, depending on the gradual number of directors to be elected. The scores thus obtained shall be allocated progressively to the candidates of each of the various lists according to the order specified therein. The scores thus allocated to the candidates of the various lists shall be arranged in a single list in descending order. Those who have obtained the highest scores will be elected.

In the event that more than one candidate have obtained the same score, the candidate from the list which has not yet elected any directors or which has elected the lowest number of directors shall be elected.

In the event that none of these lists has elected a director yet or that they have all elected the same number of directors, the candidate will be elected whose list has obtained the highest number of votes.

In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire meeting and the candidate with a simple majority of votes will be elected.

c) if, following the application of the procedure described above, the minimum number of independent Directors required by the bylaws has not been appointed, the share of votes to be allocated to each candidate in the various lists shall be calculated according to the system indicated in letter b) and the number of candidates necessary to ensure compliance with the provisions of the bylaws, not yet drawn from the lists pursuant to letters a) and b), who meet the independence requirements and who have obtained the highest scores shall be elected. These shall take the place of the non-independent directors who have been allocated the lowest scores. In the event that the number of candidates does not comply with the minimum of two independent directors, the Shareholders' Meeting shall resolve, with the majorities provided by law, to replace the candidates who do not meet the independence requirements and who have obtained the lowest scores.”

With reference to the appointment procedure through the “list voting” mechanism, it should be noted that the described terms and procedures for filing and publishing the lists, as well as the related documentation, appear to be adequate, in compliance with the new provisions under article 147-ter, paragraph 1-bis, of the Consolidated Law on Financial Intermediation, to the amendments introduced by Legislative Decree no. 27 of 27 January 2010 which transposed the Directive (2007/36/EC) on certain rights of shareholders in listed companies.

Legislative Decree 27/10 also states that the ordinary “privatisation” rules found in the Consolidated Law on Financial Intermediation and in the enacting laws apply rather than the special rules set out in the so-called “law on privatisation” (Law 474/94).

Article 147-ter, paragraph 1, of the Consolidated Law on Financial Intermediation provides that the company’s Bylaws should determine a minimum shareholding required for the submission of lists of candidates that is not more than a fortieth of the share capital, or than the different amount laid down by CONSOB taking into account capitalisation, floating capital and ownership structures of the companies.

By Resolution no. 18083 of 25 January 2012, CONSOB specified that the shareholding required for the submission of candidate lists to elect the governing and control bodies of Finmeccanica was 1.5%, without prejudice to any lower share provided for by the Bylaws. In this respect, the percentage of 1% provided for by section 18.4 of Finmeccanica’s Bylaws shall therefore be applied.

Section 18.5 of the company’s Bylaws also provides that “for the appointment of Directors who are for whatever reason not appointed in accordance with the procedure provided for herein, the Shareholders’ Meeting shall resolve with the majorities provided by law. If in the course of the financial year, one or more Directors cease to hold office, measures will be taken pursuant to article

2386 of the Italian Civil Code, without prejudice to the powers of appointment under article 5.1-*ter*, letter d). To replace the Directors who have ceased to hold office, the Shareholders' Meeting shall resolve with the majorities provided by law to appoint replacements from those on the same list as that of the Directors who have ceased to hold office, if previously unelected candidates remain on this list. The Board of Directors carries out the replacement, pursuant to article 2386 of the Italian Civil Code, by appointing the replacement Directors on the basis of the same criteria as in the previous period, in the first meeting after the termination”.

The Directors thus appointed are joined by a Director without voting rights, appointed (as provided for by articles 5.1-*ter* and 18.1 of the company's Bylaws) by the Minister for Economy and Finance, in agreement with the Minister for Production Activities, now the Minister for Economic Development, pursuant to Law no. 474 of 30 July 1994 as amended by Law no. 350 of 24 December 2003. In the event that the Director thus appointed ceases to hold office, the Minister for Economy and Finance, in agreement with the Minister for Economic Development, takes steps to appoint a replacement.

The rights and obligations of the Director thus appointed have been expressly defined (section 5.1-*ter* of the company's Bylaws): he is vested with same rights as those granted by the law and/or by the Bylaws to the other Directors, but he cannot be granted the right to undertake proxies or special offices, even on a supplementary or temporary basis, nor can he in any case chair the Board of Directors or act as a legal representative of the Company.

Replacement plans.

Still on the subject of the appointment of Directors, the Board of Directors of the Company has considered it unnecessary, as things stand, to adopt a plan for the replacement of the executive Directors and reserves the right to carry out another assessment of the matter at a later date at the time of the application of the amendments to the Corporate Governance Code approved in 2011 and to be implemented by the end of 2012.

4.2. COMPOSITION

The Shareholders' Meeting of 4 May 2011 set the number of the members of the new Board of Directors at 11. They will serve until the approval of the financial statements for the 2013 financial year.

In addition to the 11 members of the Board of Directors appointed by the shareholders, in accordance with Article 5.1-*ter*(d) of the Bylaws, Carlo Baldocci was appointed as Director without voting rights selected by the Ministry for the Economy and Finance, together with the Ministry for Economic

Development. He may exercise the “special powers” specified by Law 474/1994 as amended, he is to remain in office until the end of the term of the present Board of Directors.

Following the resignation of the Chairman Mr Pier Francesco Guarguaglini on 1 December 2011, on the same date the Company’s Board of Directors also appointed Mr Giuseppe Orsi, who had already been appointed as Chief Executive Officer on 4 May 2011, as Chairman of the Board of Directors; the Board itself also resolved to co-opt Mr Alessandro Pansa as Director, who had already been appointed as General Manager on 4 May 2011, pursuant to article 2386 of the Italian Civil Code and, therefore, up to the next Shareholders’ Meeting.

The **Board of Directors** serving at 31 December 2011 is, therefore, composed as follows:

GIUSEPPE ORSI (1)	CHAIRMAN AND CHIEF EXECUTIVE OFFICER
ALESSANDRO PANSA (3)	BOARD MEMBER – GENERAL MANAGER
CARLO BALDOCCI (4)	
FRANCO BONFERRONI (1)	
PAOLO CANTARELLA (2)	
GIOVANNI CATANZARO (1)	
DARIO GALLI (1)	
MARCO IANSITI (2)	
SILVIA MERLO (2)	
FRANCESCO PARLATO (1)	
CHRISTIAN STREIFF (2)	
GUIDO VENTURONI (1)	

- (1) Directors appointed from the **majority list** submitted by the Ministry for the Economy and Finance, which holds 30.204% of the share capital.
- (2) Directors appointed from a **minority list** submitted by a group of asset management companies and institutional investors, which hold an overall stake of about 1.063% of the share capital.
- (3) He was appointed by co-option by the Board of Directors of 1 December 2011 pursuant to article 2386 of the Italian Civil Code.
- (4) He was appointed by a Decree issued by the Ministry for Economy and Finance in agreement with the Minister for Economic Development pursuant to section 5.1 *ter* of the Company’s By-laws.

The summary tables annexed to this Report shows the structure of the Board of Directors and its committees, specifying the members serving at 31 December 2011, as well as the Directors who ceased to hold office during the 2011 financial year.

No further changes in the composition of the Board of Directors have taken place since the end of the 2011 financial year.

A brief professional résumé of each member of the present Board of Directors follows:

GIUSEPPE ORSI – CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Orsi was born in Guardamiglio (Lodi) on 24 November 1945. Chief Executive Officer of Finmeccanica since 4 May 2011, he was appointed Chairman and Chief Executive Officer of the Company by the Board of Directors' meeting of 1 December 2011. He holds a degree in Aeronautical Engineering from the Politecnico University in Milan. After university he served as an Officer in the Italian Air Force. He started his career at SIAI Marchetti and when SIAI Marchetti was incorporated into Agusta in 1984 he joined the Marketing and Strategies Department where he was in charge of the establishment and management of the Agusta Group's international network of sales and representative offices. In 1987, he was appointed Sales Manager of Agusta's Aircraft Division. In 1989, he became Chairman and Chief Executive Officer of Agusta Aerospace Corporation, the North American affiliate of Agusta based in Philadelphia. In 1994, he was appointed as Deputy Chairman for Government Sales and Programmes of Agusta and he returned to Italy where he was responsible for military and government sales, then becoming head of the whole marketing and sales department of Agusta. In 1997, he was appointed Deputy General Manager of Agusta. In 1999, he was appointed Joint General Manager of Agusta SpA and played an active role in the creation of AgustaWestland. In 2001, with the merger of Agusta and Westland, he was appointed General Manager of the Marketing and Sales division of AgustaWestland and member of the Management Committee. In 2002, he was appointed Chief Executive Officer and General Manager of Agusta SpA and CFO of the Italian operations of AgustaWestland. In 2004, he was appointed Chief Executive Officer of AgustaWestland. In 2010, Her Majesty Queen Elizabeth II honoured him with a "Commander of the British Empire". The Mayor of London named him a "Freeman of the City of London". Furthermore, he is a Member of the Royal Aeronautical Society.

ALESSANDRO PANSA – DIRECTOR AND GENERAL MANAGER

Mr Pansa was born in Mortara (Pavia) on 22 June 1962. General Manager of Finmeccanica since 4 May 2011, he was appointed as a Director of the Company by the Board of Directors meeting of 1 December 2011. He holds a degree in Political Economy from the Bocconi University of Milan, where he specialised in Financial and Monetary Economics. He attended the Business Administration Graduate School at New York University. He started his career at Credito Italiano SpA (1987-1989, Economic Research and Planning Service) and then at Euromobiliare SpA (1989-1992, Investment Banking and M&A Division). He was a Senior Partner at Vitale Borghesi & C. from 1993 and Managing Director of Lazard from 1999. He has overseen numerous extraordinary finance

transactions on the stock market on behalf of private companies and public bodies (Ministry of the Treasury, ENEL, Finmeccanica, Ferrovie dello Stato, Wind, AEM in Turin, Mondadori). In 2001, he became Joint General Manager and Chief Financial Officer of Finmeccanica, in charge of the areas of Group Finance, Administration, Planning and Control, Strategy and M&A, Legal and Corporate Affairs, Tax Planning, Investor Relations and Research Office. In May 2011, he became General Manager/CFO of Finmeccanica with additional responsibility for the areas of Operations, Real Estate and Group Services. He is a Member of the Board of Directors of Feltrinelli Editore SpA and of Fondo Strategico Italiano SpA, a Member of the Council for Relations between Italy and the USA and a member of the Aspen Institute. In 2006, he became Professor of Finance at the LUISS University of Rome. In 2007, he published the book “La Difesa Europea” (European Defence) published by Il Melangolo. He has published articles and essays in specialist publications and written books on the subjects of economics, finance and history.

CARLO BALDOCCI – DIRECTOR (1)

Mr Baldocci was born in Rome on 22 November 1966, he holds a law degree from the La Sapienza University of Rome and he graduated from the School of Business of Georgetown University of Washington. He entered the diplomatic service after being successful in a competition.

At the Ministry of Foreign Affairs he served in the Head Office of political affairs and in the General Secretariat; he served abroad in the Italian embassies in Tehran and Washington. He is a Diplomatic Advisor – a role he has held since 2003 – and an Advisor to the Minister for Economy and Finance on international economic affairs.

At the moment, he is, among other things, a member of the Strategic committee for the development and safeguarding of national economic interests abroad. Within the EU, he is the Italian representative in the Tax Policy Group and he was a member of the Lisbon Committee for the re-launch of competitiveness in Europe.

FRANCO BONFERRONI – DIRECTOR

Mr. Bonferroni was born in Reggio Emilia on 10 October 1938. He has been a director of Finmeccanica since 12 July 2005 and was re-elected on 6 June 2008 and on 4 May 2011. He is a chartered accountant and statutory auditor of accounts. He was a Member of Parliament in the Chamber of Deputies (1979-1992) and the Senate (1992-1994). A freelance practitioner since 1976, he was a member of the Council of the Chamber of Commerce of Reggio Emilia (1966-1974), of which he was later Chairman (1974-1979). He has served as director of a number of companies, including Autostrada del Brennero SpA (1966-1974), Fidenza Vetraria SpA and Montedil SpA (Montedison group) (1977-1979), Centro Banca SpA (2007-2008), Aedes SpA (2009). Mr. Bonferroni currently sits

(¹) Director without voting right pursuant to section 5.1 *ter*, letter d), of the By-laws.

of the boards of Alerion CleanPower SpA and Cassa di Risparmio di Bra and Cassa di Risparmio di Savigliano. From 1975 to 1989 he was the Chairman of IFOA (training and consulting centre of the chambers of commerce) and from 1989 to 1992 he held the position of Deputy Secretary of the Ministry for Industry and Commerce and of the Ministry for Foreign Trade.

PAOLO CANTARELLA – DIRECTOR

Mr Cantarella was born in Varallo Sesia (Vercelli) on 4 December 1944. He has a degree in Mechanical Engineering from the Politecnico University in Turin. He started his career in Turin companies operating in the automobile components industry and in 1977 he joined Fiat in the Automobile Components division. From 1980 to 1983 he was assistant to the Chief Executive Officer of Fiat Spa as well as head of the Interdivision Industrial Coordination of the Group. From 1983 to 1989 he was Chief Executive Officer of Comau, a company in the Fiat Group operating in the production resources and systems division. In 1989, he joined Fiat Auto where he was responsible for Purchasing and Logistics and in the same year he was appointed, first General Manager of Fiat Auto, and then, Chief Executive Officer and manager of the Automobile Division of the Fiat Group. From 1996 to 2002, he held the position of Chief Executive Officer of Fiat Spa and Chairman of Fiat Auto Spa.

From 2000 to 2001, he was Chairman of ACEA (European Automobile Manufacturers' Association). He was a member of the Managing Committee of Confindustria and a Member of the Board of Directors of Mediobanca, HdP (holding company of Partecipazioni Industriali SpA), Alcatel, CNH, Polaroid, Terna and TOROC (Turin Olympics 2006). He was also Co-Chairman of the European Union – Russia Industrialists' Round Table.

He is Chairman of the Board of Directors of Interpartner Spa (real estate) and a member of the Board of Directors of Iren Spa and GVS as well as a member of the Advisory Board of Mandarin Capital Partners and Operating Partner of Advent International.

GIOVANNI CATANZARO – DIRECTOR

Mr Catanzaro was born in Mazzarino (Caltanissetta) on 23 October 1944. From 1968 to 1979 he was a Director of large commercial companies and from 1979 to 1992 a Director of SAI Assicurazioni Spa in Turin. From 1980 to 1992 he held various positions in the Pozzi Ginori/Richard-Ginori Group in Milan, eventually holding the office of Chief Executive Officer. He was Chairman of Tecnoceram srl (from 1988 to 1998) and then Director (from 2004) and Chairman (from 2006 to 2008) of Lombardia Call Spa, Member of the Board of Directors of Lombardia-Servizi Spa (from 2004 to 2007), Chairman of the Supervisory Body of Sicilia e Sanità Spa (from 2005 to 2007) and Member of the Advisory Board of Lombardia Integrata (from 2002 to 2010), where since 2010 he has held the office of Sole Director.

From 1995 to the present day, he has been Chairman of A.Y.C. Immobiliare SpA, where he initially

held the role of Managing Director from 1980. He has been the Managing Director of Lombardia Informatica SpA since 1999 and since 2005 he has been part of Consip SpA, where he has held the positions of Director and Deputy Chairman and then (from 2008 to 2011) of Chairman. From 2007 to 2010 he was Chairman of Gelsia Energia SpA.

Finally, he is Chairman of the Auto Yachting Club in Catania.

DARIO GALLI – DIRECTOR

Mr Galli was born in Tradate (Varese) on 25 June 1957. He has been a Director of Finmeccanica since 6 June 2008 and his mandate was renewed by the Shareholders' Meeting of 4 May 2011. He has a degree in Mechanical Plant Engineering at Politecnico of Milan, and since April 2008 he is Provincial President of Varese. He has been Member of Parliament in the Chamber of Deputies (1997-2006) and Senator (2006-2008); between 1993 and 2002 he was Mayor of Tradate. Since 2009, he has held the position of Vice President of the Union of Italian Provinces and, since September of 2009, has been a director of Financière Fideuram S.A. He was assistant to General Administrative Office of the company FAST in Tradate, Responsible Manager manufacturing system at the Aermacchi in Varese and Head of production and logistics at the Replastic in Milan. He is currently a mechanical contractor. Furthermore, he has been professor at postgraduate course of the Chamber of Commerce of Varese.

MARCO IANSITI – DIRECTOR

Mr Iansiti was born in Rome on 28 July 1961. He holds a degree in Physics from the University of Harvard where he also completed a Ph.D. He is currently a Professor at the Graduate School of Business Administration of the University of Harvard where he is also the Head of the Technology and Operations Management Department and head of the Digital Business Initiative. His academic work is focused on the areas of strategy, innovation and technology and he has published numerous books and articles in specialist publications dedicated to these subjects. He is Chairman of the Board of Directors of Keystone Strategy, Inc., a management consulting company. He carries out expert consultancy work on the subject of strategy and innovation for major international companies. He has been a member of the Board of Eurizon Financial Group, Inc., Supplier Market, Inc., Mobilian Corporation, Model N Corporation and IDe Corporation. He has been an Expert Witness for several major international companies including Microsoft Corporation and Intel Corporation.

SILVIA MERLO – DIRECTOR

Ms Merlo was born in Cuneo on 28 July 1968, she holds a degree in Business Economics from the Carlo Cattaneo (LIUC) University in Castellanza (Varese). She is Chief Executive Officer of Merlo SpA Industria Metalmeccanica and Tecnoindustrie Merlo SpA. She holds positions on the Boards of Directors of all the companies belonging to the Merlo Group. She has been a member of the Board of

Directors and of the Executive Committee of Banca Cassa di Risparmio di Savigliano SpA since 2006.

FRANCESCO PARLATO – DIRECTOR

Mr. Parlato was born in Rome on 17 April 1961. He has been a Director of Finmeccanica since 12 September 2007 and was re-appointed on 6 June 2008 and on 4 May 2011. He holds an Economics and Business degree from LUISS University in Rome, and since 2007 has been the Director of the General Finance and Privatisation Section of the Treasury Department, where he has led the office responsible for the privatisation of groups and companies owned by the Ministry for the Economy and Finance since January 2003. For many years prior to that, he held management positions in the IRI Finance Department. He is currently a member of the Policy Committee of Cassa Depositi e Prestiti. He has also been a director of Gestore dei Servizi Elettrici - GSE SpA, Fincantieri SpA, Tirrenia di Navigazione SpA and Mediocredito del Friuli Venezia Giulia SpA.

CHRISTIAN STREIFF – DIRECTOR

Mr Streiff was born in Sarrebourg (France) on 21 September 1954, he graduated with a degree in Engineering from the Ecole des Mines in Paris.

He worked for the Saint-Gobain Group from 1979 to 2005 and he started his career as a development engineer and plant manager at the Halberghutte site in Germany (1979-1982). He held the role of Corporate Planning Vice Chairman for the “Reinforcement Fibre” division located at the Chambéry site (France) from 1982 to 1984. He was Director of the Gevetex Plant from 1985 to 1988 and from 1988 to 1990 he was General Manager of Gevetex GmbH. He was also General Manager of Vetriere Italiana SpA (1991-1993) and General Manager of Saint-Gobain Emballage (1994-1996). From 1997 to 2000, he then held the position of Chairman of the Pont-à-Mousson Group and from 2001 to 2003 Chairman of the High Performance Materials division. In 2004, he was appointed Deputy Chairman of the Saint-Gobain Group, where he remained until 2005.

In 2006, he was appointed Chairman and General Manager of Airbus and from 2006 to 2009 Chairman and General Manager of the car maker PSA Peugeot Citroen.

GUIDO VENTURONI – DIRECTOR

Admiral Venturoni was born in Teramo on 10 April 1934. He has been a Director of Finmeccanica since 12 July 2005 and was re-appointed on 6 June 2008 and on 4 May 2011. He attended the Livorno Naval Academy, where he became an officer in 1956. In 1959, he obtained a pilot’s licence from the Naval Aviation Branch, which authorised him to operate from aircraft carriers. He was made a Rear Admiral in 1982 and has held positions of increasing responsibility ever since, including Head of Operations at the Navy and later at the Ministry for the Defence, Commander of the 1st Naval Division, Deputy Chief of Staff for the Navy and Commander in Chief of the Naval Squadron and of the Central Mediterranean. In 1992, he was appointed Navy Chief of Staff and 1994 became Defence

Chief of Staff. He was made Chairman of the Military Committee of NATO in 1999. Admiral Venturoni completed his term in Brussels in 2002 and retired from active service after 50 years in the armed forces. He has held numerous important positions and led a number of military operations nationally and internationally, for which he was awarded many Italian and foreign medals. More specifically, he was in charge of the multinational strategic and operational campaign led by Italy in Albania in 1997. From 2002 until November 2005, he served as chairman of Selenia Communications SpA (formerly Marconi Selenia Communications SpA).

The Directors of Finmeccanica accept their appointments and remain in office because they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into consideration both the number and type of the positions that they hold in the governing and control bodies of other companies listed on regulated markets (including foreign markets), of finance, banking or insurance companies or of other major companies.

In this respect, the Finmeccanica Board of Directors has expressed an opinion regarding the maximum number of positions as director or auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company, deeming that this number should be no higher than five (5) positions in companies listed on regulated markets, including foreign markets (Art. 2 of the Rules of Procedure of the Board of Directors Regulations). The Board deems that any positions held by Finmeccanica Directors in companies either directly or indirectly controlled by Finmeccanica Spa, or in which it holds an equity interest, should not count for the purposes of the calculation of the number of directorships. The current composition of the Board is consistent with the abovementioned limits.

The Board of Directors, however, feels that given the current laws, the Shareholders' Meeting should, in appointing Directors, consider whether to impose limitations, in the manner it deems fit, on the number of positions that a Director can hold.

Each year, the Board reviews and provides in observations in the Corporate Governance Report on the positions the Company's Directors hold as directors or auditors of other companies listed on regulated markets (including foreign markets), or in finance, banking or insurance companies or major companies.

The positions as director or auditor held by members of the Board of Directors in companies not belonging to the Finmeccanica Group are shown below:

- **ALESSANDRO PANSA**
Director of Elettronica SpA
- **FRANCO BONFERRONI**

Director of Alerion Cleanpower SpA

Director of Cassa di Risparmio di Bra SpA

Director of Cassa di Risparmio di Savigliano SpA

- **PAOLO CANTARELLA**

Director of Iren S.p.A.

- **MARCO IANSITI**

Chairman of the Board of Directors of Keystone Strategy LLC

Chairman of the Board of Directors of ModuleQ INC.

- **SILVIA MERLO**

Director of Banca CRS S.p.A.

Chief Executive Officer of Merlo S.p.A.

- **CHRISTIAN STREIFF**

Director of ThyssenKrupp AG

Director of Crédit Agricole S.A.

Director of Ti-Automotive Ltd

4.3. ROLE OF THE BOARD OF DIRECTORS (art. 123-bis, para. 2, lett. d) CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The Board of Directors is vested with the fullest powers for the management of the Company, with the authority to perform any act it considers appropriate for achieving the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or the Bylaws.

The Board of Directors is solely responsible (obviously in addition to those matters provided by Art. 2381 of the Italian Civil Code), for the following matters, including with regard to the provisions of Art. 22.3 of the Bylaws:

1. proposals for the voluntary winding-up of the Company;
2. approving mergers or demergers involving the Company;
3. proposals to amend any clause in the Bylaws or the adoption of new Bylaws;
4. the Issuer's notice concerning takeover or share-exchange bids pursuant to Art. 39 of Resolution 11971 of 14 May 1999;
5. setting corporate strategy and organisation guidelines (including plans, programmes and budgets);

6. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
7. capital increases, incorporation, transformation, listing, mergers, demergers, winding up or the execution of shareholders' agreements with regard to direct subsidiaries;
8. designation of new Directors with powers, or of Directors, statutory auditors or independent auditors in direct subsidiaries;
9. the purchase, exchange or sale of real estate and leases with a duration of more than nine years;
10. medium- and long-term credit and debt financial transactions for amounts in excess of €mil. 25 per transaction;
11. issuance of guarantees for amounts in excess of €mil. 50 per transaction;
12. the engagement, appointment and dismissal of executives responsible for head office functions as defined in the organisational chart; appointing consultants on a continuous basis for a duration of more than a year involving expenditure in excess of €th. 250;
13. the acquisition of equity investments, also by exercising option rights;
14. transfers, contributions, leases and usufruct and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with corporate restrictions or business segments thereof;
15. transfers, contributions, licences and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with technology, production process, know-how, patent, industrial project and all other intellectual property restrictions connected with work related to defence;
16. moving research and development work related to defence outside Italy;
17. transfer of equity investments in companies, also by means of the exercise or the waiver of option rights, contributions, usufruct, pledges and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;
18. vote in the shareholders' meetings of subsidiaries, associates or companies in which an equity investment is held (the notions of control and association are meant as understood by Art. 2359 of the Italian Civil Code) that conduct business related to defence with regard to the subject matter referred to in the preceding points 14, 15, 16 and 17).

Also falling within the sphere of responsibilities of the Board is the execution of acts and agreements for amounts in excess of €mil. 150 per transaction (the power vested in the Chairman and Chief Executive Officer for this purpose, in fact, is limited to amounts not exceeding €mil. 150 per transaction).

Resolutions on matters for which the Board of Directors is solely responsible under the Bylaws (Article 22.3), which are, in any event, included in the above list, are valid if they are adopted by the

favourable vote of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this ratio results in fraction).

Under Art. 20.1 of the Bylaws, the Board of Directors meets whenever the Chairman deems it necessary, or at the written request of the majority of its members or of the Board of Statutory Auditors.

The Rules of Procedure state that executives of the Company or other persons who are believed to be able to provide a deeper understanding of the items on the agenda may attend Board meetings at the invitation of the Chairman.

The operational practice that has been followed by the Company for some time ensures that Board meetings are held regularly, at least once a month. The annual calendar of the meetings of the Board is approved and communicated by the Company in the month of January of the related financial year. The calendar of the meetings for the 2012 financial year provides for no. 12 meetings of which no. 4 meetings have already been held.

In 2011 the Board met 15 times for an average of 2 hours per meeting.

The following are the Directors' attendance records for the meetings that took place during the 2011:

GIUSEPPE ORSI	9 out of 9 meetings (**)
ALESSANDRO PANSA	2 out of 2 meetings (*)
CARLO BALDOCCI	9 out of 9 meetings (**)
FRANCO BONFERRONI	15 out of 15 meetings
PAOLO CANTARELLA	9 out of 9 meetings (**)
GIOVANNI CATANZARO	9 out of 9 meetings (**)
DARIO GALLI	15 out of 15 meetings
MARCO IANSITI	9 out of 9 meetings (**)
SILVIA MERLO	9 out of 9 meetings (**)
FRANCESCO PARLATO	14 out of 15 meetings
CHRISTIAN STREIFF	8 out of 9 meetings (**)
GUIDO VENTURONI	15 out of 15 meetings

(*) In office from 1 December 2011

(**) In office from 4 May 2011

<i>PIER FRANCESCO GUARGUAGLINI</i>	<i>13 out of 14 meetings (°)</i>
<i>PIERGIORGIO ALBERTI</i>	<i>6 out of 6 meetings (°°)</i>
<i>ANDREA BOLTHO VON HOHENBACH</i>	<i>6 out of 6 meetings (°°)</i>

<i>GIOVANNI CASTELLANETA</i>	<i>6 out of 6 meetings (°°)</i>
<i>MAURIZIO DE TILLA</i>	<i>5 out of 6 meetings (°°)</i>
<i>RICHARD GRECO</i>	<i>5 out of 6 meetings (°°)</i>
<i>NICOLA SQUILLACE</i>	<i>6 out of 6 meetings (°°)</i>
<i>RICCARDO VARALDO</i>	<i>6 out of 6 meetings (°°)</i>

(°) In office till 1 December 2011

(°°) In office till 4 May 2011

All absences were excused.

As envisaged in the Rules of Procedure of the Board, the Board of Directors:

- a. examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, its corporate governance system and the Group structure;
- b. evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of its key subsidiaries as established by the Chairman and Chief Executive Officer, paying particular attention each year to the adequacy, efficacy and effective functioning of the internal audit system and of the system for managing conflicts of interests;
- c. grants and revokes powers delegated to the Chairman and Chief Executive Officer, except for those reserved solely to the Board under Art. 2381 of the Italian Civil Code, as well as Art. 22.3 of the Bylaws, establishing the limitations on and manner of exercising these powers and determining the frequency with which the Chairman and Chief Executive Officer must report to the Board on the actions that have been taken pursuant to the delegation;
- d. decides the remuneration and conditions of service of the Chairman and Chief Executive Officer through the Remuneration Committee, which has been specifically delegated to do so, and those of the other Directors holding special positions, including membership in the Committees formed by the Board of Directors, in consultation with the Board of Statutory Auditors and in accordance with Art. 2389(2) of the Italian Civil Code;
- e. assesses general performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;
- f. examines and approves the transactions of the Company and of its subsidiaries in advance when they are of significant strategic or financial importance or if they are materially important in terms of the Company's assets and financial position, paying particular attention to situations in which one or more Directors have interests of their own or on behalf of third parties, and, more generally, to transactions with related parties;
- g. at least once a year, appraises the size, composition and functioning of the Board itself and of its Committees.

With the help of the Internal Audit Committee, the Board of Directors lays down guidelines for the internal audit system so that the main risks involving the Company and its subsidiaries are correctly identified and satisfactorily measured, managed and monitored, also defining criteria for the compatibility of these risks with the sound and correct management of the enterprise.

On the basis of reports from the Chairman of the Internal Audit Committee, the Board has found, as detailed in point 11 below, the organisational, administrative and accounting structure of the Company and of its key subsidiaries adequate, efficient and actually functioning.

The Board has defined as key subsidiaries those that it directly controls and that are responsible for managing the Group's areas of business – Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation – having regard to all the activities these companies perform either directly or through other subsidiaries.

The Board has delegated the question of its administrative dealings with the Chairman and Chief Executive Officer and with the Board Member □ General Manager, the Remuneration Committee, which takes the appropriate decisions in consultation with the Board of Statutory Auditors, keeping the Board fully informed.

In assessing general management performance, the Board periodically compared the results attained with those envisaged in the Budget approved by the Board and any subsequent changes.

As called for in the Corporate Governance Code and its own Rules of Procedure, the Board of Directors of Finmeccanica conducts annual assessments of the size, composition and functioning of the Board itself and of its Committees, and may express opinions concerning the professional qualifications sought in Board members.

In the early part of 2012, this (self-)evaluation was repeated for the seventh consecutive time (the first time for the Board currently sitting) and was done, for 2011, with the help of an independent expert who was selected by the Board itself.

In addition to assessing the degree to which the Board follows the principles and conducts defined in the Rules of Procedure and in the Corporate Governance Code, the latest (self-)evaluation used benchmarking to compare the Group's practices with the best practices seen in the Italian and foreign marketplace, as well as the possible actions to improve its functioning.

The procedure followed for the 2011 (self-)evaluation was based on obtaining various individual opinions by means of interviews with each of the Board Members, the Chairman of the Board of Statutory Auditors, the Secretary of the Board and the Internal Audit Manager; these were carried out

with the help of a partly-structured questionnaire and open discussions and they were then processed by the expert and discussed among the Directors. The interviews were also aimed at giving interviewees ample space for reflection as well as direct encouragement to discuss aspects of the structure and running of the Board and Committees.

The process has highlighted the efficacy of the work carried out by the Board of Directors, which has held office for less than one year and which has been renewed to an extent of about two thirds, in a particularly complex period, both with reference to the market trends and from an internal point of view.

The process has highlighted the efficacy of the work carried out by the Board of Directors, which has been holding office since one year and renewed for about two thirds, in a particularly complex period, both with reference to the market trends and from an internal point of view.

The process has also highlighted the awareness by the Board Members of the role played and of the importance of the rules and practices of the good corporate and Group governance. These are elements that have led to the positive overall self-assessment about the size, composition and functioning of the Board of Directors of Finmeccanica.

Finally, clear indications have emerged on possible actions to be taken to improve some specific areas; these actions will be the object of a specific reflection in the course of the financial year.

Finally, the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision in Art. 2390 of the Italian Civil Code.

In accepting his position, therefore, each Director has stated that he does not perform any activity in competition with Finmeccanica, undertaking to inform the Board promptly of any changes to the contents of the statement that he made at the time of his appointment.

4.4. DELEGATED BODIES

Chairman and Chief Executive Officer

Without prejudice to the duties reserved to the Board of Directors, the Chairman and Chief Executive Officer, as well as being the legal representative of the Company, in accordance with the law and the Bylaws, having signatory powers on behalf of the company, having the role of promoting and monitoring the running of the Board of Directors and having the power to implement the resolutions of the governing body, has been granted all the powers necessary to jointly manage the Company, its branches of business and its subsidiary, associates and investee companies, consistently with the strategic guidelines identified by him and approved by the Board of Directors.

The Chairman and Chief Executive Officer have been granted the powers required to perform these duties, with some limits on their exercise, including: €mil. 150 as the maximum value of contracts that can be signed on behalf of the company, €mil. 50 limit on the issue of guarantees, €mil. 25 limit on medium and long-term credit and debt financial transactions, and €mil. 25 limit on settlement of agreements relating to each individual transaction.

In light of the change in the corporate structure and in order to ensure the most efficient management of the Group, the Board of Directors, in its meeting of 1 December 2011, evaluated the need to review the structure of the delegated operational powers, which were previously granted to Mr. Pierfrancesco Guarguaglini as Chairman and to Mr. Giuseppe Orsi as Chief Executive Officer, and it considered it was appropriate for these powers to be amalgamated and held by Mr. Giuseppe Orsi alone.

The amalgamation of the two offices, both held by Mr. Giuseppe Orsi, reflects the need to ensure strong leadership to direct the current phase of consolidation of the operations and assets of the Group. The Chairman and Chief Executive Officer is however assisted by both the Board Member – General Manager and by a management structure focused on specific business areas with a high level of professional skill.

The Chairman of the Board of Directors calls Board meetings, coordinates their work and directs the proceedings at meetings, ensuring that the Directors are given satisfactory information in good time so that the Board can express itself in a properly informed manner regarding the matters submitted for its attention.

Information to the Board of Directors

The specific rules governing the procedures involved in the functioning of these meetings, set out in the Rules of Procedure of the Board of Directors, specify the methods whereby the members of this body are assured that the utmost fairness is observed both in the phase in which prior information is supplied regarding the items on the agenda and in the procedures for conducting the meetings.

Specifically, each Director and Statutory Auditor will be sent supporting documentation containing the primary information needed to understand and assess the issues on the agenda on the same day as the meeting is called, where possible, or in any case at least 3 days prior to the date set for the Board meeting (except in urgent cases).

Moreover, the Chairman, on his own initiative or at the request of the Board members, may set up special meetings in preparation for the Board meeting to explain in greater depth the documentation prepared by the Company's management when particularly complex issues are to be put forth to the Board.

The Chairman and Chief Executive Officer is also expected to provide the Board of Directors with full information regarding the main activities he has performed in the exercise of his delegated powers and regarding any atypical or unusual transactions or transactions with related parties for which the Board of Directors does not have sole responsibility. In this respect, Section 12 below should be referred to for the specific principles of conduct involved, especially as regards transactions with related parties.

This information is provided at the same time as the periodic accounts (annual, half-year and interim financial statements and management reports) are submitted for the approval of the Board of Directors.

4.5. OTHER EXECUTIVE DIRECTORS

The Board of Directors is made up exclusively of NON-EXECUTIVE DIRECTORS (i.e. without delegated operational powers and/or management duties within the company), with the exception of the Chairman and Chief Executive Officer Mr. Giuseppe Orsi and of the Board Member – General Manager Mr. Alessandro Pansa. In fact, the Board of Directors meeting of 1 December 2011, as it co-opted Mr. Pansa as a Director pursuant to article 2386 of the Italian Civil Code, resolved to grant to the same and confirm the powers and the authorities previously granted to him on 26 May 2011 as General Manager and CFO, as well as to confirm his appointment as Officer in charge of preparing the Company's accounting documents as per the Board resolution of 26 May 2011.

Induction events were held during the financial year, with a total of around 9 hours actually dedicated to broadening corporate awareness by the Directors (without counting the time taken by these Directors to get to the sites of Group subsidiaries in Italy and abroad). In this first year of the term the most recently appointed Directors broadened their knowledge of the Group's activities, in particular with regard to subjects such as the management and development of human resources, Group organisation and Governance, the economic/financial planning and control Model, the industrial structure, technology and the relevant markets, including an in-depth examination of the Aeronautics sector. Two meetings were also held with the managers dedicated to the examination of the Budget which was then submitted for the approval of the Board.

4.6. INDEPENDENT DIRECTORS

In accordance with the Company's corporate governance model, which, as mentioned earlier, has been aligned with the recommendations of the new Corporate Governance Code, Finmeccanica's Board of Directors assesses the degree of independence of its non-executive members at the first possible meeting after their appointment. Their independence is reassessed annually in the course of preparing the Corporate Governance Report. In assessing independence, the Board considers the information given by the individuals concerned regarding circumstances relevant to the assessment, as envisaged in the Board's Rules of Procedure.

The Board then submits its assessment of the independence of its members to the Board of Statutory Auditors, which verifies that the assessment criteria and procedures have been correctly applied.

In the meeting of 14 March 2012 the Board of Directors assessed the independence of its own members on the basis of the information gathered from the Directors themselves.

At the end of the checks carried out with regard to the current 9 non-executive Directors appointed by the Shareholders' Meeting (and therefore excluding Carlo Baldocci, who is a Director with no voting right and who was appointed by Ministerial Decree pursuant to section 5.1. *ter*, letter d) of the Company's Bylaws, as well as Giuseppe Orsi, Chairman and Chief Executive Officer and Alessandro Pansa, formerly General Manager and CFO, who was subsequently appointed also as Director pursuant to article 2386 of the Italian Civil Code by the Board of Directors of 1 December 2011), the Board has assessed and confirmed the existence of the "independence" requirement for the 8 Directors who have declared that they meet such requirement and therefore with the sole exception of Francesco Parlato, by virtue of his employment relationship with the Ministry for Economy and Finance, which holds a stake equal to about 30.20% of the share capital.

It should be noted that, at the time of the filing of the lists of candidates for the appointment of the Board of Directors on the part of the Shareholders' Meeting of 4 May 2011, the Directors themselves also declared that they met the independence requirements set out by law (article 148, paragraph 3, of the Consolidated Law on Financial Intermediation).

In its assessment pursuant to the Corporate Governance Code, the Board of Directors has adopted the same application principles and criteria specified in the abovementioned Code.

As usually, the Board has submitted the independence assessment of its members to the Board of Statutory Auditors, which has positively verified the correct application of the assessment criteria and procedures defined in the Rules of Procedure of the Board of Directors, without making objections.

It should be noted that none of the serving non-executive Directors has any substantial direct or indirect commercial, financial or professional relationship with the Company and/or its subsidiaries.

The Board of Directors has specified additional factors, set out below, in the assessment of independence, in the framework of the appraisal criteria specified in the Code and adopted in the Board's Rules of Procedure.

Persons in a position to “significantly influence” Finmeccanica are shareholders holding 10%, even indirectly, of its equity and, in any event, the Ministry for the Economy and Finance and the Ministry for Economic Development, inasmuch as they have the “special powers” envisaged in the Bylaws.

As regards professional collaboration or consultancy, the Board has stated that it will set quantitative reference parameters for assessment in these cases, while it will use its discretion in evaluating specific situations in the light of the Company’s best interests, the significance of the relationship and the likelihood of its affecting the Director’s independence. The Board, however, set a limit to Directors’ emoluments (€ 60,000), the maximum amount allowed for any professional assignments, which, in any event, must first be authorised by the Board.

Additionally, with regard to persons who are or were in the service of the Italian central government, which is a shareholder of Finmeccanica through the Ministry for the Economy and Finance, the Board of Directors appraises Directors’ past or present employment by the Office of the Prime Minister, the Ministry for the Economy and Finance, the Ministry for Economic Development and the Ministry of Defence and any past or present positions held by such persons involving influence over authorities’ policies or their manner of execution.

Without prejudice to all the above rules, the principle remains that each Director acts fully in conformity to his obligation to the Company to attend to his duties with the diligence called for by the nature of the position and by his specific expertise.

Independent Directors meet at least once a year, in the absence of the other Directors. Meetings are convened at the request of the independent Directors or by the Lead Independent Director.

In 2011, the independent directors met 3 times, in all cases as requested by the Lead Independent Director and without the presence of the Chairman and Chief Executive Officer, the Board Member □ General Manager or the non-independent directors.

During these meetings, the independent directors selected the topics of greatest interest in enhancing their knowledge of the Group and the context in which it operates.

Specifically, in the course of the 2011 financial year, the independent directors submitted to the Chairman some initiatives to improve the knowledge of the Company’s and Group’s activities and accompanied some consultations as to the review of the structure of the proxies.

In addition, the Company's various internal committees, where appropriate and including for matters assigned to them and in the event of particularly important issues, consult with the other independent directors in order to obtain their opinions.

4.7. LEAD INDEPENDENT DIRECTOR

On 26 May 2011 the Board of Directors, with the abstention of the executive and non-independent Directors, confirmed the Director Guido Venturoni as Lead Independent Director, with the task of directing and coordinating the requests and contributions from the non-executive Directors and in particular:

- assisting the Chairman and Chief Executive Officer in ensuring that Directors receive full and prompt information;
- convening, independently or at the request of other Board members, special meetings of independent Directors to discuss issues relevant to the functioning of the Board or the Company's operations;
- facilitating the process of the assessment of the members of the Board;
- working with the Chairman and Chief Executive Officer in drawing up the annual calendar of Board meetings;
- informing the Chairman and Chief Executive Officer of any matters to be submitted to the Board for scrutiny and appraisal.

The Lead Independent Director will serve throughout the term of office of the Board of Directors, that is, until the Shareholders' Meeting held to approve the 2013 financial statements.

The Lead Independent Director meets with the Chairman and Chief Executive Officer several times throughout the year to explain the requirements of the non-executive Directors, particularly the need to enhance their knowledge of the strategic context of the specific sector in which the Group operates, in order for them to be in a better position to evaluate the transactions that are submitted for the Board's attention.

Apart from deciding the contents of the independent Directors' meetings referred to above, and chairing them, the Lead Independent Director worked with the Chairman and Chief Executive Officer in defining the measures to take in order to give Directors and Statutory Auditors a better understanding of the Company, the Group and their performance.

5. HANDLING OF CORPORATE INFORMATION

Particular care has been taken within the Company concerning the management and handling of confidential information and the methods whereby it was transmitted externally, with special regard to inside information.

For some time now, specific internal procedures have been adopted to coordinate the management and transmission of this information within the Group, in order to ensure compliance with the special restrictions and disclosure obligations imposed on listed issuers at every structural level, including subsidiaries.

These procedures were updated in more organic terms during 2007, by means of a specific directive addressed to Company executives and employees, Directors, Auditors and external advisors regarding relations with the media and, in particular, the generation, management and handling of inside information, and more generally all confidential information and news about Finmeccanica and the Group companies.

This directive was also distributed to the subsidiaries of Finmeccanica, which must also abide by and implement its provisions, and was already carefully updated in 2010 to revise and align its content and operating procedures with regulatory developments that have occurred since its issue, as well as with changes that have been made to the organisational structure of the Company and the Group.

The Company's Public Relations are responsible for the management of the process of announcing corporate information to the outside world.

Within the scope of the procedures for the management and communication of information pertaining to the Company and in the implementation of the provisions on Internal Dealing, the Board of Directors of Finmeccanica passed a resolution some time ago (on 28 March 2006) to adopt an **INTERNAL DEALING CODE**, in order to replace the Code of Conduct that was previously in force, in compliance with the implementing regulations imposed by CONSOB for the adoption of the provisions of the European Market Abuse Directive.

The Code, which governs the flow of information to the market about transactions involving shares issued by Finmeccanica or other financial instruments connected to these and initiated, also through a third party, by "Key Persons" in the Company or by persons "closely connected" to them, was subject to a specific update with a resolution passed by the Board of Directors on 14 November 2011.

As well as adopting a number of formal amendments in connection with the changes made to the organisational structure of the Company, the new text significantly extended, in the light of best

practice as well as the guidance and requirements of foreign institutional investors in relation to practices adopted in their respective markets, the provisions concerning periods during which transactions cannot be carried out (blackout periods) by Key Persons (or by persons closely connected to them).

Please note that for the purposes of the Code, the Directors, Statutory Auditors, General Manager as well as persons holding the office of Joint General Manager fall into the category of “Key Persons”, and that for all the Persons mentioned there was a “period of prohibition” for the fifteen days preceding the date of approval of the mandatory periodical reports by the Board of Directors. In this regard, a distinct blackout period was introduced for executive Directors and for the General Manager (as well as for persons closely connected to them), starting from the fourteenth day before the close of each accounting period and ending on the day following the issue of the press release announcing the results achieved in the period; for other Key Persons (non-executive Directors, Statutory Auditors and persons closely connected to them) the blackout period was extended to start from the closing date of the relevant accounting period and end on the day after the issue of the press release announcing the relevant results.

The quantitative threshold identified by the Code for transactions subject to disclosure provides – in compliance with the regulatory provisions – that only transactions with a total value that does not reach € 5,000 by the end of the same calendar year are excluded from the obligation.

As regards the deadline for disclosure to CONSOB and to the public, “Key Persons” are required to ensure that their notification reaches the Company within four trading days after the transaction, and the Company must inform CONSOB, Borsa Italiana SpA and the press agencies before the end of the trading day after receiving the information.

The Company promptly publishes the information transmitted on its website, in the Internal Dealing area, which is accessible through the Investor Relations/Corporate Governance section.

In order to ensure that the rules are correctly applied, the Company has laid down specific operating procedures to ensure that “Key Persons” are made aware of their obligations and are provided with the help necessary to fulfil them.

The new Internal Dealing Code, which is in force effective from and with reference to the transactions effected from 14 November 2011, is available on the website of the Company (Internal Dealing area, which can be accessed through the Investor Relations/Corporate Governance section).

Finally, pursuant to Art. 115-*bis* of the Consolidated Law on Financial Intermediation, the Company has created a special Register of persons who have regular or occasional access to inside information

owing to their work or profession or by virtue of the functions that they perform. The Register is kept up to date in compliance with current regulations.

6. INTERNAL BOARD COMMITTEES

The Board of Directors has formed Committees from among its members, composed of Directors in accordance with the Corporate Governance Code and as laid down in its own Rules of Procedure. Among these Committees are the Internal Audit Committee and the Remuneration Committee, whose functions, work and composition are described in detail below.

The Board also formed the Strategy Committee, which met 2 times in 2011 and 1 time so far in 2012.

The Committee is made up of the following members:

<u>STRATEGY COMMITTEE</u>		<u>ATTENDANCE</u>
GIUSEPPE ORSI - Chairman	(1)	1 out of 1 meetings
CARLO BALDOCCI	(1)	1 out of 1 meetings
PAOLO CANTARELLA	(1)	1 out of 1 meetings
DARIO GALLI		2 out of 2 meetings
MARCO IANSITI	(1)	1 out of 1 meetings
FRANCESCO PARLATO		1 out of 2 meetings
	(1) From 26 May 2011	

- Members in office till 4 May 2011:

<i>PIER FRANCESCO GUARGUAGLINI - Chairman</i>	<i>(2)</i>	<i>2 out of 2 meetings</i>
<i>ANDREA BOLTHO VON HOHENBACH</i>		<i>1 out of 1 meetings</i>
<i>GIOVANNI CASTELLANETA</i>		<i>1 out of 1 meetings</i>
<i>RICHARD GRECO</i>		<i>1 out of 1 meetings</i>
<i>NICOLA SQUILLACE</i>		<i>1 out of 1 meetings</i>
<i>GUIDO VENTURONI</i>		<i>1 out of 1 meetings</i>

(2) Till 1 December 2011

This Committee is responsible for assessing the strategy options for the Group's advancement and the relative business plans drawn up by the Chairman and Chief Executive Officer for submission to the Board of Directors.

During the abovementioned 2 meetings the Committee examined:

- the reorganisation programme, within the Group's Defence and Security Electronics sector, of the information and communication technology (ICT), security, automation and telecommunications activities;
- the possible initiatives to enhance the equity investment in Ansaldo Energia;
- the guidelines of the programme to focus the group activities in the USA;
- the Plan for the revival, reorganisation and restructuring of the aeronautics sector;
- the strategic guidelines of the Finmeccanica Group.

7. APPOINTMENTS COMMITTEE

Up until today, the Board of Directors has taken the decision not to form a Board committee to propose candidates for positions as Directors or to exercise its right to present its own list of candidates as to date it has not found that the Shareholders have any difficulty in submitting lists of candidates on the basis of the list voting mechanism.

8. REMUNERATION COMMITTEE

The Board of Directors has established an internal REMUNERATION COMMITTEE, which met no. 7 times in the course of the 2011 financial year, as well as no. 3 times in the current 2012 financial year. The average duration of the meetings was about one hour.

REMUNERATION COMMITTEE

ATTENDANCE

DARIO GALLI- Chairman	7 out of 7 MEETINGS
FRANCO BONFERRONI	7 out of 7 MEETINGS
FRANCESCO PARLATO	7 out of 7 MEETINGS
CHRISTIAN STREIFF (1)	6 out of 6 MEETINGS

(1) From 26 May 2011

- Members in office till 4 May 2011:

<i>RICCARDO VARALDO – Chairman</i>	<i>1 out of 1 meetings</i>
<i>PIERGIORGIO ALBERTI</i>	<i>1 out of 1 meetings</i>

The composition of the Committee – all non-executive Directors, the most of which are “independent” directors, including the Chairman – is in line with the provisions of the Code (also with respect to the last version updated in December 2011). Furthermore, the composition of the Committee is consistent with the recommendation, made by the Code, as to the presence of at least one member in possession of an adequate knowledge and experience in financial issues.

The duties of this Committee are:

- determining, by virtue of the proxies granted by the Board of Directors, the compensation and conditions of service of the Directors whom authority has been delegated, in consultation with the Board of Statutory Auditors where required by Art. 2389 of the Italian Civil Code, based on the terms of his employment contract with the Company;
- assessing the proposals made by the Chairman and Chief Executive Officer of the Company in relation to the general criteria for remuneration and incentives and considering the plans and mechanisms in place for developing the management skills of the Group's key employees and the executive Directors of Group companies;
- assisting the Company's top management in deciding on the best policies for the handling of the Group's management employees;
- assessing top management proposals for the introduction of and changes to incentive plans for Directors and executives of the Company and Group companies;
- performing the functions for which it is responsible in relation to the management of the Incentive Plans as prescribed in the appropriate Rules of Procedure.

The activities of the Committee are regulated by appropriate **RULES**, whose text is available on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area). The Rules provide, *inter alia*, that the Directors provided with delegated powers are not invited to participate in the meetings in which proposals are submitted in relation to their own remuneration.

Since it was firstly formed in December 2000, the Remuneration Committee has played a role in support of the Company's top management with regard to some of the primary issues related to the strategic management of the Group's human resources and its salary and retention policies.

In this respect, incentive plans have been implemented based on performance and growth targets set for the Group's share price and value.

Furthermore, in line with the strategic objective of refocusing on management development and planning as one of the key priorities of Finmeccanica, the Committee has supported the creation of a qualified, structured and periodic management appraisal process, designed to select the beneficiaries of the long-term incentive programmes objectively and impartially.

In 2011, the Committee determined, by virtue of the proxies granted by the Board of Directors, the economic and regulatory treatment of the Directors based on proxies granted by the Company, following the renewal of the top management positions that occurred on 4 May 2011 and also defined the related administration relationships. Subsequently, the Committee, in relation to the review of the

proxies and the early termination of the relationship with Pier Francesco Guarguaglini, decided to apply and enforce the relevant provisions laid down in relation to the administration relationships entered into with the same.

The Committee also continued to perform its institutional function of supporting Top Management in priority areas related to the strategic management of the Group's Human Resources, as well as to its compensation and retention policies. It also pursued actions authorised in previous financial years.

It also examined the activity programme of the Human Resources Unit for the 2011 financial year focused on the remuneration policies for the Group's management, the management of the key resources and talent scouting, as well as on the reorganization and streamlining processes in support of a higher work productivity and efficiency, expressing its recommendations.

The Committee has examined the report prepared by the Human Resources Unit on the assessment of the Strategic Resources in light of the need for an adequate planning of succession in the various corporate roles, an essential task to ensure the management's continuity and growth.

In the framework of the management of the short-term (MBO) and medium/long-term (Long Term Incentive Plan "LTIP" and Performance Share Plan "PSP") incentive systems for the Group's management, the Committee has acknowledged the 2010 results of the three-year LTIP plans and has taken steps to pay the amounts owed to the Chairman and Chief Executive Officer. As regards the 2008-2010 PSP, the Committee, in the implementation of the specific proxy granted to the same by the Plan Regulations, has verified the level of achievement of the corporate and group objectives for 2010 and, accordingly, has assigned to the plan participants a total quantity of no. 1,589,922 shares.

The Committee has also started a review of the current remuneration system of Strategic Resources and, in particular, of the short- and long-term incentive systems, starting the appropriate in-depth analyses for the creation of a new performance-based incentive plan to replace the Performance Share Plan that has been concluded with the final statement relating to the 2010 financial year. This plan, named 2012-2014 "Performance Cash Plan", was approved at the meeting of 21 January 2012, together with the new 2012-2014 cycle of the Long Term Incentive Plan cash. During the 2011 financial year no new medium-long term incentive plans were created, while the new incentive plans will be started during the 2012 financial year.

To carry out its activities the Committee makes use of the support from the suitable units of the Company and in particular from the Human Resources Unit, as well as of the help of external professionals. No specific budget has been prepared for the Committee's activity, without prejudice to the abovementioned right to make use of external professionals.

Committee meetings are duly minuted. The Director of Human Resources and the Chairman of the Board of Statutory Auditors are always asked to attend Remuneration Committee meetings.

9. REMUNERATION OF DIRECTORS

General remuneration policy.

By a resolution passed by the Board of Directors on 27 March 2012, the Company approved the Remuneration Report pursuant to the new article 123-*ter* of the Consolidated Law on Financial Intermediation, which illustrates – *inter alia* - the policy adopted on the remuneration of the members of the governing bodies, the general managers and the other executives with strategic responsibilities envisaged in the new section 7 of the Corporate Governance Code, as specified in point 18 below of this Report.

In formalising its compliance with the contents of the new section 7, which was enacted in March 2010, the Company has taken account of the significant innovations, both expected and applied - during the 2011 financial year – in the relevant regulatory framework, following the introduction of the mentioned article 123-*ter* by Legislative Decree no. 259 on 30 December 2010, referring, for the related application, to the implementing provisions issued by CONSOB and delegating the complete definition of the information and content elements of the new Remuneration report to the same.

The new regulations on the transparency of remuneration have become applicable starting from the current 2012 financial year following the entry into force, on 31 December 2011, of the implementing regulations approved by the Commission by Resolution no. 18049 of 23 December 2011.

The need to wait for the complete definition of the regulatory and legislative framework, together with the expiration – again in 2011 – of the term of office of the Company's Board of Directors, and the appointment of the new governing body for the three-year period 2011/2013 on the part of the Shareholders' Meeting of 4 May 2011, have led the Company to complete the implementing course put forward by the Code in the first months of the current 2012 financial year.

For detailed information as to the remuneration paid out in the 2011 financial year, for any reason and in any form, including that paid by subsidiary and associated companies, to the individual members of the Board of Directors, as well as to the Statutory Auditors and to the General Manager of the Company, reference is made to the second section of the Remuneration report, which has been prepared pursuant to article 123-*ter*, paragraph 4, of the Consolidated Law on Financial Intermediation.

The full text of the Remuneration report is made available according to the procedures set out by law, also through the publication on the Company's website (Investor Relations/Corporate Governance section, Remuneration area), within the time limit of 21 days prior to the date of the Shareholders' Meeting called to approve the Financial Statements.

10. INTERNAL AUDIT COMMITTEE

The Board of Directors has set up an Internal Audit Committee which, in the course of the financial year, met 15 times; from January 2012 until today, the Committee met 3 times. The average duration of the meetings was about 2 hours and 30 minutes.

The committee is made up as follows:

INTERNAL AUDIT COMMITTEE

ATTENDANCE

PAOLO CANTARELLA – Chairman (1)

GIOVANNI CATANZARO

8 out of 9 meetings

SILVIA MERLO

9 out of 9 meetings

GUIDO VENTURONI

9 out of 9 meetings

(1) Member and Chairman from 1 December 2011

- Members in office till 4 May 2011 (2)

PIERGIORGIO ALBERTI

6 out of 6 meetings

MAURIZIO DE TILLA

6 out of 6 meetings

NICOLA SQUILLACE

4 out of 6 meetings

FRANCO BONFERRONI

15 out of 15 meetings

(2) Except for Franco Bonferroni, resigning as board member and Chairman from 22 November 2011

The composition of the Committee – all non-executive and “independent” directors – is in line with the provisions of the Code (also with respect to the last version updated in December 2011); furthermore, this composition is consistent with the recommendation, made by the Corporate Governance Code, as to the presence of at least one member who must have an adequate experience in accounting and financial issues.

The activities of the Internal Audit Committee are regulated by Rules approved by the Board of Directors, whose text has been updated, in light of the regulatory amendments introduced by Legislative Decree no. 39 of 27 January 2010, governing the legal audit of annual and consolidated

accounts, on one hand, and, on the other hand, of the appointment of the Internal Audit Committee as Committee for Transactions with Related Parties in accordance with the provisions laid down by the Procedure for Transactions with Related Parties approved by the Board of Directors of Finmeccanica Spa on 26 November 2010 and subsequently updated on 13 December 2011.

The text of the Rules of the Committee is available on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area).

The Board of Statutory Auditors and the Internal Audit Manager are constantly involved in the Committee's work, and the Chairman and Chief Executive Officer may also take part. If appropriate, depending on the items on the agenda, Company and Group companies' executives and employees may also be asked to attend meetings of this Committee as well as third parties who are not members.

The Committee advises and puts forward proposals to the Board of Directors within the course of its work.

The Committee is, in particular, responsible for verifying the functioning and adequacy of the internal audit system and observance of internal procedures, so as to ensure both the sound, effective management of various risks and their prevention as far as is possible.

The following are mentioned from among the Committee's specific duties:

- a) assist the Board of Directors in setting the policies for the internal audit system, including the financial reporting process, and in assessing the adequacy, efficacy and actual functioning of the system at least once per year;
- b) together with the Officer in charge of preparing the Company's accounting documents and the independent auditing firm, assess the adequacy and uniformity of the accounting principles adopted in preparing consolidated financial statements;
- c) express opinions, at the request of the Executive Director in charge of the internal audit system, on specific issues pertaining to the identification of the main business risks and the design, creation and management of the internal audit system;
- d) examine the working plan drawn up by the Internal Audit Manager and his periodic reports;
- e) report on the work done and on the adequacy of the internal audit system to the Board of Directors at least every six months during the meetings held to approve the annual and half-year financial statements;
- f) perform any additional duties assigned to it by the Board of Directors.

The Internal Audit Committee, which is responsible for supervising the Internal Audit Organisational Unit, also performs functions as Committee for Transactions with Related Parties, referred to in the Procedure for Transactions with Related Parties adopted by Finmeccanica Spa pursuant to article 4 of

CONSOB Regulation 17221 of 12 March 2010, as amended and supplemented, by a resolution passed by the Company's Board of Directors on 26 November 2010.

Committee meetings, constantly attended by the members of the Board of Statutory Auditors, are duly minuted.

In performing its duties, the Committee may seek assistance from the Internal Audit Manager and both internal employees and outside professionals, provided they are contractually bound to protect confidentiality and to abide by the Company's ethical principles.

In carrying out its work the Committee also makes use of the appropriate Company structures, from which it receives the necessary information. Consequently, while it retains the right, mentioned above, to avail itself of the services of outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.

In 2011 and from January 2012 to the date of publication of this report, the Internal Audit Committee has discussed the following issues and consequently conducted periodic audits of the adequacy and functioning of the internal audit system and the Company's underlying organisation.

- Specifically, in the course of this period the Committee:
- continued the process to check the operations of the internal control systems of the main subsidiaries and of the degree of adoption, on the part of the same, of the guidelines of Finmeccanica Spa;
- examined the Report of the Internal Audit Organisational Unit on the work carried out in the course of 2011 and all the audit reports, including those concerning the cross-section audits conducted on the Finmeccanica Group and issued in the course of such financial year;
- examined and approved the 2011 Audit Plan, whose scope of action has considered the processes of Finmeccanica Spa, from the management points of view and pursuant to Legislative Decree 231/01;
- assessed the adequacy of the organisational, administrative and accounting structure of Finmeccanica Spa;
- examined the report issued pursuant to article 19, paragraph 3, of Legislative Decree no. 39 of 27 January 2010, by the accounting firm PricewaterhouseCoopers SpA from which no significant weaknesses of the Internal Audit System have emerged. In this regard, the Committee and the Board of Statutory Auditors have made some observations which are aimed at further improving the Internal Audit System, which have been approved by the Top Management;
- discussed the obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (Art. 36 of CONSOB's Market Regulation) and noted that the administration and accounting system responsible for the financial reporting process functions

effectively and that it essentially meets the requirements of Art. 36 of CONSOB's Market Regulations, and therefore no special plan to bring it into compliance is needed;

- performed other duties described in Section 11 "Internal Audit System".

With the help of the Internal Audit Organisational Unit, the Committee carried out activities that enabled the Board of Directors to assess the adequacy of the organisation, administration and accounting functions of the Company and of its subsidiaries of strategic importance.

The Committee also reviewed the preparation of the half-year report and the annual financial statements, meeting with the auditing firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

Finally, on the basis of reports from the Internal Audit Manager and the auditing firm, the Committee assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing annual and half-year financial statements.

11. INTERNAL AUDIT SYSTEM

The Board of Directors, with the support of the Internal Audit Committee, and also by means of the work of the Chairman and Chief Executive Officer, Mr Giuseppe Orsi, as executive Director responsible, defines the guidelines for the internal audit system so that the main risks relating to the Company and its subsidiaries can be correctly identified and properly measured, managed and monitored. It also determines the criteria for assessing whether these risks are compatible with the sound management of the Company.

The Internal Audit Committee's Rules of Procedure adopt the internal audit principles laid down in the Corporate Governance Code, taken as the combination of rules, procedures and organisational structures whose purpose is, by means of an appropriate process of identification, measurement, management and monitoring of the main risks, to allow the enterprise to be managed on a sound and proper basis, consistent with the targets that it sets itself.

The following persons/bodies play a role in the operation and in the assessment of the effectiveness of Finmeccanica Spa's internal audit system:

- Board of Directors;
- Executive Director in charge of the internal audit system;
- Internal Audit Committee;
- Internal Audit Manager;
- Administrative body to which powers have been delegated pursuant to Law 262/05;

- Officer in charge of preparing the Company's accounting documents pursuant to Law 262/05;
- Supervisory Body formed pursuant to Legislative Decree 231 of 8 June 2001;
- Board of Statutory Auditors.

For the purposes of this assessment, the Internal Audit Committee informed the Board of Directors of the special meetings that had taken place with the subsidiaries for the purpose of examining in detail together with the management the functioning of their respective internal audit systems and the underlying controls set to support the development of the business. In 2011, a more thorough assessment of the efficacy and adequacy of the Internal Audit System was also performed with regard to widespread news reports about the investigation of Group companies being conducted by judicial authorities.

In the course of 2011 investigations were continued and started which involved Finmeccanica Spa itself, some subsidiaries and some important executives of the Group; in this regard, full cooperation has been provided to the investigating authorities.

To that end, the Internal Audit Committee and the Supervisory Body, together with the Board of Statutory Auditors and with the help of the appropriate Finmeccanica Spa departments, performed their own investigation into these matters through meetings with the Top Management of Finmeccanica Spa and the Group companies involved and with representatives of the independent auditors, PricewaterhouseCoopers SpA, among other methods. The Board of Statutory Auditors also carried out an independent audit through meetings with the Boards of Statutory Auditors of the Group companies involved.

With regard to all the activities carried out, as presented by the Chairman of the Internal Audit Committee, the Board of Directors confirmed the evaluation of the suitability, effectiveness and effective operation of the organisational, administrative and accounting structure of the Company and of the main subsidiaries. On the other hand, these activities led to the identification of certain areas of improvement and implementation of the Internal Control System of the Group as highlighted below; these were also partially confirmed in the report issued by PricewaterhouseCoopers SpA on 7 March 2012.

These areas of improvement and implementation of the Internal Control System, for which the Group put in place specific initiatives during 2011 and has more planned for 2012, are as follows:

Contracts supporting commercial activities: New Group Directive.

On 8 February 2011, Finmeccanica issued Directive no. 17, which became immediately effective, on the "Execution and management of contracts in support of commercial activities with public administrations, institutional clients and state-owned companies"; subsequently, on 11 January 2012, the related Guidelines "Consultants and Business Promoters" were issued to better apply said Directive.

Directive no. 17 firstly defines the organisational context both in Finmeccanica and in the subsidiary companies, with the roles and responsibilities of the various Organisational Units, and secondly, the rules for the establishment and management of relations with consultants and business promoters. In this regard it provides that, on the one hand, Finmeccanica has the task of drawing up the general rules for the Group, as well as monitoring the implementation and providing support for the drafting and updating of these; on the other hand, the companies have the duty to abide by said rules, in compliance with organisational models, codes of ethics and national, foreign and international regulations as applicable.

Directive no. 17 sets out a series of requirements which must be carried out before entering into a contract and complied with during its implementation, in particular with regard to the verification of the requisites which consultants and business promoters must meet. In practice, it provides for the performance of a due diligence activity for each individual relationship; this must take place using specifically mentioned tools such as statements, disclosures and other documents, to be acquired both from the persons directly concerned (written statements and questionnaires certifying in detail their integrity and good conduct) and with recourse to independent sources (legal opinions from external firms and corporate and financial information obtained from public registers).

On the other hand, the Guidelines, drawn up on the basis of national and international regulations as well as best practice (e.g. OECD reports, ASD principles), have defined and regulated at an operational level the following points:

- Definition of consultancy and business promotion; definition of institutional clients.
- Implementation procedures: only very limited possibilities for companies to deviate from the Directive and from the Guidelines issued by Finmeccanica.
- Base version of contract: a list of basic elements to be verified in contracts has been drawn up, as has a standard contract.
- Red Flags: identification of the main risk factors for which evaluation and traceability are obligatory (e.g. personal or family relationships, countries with a high risk of corruption).
- Countries with favourable tax systems: reference to the black list of national systems and definition of general rules of conduct with a ban on executing a contract if the Consultant or Business Promoter is resident in a tax haven country other than the country of the job order.
- Record card: a document which summarises the relationship is required, with detailed instructions concerning the restrictions and requirements in executing the contract.
- Legal opinion with two levels of verification: a database of general opinions regarding the operating conditions in the various countries which is managed by the Compliance and Regulation Organisational Unit of Finmeccanica Spa and an evaluation of the specific task which is carried out by the companies.
- Questionnaire: standard form to ensure that the companies acquire the key information about the Consultant/Business Promoter.

Directive no. 17 also provides for each Group company to send the Parent Company, on a six-monthly basis (starting from the first half of 2012), a statement that attests to the adoption and application of Directive no. 17.

For the purpose of monitoring that such Directive has been correctly applied, a Business Compliance Organisational Unit has also been established within the Market and Business Development Unit of the Parent Company to work on these issues in cooperation with the Legal and Corporate Affairs Unit. For the purpose of also aligning contracts entered into before the issue of this Directive and which are still in force to the provisions of Directive no. 17 and the related Guidelines, the Guidelines provide that such contracts are amended according to the Directive and the abovementioned Guidelines when they are renewed or extended (if applicable). Such amendments must take place by 30 June 2012.

On this last subject, the Parent Company has further advised subsidiaries to adhere, in a precise and timely manner, to the rule contained in the Guidelines of Directive no. 17 mentioned above, by carrying out the following activities: (i) examining the contracts under discussion; (ii) evaluating possible opportunities to terminate them; (iii) where there is a need to confirm or extend these contracts, adapting them to the provisions of Directive no. 17; (iv) issuing a declaration certifying that the contracts have been adapted to the new provisions.

Furthermore, the Parent Company has advised subsidiary companies that all the derogations to the general regulations of Directive no. 17 that have been adopted, even if they are derogations which have been expressly provided for and therefore allowed by the Directive itself for certain particular situations, are to be formally justified and described, in such a way as to allow the decision-making process underlying the adoption of the derogation to be checked and reconstructed.

Adoption of new Group Directives²/Company Procedures³.

In addition to Directive no. 17 referred to in the previous paragraph, during 2011 and up to the present date the following new Group Directives and Company Procedures were issued:

- Directive on the “Formation and running of the Boards of Directors and Boards of Statutory Auditors of Subsidiary Companies”: issued on 15 November 2011, it is an update of a similar Directive which was issued in 2007. The update basically became necessary to take into account the changed organisation structure of Finmeccanica Spa;
- Directive on the “Management of Transactions with related Parties carried out through and by Subsidiary Companies”: issued on 13 December 2011, with the objective of defining the scope of application, the roles and responsibilities assigned within Finmeccanica and within the subsidiary companies for the performance of activities relating to the management of transactions with Related Parties that are carried out through and by Subsidiary Companies, based on the Procedure

² Within the Finmeccanica system “Group Directive” means the regulations issued by the Parent Company to the subsidiaries so that they regulate the issues under the Directive through the adoption of their own internal procedures in a standardized manner.

³ Within the Finmeccanica system “Company Procedure” means the internal rules adopted by each subsidiary in an independent manner or in the application of a Group Directive; the term “Procedure” itself also means the internal rules adopted by Finmeccanica Spa to regulate its own activities.

which was previously approved by the Board of Directors of Finmeccanica and in implementation of CONSOB Regulation no. 17221 of 12 March 2010, as amended by CONSOB Resolution no. 17389 of 23 June 2010;

- Directive on the “Enhancement, management and protection of the intellectual property of the Finmeccanica Group”: issued on 15 February 2012, with the objective of adopting a combined and coordinated system for the enhancement, management and protection of the intellectual property of Finmeccanica Spa and its subsidiary companies;
- Procedure for the “Management of Transactions with Related Parties”: issued on 13 December 2011, it defines the scope of application, the roles and the related responsibilities for the management of transactions with Related Parties carried out directly by Finmeccanica Spa;
- “Trade Compliance” Directive: defined and in the process of being issued, it covers two particularly important areas: (i) the import/export of equipment for military, dual or commercial use which is subject to specific regulatory requirements (with particular regard to ITAR, EAR, OFAC, EU Council and applicable laws in the UK and Italy); and (ii) programmes of sanctions or other restrictive measures which affect Countries or persons considered sensitive (above all by the competent authorities of the USA, the EU, the UK and Italy, as well as pursuant to the resolutions of the UNO Security Council). The objective of the Directive in question is to establish a system of compliance at Group level, with which the companies of the Group that carry out export activities, which even only potentially fall into the scope of application of the abovementioned regulations and programmes, must implement the Directive through a structured system which envisages the adoption of specific company procedures.

Also within the context of the activities undertaken during 2011 for the improvement and implementation of the internal control system, an activity to update the Organisational, Management and Control Model was launched pursuant to Legislative Decree 231/01 in order to adapt this Model to the provisions of Legislative Decree 121/11 on the subject of environmental crimes.

The Action Plan for 2012, put forward by the Internal Audit Organisational Unit and defined with the Supervisory Body of Finmeccanica, provides that the following Group Directives and Company Procedures shall be issued during the first six months of 2012, aimed at regulating sensitive activities in Audit System terms:

- a. New purchasing procedure for Finmeccanica Spa: this is an update of the previous purchasing procedure issued in 2003, aimed at improving a number of aspects relating to control and authorisation;
- b. Directive on sponsorships: this is a new Directive aimed at defining roles, responsibilities and traceability in the process for approving sponsorships;
- c. Directive on M&A transactions: this is a new Directive aimed at defining roles, responsibilities and traceability in the process for approving extraordinary finance transactions, with particular

reference to transactions for the acquisition or sale of companies, businesses and branches of business;

- d. Directive concerning the granting of consultancy and professional service appointments: this is a new Directive aimed at defining roles, responsibilities and traceability in the process for executing consultancy and professional services contracts, other than those dealt with by Directive no. 17;
- e. Directive concerning the management of complimentary items, hospitality, facilitating payments and entertainment expenses: this is a new Directive aimed at defining roles, responsibilities and traceability in the management of these particularly sensitive subjects.

The adoption of the Directives mentioned in items b. and d. will also entail a review, to be completed by the end of 2012, of the sponsorship and consultancy contracts in force so that they can be adapted to the newly issued provisions.

As regards the internal control system for financial reporting, this provides, among other things, for administrative and accounting procedures which describe the activities, checks, roles and responsibilities as well as the information and document flows to support the process of drawing up financial reports. A specific component to manage the risks of fraud has been integrated into this system.

The administrative and accounting procedures (descriptions) created in previous financial years provide for a number of checks able to mitigate the risks of fraud related to the process of drawing up financial reports as the Financial Risk Assessment, which was carried out prior to the creation of these procedures, was conducted with a view to preventing and mitigating intentional and unintentional errors. In the final quarter of 2010, in order to conclude the set of controls for the prevention of the risks of fraud, a list of fraud schemes was identified (Group Fraud Library) classified by process and by macro risk category (fraudulent misrepresentation of the financial statements, misappropriation of company assets, corruption) consistently with the Uniform Occupational Fraud Classification System developed by the Association of Certified Fraud Examiners (ACFE) as described in more detail in paragraph 11.1.1 below (Monitoring and development of the control system). On the basis of the schemes identified, a specific Fraud Risk Assessment was carried out in 2011, as a result of which the descriptions are now being updated.

The Action Plan for 2012 provides, among other things, for the issue of a Manual for the management of compliance with Law 262/05, including the component related to the management of risks of fraud; its objective is to strengthen the internal control model on financial reporting within the Group and to ensure it is managed with development in mind. This plan also provides for the launch of anti-fraud monitoring activities starting from the first six months of 2012.

Non- or partial application of existing Directives/Procedures.

During the audit activities initiated by the Group and the control activities concluded by PricewaterhouseCoopers a number of cases of non- or partial application of existing Directives/Procedures emerged (although limited in number), with particular reference to the area of Purchasing Procedures, Procedures for the preparation of commercial bids and procedures related to the management of consultancy contracts. Faced with these circumstances, the Parent Company asked subsidiary companies to step up all actions aimed at guaranteeing strict compliance with internal regulations. Where necessary, as already highlighted, the Parent Company will issue special Group Directives for the purpose of ensuring uniform rules.

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Below is a summary of the investigations that, during 2011 or in these first months of 2012, have involved Finmeccanica Spa, or which have come to its attention as they relate to Group companies, with an indication of the initiatives undertaken in this respect by the internal audit bodies.

Finmeccanica Spa, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Naples, was subject to: *i*) two Orders for production of, respectively, deeds and information on the subject of procedures for the selection, evaluation and granting of appointments to enter into contracts abroad and the results of inspection activities carried out by the Company with regard to the contracts entered into in 2010 between Finmeccanica and/or its Group companies and the Government of Panama (i.e.: AgustaWestland SpA, SELEX Sistemi Integrati SpA and Telespazio Argentina SA); *ii*) a delegated acquisition request for the administrative, accounting and banking documentation relating to the management of the abovementioned contracts and relations with the consultancy company VL Consulting Srl and with the business promoter Agafia Corp., as well as copies of the Organisational Models pursuant to Legislative Decree 231/01 and the minutes of the meetings of the Supervisory Bodies of Finmeccanica Spa and of the relevant Group companies. The Company promptly provided all the information requested.

With regard to this matter, the Internal Audit Committee, the Board of Statutory Auditors and the Supervisory Body of Finmeccanica Spa examined an audit report prepared by the Company's Internal Audit function on the process for the granting and management of appointments of business representatives and promoters in relation to job orders acquired in Panama. The checks carried out found no evidence of the process by which the abovementioned companies VL Consulting and Agafia were selected. This circumstance was one of the things taken into consideration when drafting and issuing Directive no. 17, which has been widely mentioned herein. In this regard, the abovementioned bodies acknowledge that Directive no. 17 is a valid aid for matters linked to the execution and management of contracts to support commercial activities.

On the basis of the information currently available, no director, manager or employee of any Group company appears to be under investigation in relation to the abovementioned matter.

Finmeccanica Spa was involved in the investigation launched by the Public Prosecutor's Office of the Court of Rome against SELEX Sistemi Integrati SpA, as described below, because the Director of External Relations was subject to a notice of investigation for the offence under article 8 of Legislative Decree 74/2000; this person suspended himself from his appointment on 20 November 2011 and the related employment relationship was terminated on 7 December 2011. Within the context of the same investigation it was also discovered, as a result of the person concerned receiving, on 19 July 2011, notice of the request submitted by the Public Prosecutor to the Judge in charge of preliminary investigations in Rome to extend the duration of the preliminary investigations, that the former Chairman of Finmeccanica Spa – who resigned on 1 December 2011 – was under investigation for an alleged offence under article 2 of Legislative Decree 74/2000.

For details of this affair and the activities carried out in relation to it, see the more detailed description further below in the discussion of events involving the subsidiary SELEX Sistemi Integrati.

With reference to the news released by news agencies from May 2010 regarding the Group's alleged involvement in unlawful transactions that would have affected Digint srl (a company which at the time was 49% owned by Finmeccanica Group Service SpA, in turn wholly owned by Finmeccanica, and now renamed "SELEX Eltag Cyberlabs srl" and 49% owned by SELEX Eltag SpA), it was discovered that the investigations into the matter were concluded during 2011 with the submission of the requests for committal to trial; in this regard it is clarified that none of these requests involves any Group companies or their directors, managers or employees.

Alenia Aeronautica SpA (now Alenia Aermacchi SpA), within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Rome, was subject to an order for search and seizure of documentation in relation to transactions connected to the sale, as part of the EFA programme, of Eurofighter aircraft to the Austrian government by a Consortium in which Alenia Aeronautica SpA itself participated.

With regard to this matter – in relation to which no director, manager or employee of Alenia Aeronautica SpA appears to be under investigation – the critical issues that emerged, even though they were not deemed significant, resulted in measures being taken regarding the traceability of documentation pertaining to business promotion contracts, a request for the recovery of the advance payment and the adaptation of the company procedures to the requirements of Directive no. 17 of Finmeccanica.

AnsaldoBreda SpA, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Naples, was subject to an order for search and seizure of documentation relating to a conference held in Voghera on 20 April 2011 (organised by, among others, AnsaldoBreda itself) and the supply, by the same company, of trains for the Fortaleza underground (Brazil).

With regard to this matter – in relation to which no director, manager or employee of AnsaldoBreda SpA appears to be under investigation – the Internal Audit Committee and the Board of Statutory

Auditors met the Top Management of AnsaldoBreda SpA and the Board of Statutory Auditors of Finmeccanica SpA met its counterpart in AnsaldoBreda SpA; the abovementioned meetings did not give rise to any critical issues regarding the internal control system of the company.

Ansaldo Energia SpA (100% owned by Ansaldo Energia Holding SpA, which is in turn 54.55% owned by Finmeccanica SpA) was sentenced in first instance, on 20 September 2011, by the Court of Milan - Fourth Criminal Division – to an administrative pecuniary penalty of €150,000.00 for the unlawful administrative act under article 25, paragraph 3 of Legislative Decree 231/01 and to the confiscation of the equivalent of €98,700,000.00. This measure was taken as part of an investigation launched in 2004 by the Public Prosecutor's Office of the Court of Milan into the alleged payment of bribes for the awarding of tenders to a number of companies, including Ansaldo Energia SpA. Ansaldo Energia SpA filed an appeal against this ruling on 1 February 2012. Although confident that the ruling will be revised at the next levels of the proceedings, the company has allocated a provision for risk for an amount equal to the entire sum specified above, as discounted; in its turn, Finmeccanica has allocated an amount equal to 45% of this sum, against the guarantees issued to the minority shareholder at the time of the transfer of the shareholding.

Furthermore, within the context of proceedings conducted by the Public Prosecutor's Office of the Court of Milan, the company was notified, on 16 March 2012, that the Judge in charge of Preliminary Investigations at the Court of Milan had informed the company on 1 February 2012 that the Public Prosecutor had requested an extension of the duration of the preliminary investigations into the alleged offence under article 25 of Legislative Decree 231/01 in relation to article 322-*bis*, paragraph 2, no. 2 of the Italian Criminal Code “committed in the time prior to and around 20 June 2011 in Milan”.

Electron Italia Srl, 80% owned by SELEX Eltag SpA, was subject, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Rome, to a search order in relation to a consultancy contract entered into in 2009 with the limited liability company Soluzioni di Business. Notification of the abovementioned measure was also provided by way of notice of investigation to the then Chairman of Electron Italia Srl for the offences under article 8 of Legislative Decree 74/2000 and article 110 of the Italian Criminal Code. In this regard, it is clarified that Electron Italia Srl paid this company the contractually agreed amount of €10,000 by way of a lump-sum reimbursement of expenses.

With regard to this affair, the Board of Statutory Auditors of Finmeccanica SpA met the Board of Statutory Auditors of Electron Italia Srl; the abovementioned meeting did not give rise to any critical issues regarding the internal control system of the company.

Electron Italia Srl, within the context of proceedings initiated by the Public Prosecutor's Office of the Court of Rome against SELEX Sistemi Integrati SpA as indicated below, was subject to the seizure of documentation related to: *i*) an order signed in 2009 by SELEX Sistemi Integrati SpA and Electron Italia Srl itself; *ii*) a contract entered into in 2009 between SELEX Sistemi Integrati SpA and Electron

Italia Srl in its capacity as agent of the temporary business association set up together with Print Sistem Srl; *iii*) the role of this latter company in the aforesaid order/contract as well as the suppliers of the above mentioned association.

Regarding this latter matter, no director, manager or employee of Electron Italia Srl appears to be under investigation.

Elsag Datamat SpA (now SELEX Elsag SpA) - as part of investigations launched by the Judicial Authority in relation to two tenders called in 2005 and 2006 by the Municipality of Barletta and by the Municipality of Lucera, respectively, for the construction of access control systems for the limited traffic area - saw one of its employees receive two notices of investigation for offences linked to supplies that did not conform to the requirements of the contracting authority (articles 48, 81, 110, 353, 356, 479 and 483 of the Italian Criminal Code for the supply to the Municipality of Barletta and articles 353 and 356 of the Italian Criminal Code for the supply to the Municipality of Lucera).

Elsag Datamat SpA saw one of its former employees, who at the time of the events was the “General Site Services” Manager and who now works for another Group company, receive a notice of investigation issued by the Public Prosecutor’s Office of the Court of Genoa for offences under articles 426 and 449 of the Italian Criminal Code, in relation to the overflow of the Chiaravagna river which took place in Genoa on 5 October 2010.

SELEX Galileo SpA was subject, within the context of criminal proceedings conducted by the Public Prosecutor’s Office of the Court of Palermo, to search measures aimed at obtaining administrative/accounting, corporate and non-accounting documentation, as well as hardware and software connected with the public financing that the company requested under the integrated package of concessions for innovation (“P.I.A. INNOVAZIONE”).

Notification of the measure in question was also provided, by way of notice of investigation in connection with offences under articles 81 of the Common Procurement Vocabulary and 640-*bis*, 483, 56 and 640 of the Italian Criminal Code, to the former Chief Executive Officer, the current Chief Executive Officer and two employees of the company.

SELEX Service Management SpA, within the context of criminal proceedings conducted by the Public Prosecutor’s Office of the Court of Naples concerning the awarding of the construction and management of the infrastructure known as SISTRI (a Control System for Waste Tracking) - in relation to which the Chief Executive Officer of the company, who resigned on 28 September 2011, received a notice of investigation for offences under articles 416, 110, 640 (paragraph 2) and 323 (paragraph 2) of the Italian Criminal Code and articles 2 and 8 of Legislative Decree 74/2000 - was subject to two orders for search and seizure which related, respectively, to the contract for the awarding of the construction and management of the SISTRI infrastructure and the contracts for the awarding/subcontracting/consultancy of the order or part of it to third parties as well as the

documentation relating to the relations entered into by SELEX Service Management SpA itself with a professional advisor, with the company BCM Business Consulting and with a legal consultancy firm.

Please note that this last measure was also carried out on Seicos SpA, which was merged into SELEX Elsag SpA with effect from 1 February 2012.

In relation to this matter, the Internal Audit Committee, together with the Board of Statutory Auditors, met the Top Management of SELEX Service Management SpA and the Board of Statutory Auditors met its counterpart in SELEX Service Management SpA; these meetings did not give rise to any critical issues regarding the internal control system of the company. The Internal Audit Committee and the Board of Statutory Auditors also examined the results of the check carried out by the Internal Audit function of Finmeccanica SpA with respect to certain suppliers used by SELEX Service Management SpA for the performance of the SISTRI contract; this confirmed the absence of critical issues regarding the internal control system of the company.

SELEX Service Management SpA – within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of L'Aquila concerning a number of orders in place between the company and Abruzzo Engineering Scpa in liquidation (30% owned by SELEX Service Management SpA itself) – was subject to two Orders for production of, respectively, technical, administrative and accounting documentation relating to the contractual relations between SELEX Service Management SpA and Abruzzo Engineering Scpa in liquidation and the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 as well as any appropriate information that made clear the checking work carried out by the Supervisory Body. The first of these proceedings has resulted in the Operations Manager of SELEX Service Management SpA, among others, being investigated for alleged offences under articles 110 and 319 of the Italian Criminal Code.

The abovementioned proceedings are still pending in the preliminary investigations phase and, although nearing their conclusion, no precautionary or disqualification orders have been taken against the company directly. The company itself does not appear, as at today's date, to have been formally subject to any formal proceedings to register it in the register of legal persons under investigation pursuant to Legislative Decree no. 231/01.

SELEX Sistemi Integrati SpA - within the context of investigations initiated by the Public Prosecutor's Office of the Court of Rome in relation to alleged corruption and tax offences during the awarding of works by ENAV SpA in the 2008-2010 period - was subject to seven proceedings to search for and seize copies of, respectively: *i*) documentation relating to an order with Print Sistem Srl; *ii*) the financial statements and accounts for the 2009 and 2010 periods; *iii*) documentation relating to an order and possible contracts with Print Sistem Srl, as well as the tax returns for the 2010 tax year; *iv*) documentation relating to contracts entered into with ENAV SpA in relation to the purchase of services and telecommunications equipment; *v*) documentation which allows the checking of the effective implementation of the Organisational Model adopted pursuant to article 6 of Legislative Decree 231/01; *vi*) the two orders signed in 2009 with, respectively, Print Sistem Srl and Electron

Italia Srl and a contract entered into in 2009 with Electron Italia Srl in its capacity as agent of the temporary business association set up together with Print Sistem Srl; *vii*) documentation relating to the installation of the Multilateration system as per the contracts entered into on 23 December 2009 between SELEX Sistemi Integrati SpA and ENAV SpA.

It should be remembered in relation to this investigation that in November 2010 SELEX Sistemi Integrati SpA and a number of managers of the company were subject to notices of investigation for, respectively, offences under article 25 of Legislative Decree 231/01, under articles 2 and 8 of Legislative Decree 74/2000 and under article 319 of the Italian Criminal Code. In this regard, it should be clarified that: *i*) the then Chief Executive Officer - investigated for offences under articles 319 and 321 of the Italian Criminal Code and under article 8 of Legislative Decree 74/2000 - tendered his resignation on 14 December 2011; his employment relationship ended on 31 December 2011; *ii*) the Sales Manager - investigated for offences under articles 319, 321 and 416 of the Italian Criminal Code and under article 8 of Legislative Decree 74/2000, as well as subject to a personal precautionary measure – resigned from the company on 13 December 2011; *iii*) the Joint General Manager – investigated for offences under articles 2 and 8 of Legislative Decree 74/2000 – resigned from his post on 6 December 2011.

In this regard, the Internal Audit Committee, together with the Board of Statutory Auditors, has:

- examined the audit report prepared – at the request of the then head of SELEX Sistemi Integrati SpA - on 19 January 2011 by the Internal Audit function of the company in order to check the safeguarding mechanisms of the processes to manage the purchase of goods and services as well as to manage sub-contracts with reference to the transactions carried out with the companies named in the proceedings issued by the Judicial Authority. This report highlighted, without prejudice to the opportunity to make improvements in a number of areas, “observations of low importance that do not entail significant risks and that the work carried out by the persons involved in the management processes is essentially in line with existing company procedures.” In this regard it is clarified that the audit focused on the check of the procedural fairness of the purchasing process (preparation of the procurement plan, processing of the SOW (Statement of Work), authorisation of purchase request, presence of any alternative bids, compliance with the rules on sub-contracting, authorisation to issue purchase order, purchasing invoices), to be checked through the entries that the various persons involved in the process make in the Company Information System;
- examined the audit report prepared - at the request of the Top Management and the Internal Audit Committee of Finmeccanica Spa - on 25 January 2011 by the Internal Audit Organisational Unit of Finmeccanica Spa with regard to the relations in place between the companies named in the orders issued by the court and the companies of the Finmeccanica Group. This report did not give rise to any critical issues regarding the internal audit system of the company.

- Subsequently, during the period from December 2011 to February 2012, the Internal Audit function of SELEX Sistemi Integrati SpA carried out specific audits in relation to: *i)* the “Supply of four mobile systems for the ADS – B Italy programme by Print Sistem”; *ii)* the “Programme for the Modernisation of the Palermo Airport System”; *iii)* the “National ADS – B Programme”; *iv)* the “Supplies by Print Sistem, Arc Trade and Techno Sky pertaining to Qatar NDIA Programme”; *v)* the “Multilateration systems for Airports of Bergamo and Venice”; these audits gave rise to a number of critical issues regarding the proper execution of the supplies in question and, as a result of these, SELEX Sistemi Integrati undertook the following specific initiatives in January and February 2012:
- The company, having carried out a specific selection of bids submitted by three proposing companies, appointed an independent third party (RINA SERVICES SpA), to carry out technical services, currently underway, for the purpose of analysing the fairness of the value and the standard of the works carried out under the subcontracting agreements awarded by SELEX Sistemi Integrati to the companies Arc Trade srl, Print Sistem srl, Techno Sky spa and Renco spa in the period from 1.1.2008 to 30.11.2011. The total value of the orders to be assessed amounts to around €138 million overall. The purpose of the activity commissioned is to check that the costs charged to each order are in line with the market value and that the work carried out was performed correctly and was delivered and installed in accordance with the provisions of the contract.

The appointed task is divided into two phases: Phase 1 – Checking the fairness of the price and the bill of quantities (expected duration: four months); Phase 2 – Onsite checking that the work carried out corresponds to what was contracted (expected duration: four months).

The result of the checking work will be reported in a Valuation Report. The checking of the fairness of the value of the subcontracts must be carried out by taking into account the different types of contracts: Civil works and associated plant works; Supply and installation of hardware; Development and evolutionary maintenance of software; Provision of setting-up services.

On 20 March 2012, RINA issued an “Interim Report” to SELEX Sistemi Integrati, which was based on the analysis of an initial group of orders making up 76% of the total value of the orders covered by the task. This Interim Report states that: (i) as regards the orders subject to analysis by both RINA and the Internal Audit function of SELEX Sistemi Integrati, there are no differences between the evaluations carried out by RINA and the results of the Audit Report by SELEX Sistemi Integrati; (ii) in relation to the orders examined by RINA but not subject to analysis by SELEX Sistemi Integrati, no significant anomalies were encountered. The company launched a joint initiative with the client ENAV SpA for the purpose of arriving at a common evaluation of the main contracts in progress between the two companies; in this regard, it emerged during the joint meetings held that ENAV too, in the same way as SELEX Sistemi Integrati, intends to launch a number of internal checks concerning the main orders in progress with the aid of a third

party. The meetings with ENAV also allowed the parties to register their common wish to define their relations in a spirit of mutual cooperation and transparency.

- The company defined and put in place a number of organisational and disciplinary measures based on the conclusions reached in the Audit Reports; in particular, the company changed the duties of all the employees who, on the strength of these Audit Reports, appear to be involved in breaches of company procedures. Furthermore, on the basis of the “Report of breaches of the Organisational, Management and Control Model, pursuant to Legislative Decree 231/01” issued by the Supervisory Body on 6 March 2012, the company issued formal letters of reprimand to the persons involved.
- The company launched an initiative to assess the suitability of and to set out possible changes to the Organisational, Management and Control Model pursuant to Legislative Decree 231/01.
- The company decided to take action to claim back sums unduly paid to suppliers by formally appointing an external professional to take the most appropriate actions.
- The company appointed an external professional to assess possible stockholders’ suits to file against the directors and/or claims for damage to employees.
- The company set aside special provisions in the 2011 financial statements to cover expenses that could arise as a result of the abovementioned critical issues, in the amount of €33.8 million.

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As regards the above, it should be clarified that:

- the proceedings adopted to date by the Judicial Authority and mentioned above relate to investigation work which is still in progress. Therefore, with the exception of the ruling at first instance against Ansaldo Energia SpA, no rulings have been issued against group companies, their directors or managers in relation to such matters and no precautionary measures have been adopted, except against the former Sales Manager of SELEX Sistemi Integrati SpA, nor have motions for committal to trial been filed against the companies involved;
- as regards the seizure orders issued by the Judicial Authority with regard to a number of Group company contracts, it should be explained that (with the sole exception of the contract entered into between ENAV and SELEX Sistemi Integrati concerning the Programme for the “Modernisation of the Palermo Airport System”, for which ENAV requested termination on the basis of reasons that have nothing to do with the events described above) these are being duly performed on the basis of contractual relations which are still in place and no objections in this regard have been filed to date by the counterparties, nor have any actions been proposed by third parties before the Judicial Authority aimed at nullifying their validity or effectiveness;
- as regards the proceedings concerning a number of directors, managers and employees of Group companies, some of these tendered their resignation thereby terminating their employment, others were subject to unilateral termination measures against them and still others renounced the role

that they had previously covered and were replaced in their respective roles by staff with suitable professional abilities. Additional actions (if any) to defend the interests of Finmeccanica and of the Group companies are being considered.

Finmeccanica Spa's Board of Directors was kept duly informed about the foregoing events.

11.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS RELATED TO THE PROCESS OF FINANCIAL REPORTING

The Internal Control over Financial Reporting (ICFR) system is defined as the set of activities aimed at identifying and evaluating the actions or events that, when occurring or failing to occur, could compromise, in whole or in part, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting.

Within Finmeccanica, there is such an internal audit system governing the financial reporting process that has been defined in accordance with the generally accepted frameworks issued by the Committee of Sponsoring Organisations (CoSO) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT).

In 2011, the ICFR was further developed and integrated with a specific component for the management of fraud risks in accordance with the provisions under Auditing Standard no. 5 "An Audit of Internal Control Over Financial Reporting That is Integrated With An Audit of Financial Statements", issued by the Public Company Account Oversight Board (PCAOB). It puts, among the other things, particular emphasis on the checks related to the prevention, identification and detection of fraudulent activities, to be intended as acts capable of generating misrepresentation from a financial, capital and economic point of view in the financial statements.

The responsibilities for establishing and maintaining the ICFR system, on the whole, are governed and distributed throughout the organisation.

In particular, Finmeccanica's model currently calls for the involvement of:

- ***Administrative body to which authority has been delegated***

This refers to the Chairman and Chief Executive Officer.

- ***Officer in charge of preparing the Company's accounting documents***

In accordance with Article 154-bis of the Consolidated Law on Financial Intermediation, on 26 May 2011 the Company's Board of Directors re-appointed Alessandro Pansa, General Manager and Chief

Financial Officer of the Company, as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

In fact, under Art. 25 of the Bylaws, the Board of Directors, having previously obtained the mandatory opinion of the Board of Statutory Auditors, appoints a person to this position, whose mandate expires at the same time as the term of office of the Board of Directors that has designated him.

The choice of an executive for this position is made from among persons who, for a period of at least three years:

- a) have performed duties of governance and control or management in companies listed on regulated markets in Italy, in other EU Member States or in OECD countries with a share capital of not less than €mil. 2; or
- b) have had legal powers of control over the accounts of companies such as those specified in section (a) above; or
- c) have been professionals or full university professors in financial or accounting matters; or
- d) have performed functions as executives in public or private bodies with expertise in finance, accounting or control sectors.

Also in accordance with the Bylaws, the executive in question must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with his appointment by the Board of Directors, Alessandro Pansa has been formally vested, in addition to the powers already conferred on him as General Manager and Chief Financial Officer, with all the powers necessary for the correct performance of the duties for which he is responsible by law.

Moreover, the Company has taken further steps to implement activities with the purpose of ensuring compliance with the relative legislation by constantly monitoring and improving the administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the interim reports. The monitoring and improvement activities concerned, among other things:

- the assessment of the adequacy of the controls on the basis of any changes made to processes, organisation and IT systems and the updating of the respective descriptions;
- the redefinition of compliance activities following any changes arising from the integration (mergers) of Group companies;
- enlargement of the set of rules for the separation of duties (SOD) in the management of the processes for preparing financial reports;
- the adoption of an IT system dedicated to the management of compliance activities for all the companies concerned (mapping of processes, Financial Risk Assessment, administrative, accounting and IT governance procedures, etc).

The Officer in charge of preparing the company's accounting documents releases the certification required by Art. 154 *ter*, paragraph 2 of the Consolidated Law on Financial Intermediation and, together with the Chairman and Chief Executive Officer, provides the attestation under Article 154 *bis*, paragraph 5 of the Consolidated Law on Financial Intermediation.

- ***Financial reporting managers***

To comply with Law 262/2005, within the major companies of the Group⁴ the boards of directors have appointed financial reporting managers (FRMs) responsible for the financial information provided to the Group Parent and for supporting the Officer in charge of preparing the Company's accounting documents.

As such, the FRMs have the following responsibilities:

- developing for each Group company administrative and accounting procedures underlying the financial reporting process that ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim financial statements and is in line with the actual operations of the company concerned based on the instructions received from the Officer in charge of preparing the Company's accounting documents;
- defining and implementing any plans for improvement;
- attesting, with respect to the Manager in charge of preparing the Company's accounting documents of Finmeccanica, together with the Delegated Governing Body of the company, to what is requested by the Parent Company in relation to the internal control system for the governance of the financial reporting process and the preparation of accounting documents.

- ***Internal Audit Organisational Unit of Finmeccanica Spa***

The Officer in charge of preparing the Company's accounting document has entrusted the Organisational Unit of Internal Audit with responsibility for "independently" assessing the functioning of the internal controls over financial reporting.

The Organisational Unit of Internal Audit, assisted by the internal audit organisational units of the various Group companies and based on indications provided by the Officer in charge, conducts tests of the actual application of the administrative and accounting procedures defined by the Group Parent and other Group companies and coordinates activities within these companies, by means of a specific plan of operations, which defines the methods for verifying the implementation of controls.

The results of the tests conducted for each company are submitted to its management, which determines what improvements should be made so that a suitable, up-to-date action plan can be prepared.

⁴ The parameters have been established based on the specifications provided in Auditing Standard no. 2 of the Public Company Accounting Oversight Board (PCAOB). This includes both quantitative (effects on the consolidated financial statements) and qualitative aspects.

The overall results of these tests are submitted to the Internal Audit Organisational Unit of Finmeccanica, which then prepares an executive summary that enables the Officer in charge of preparing the Company's accounting documents and the Delegated Administrative Body to assess the adequacy and actual application of the administrative and accounting procedures followed in preparing the individual financial statements, the condensed half-year financial statements, and the consolidated financial statements.

11.1.1 CURRENT INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS RELATED TO THE FINANCIAL REPORTING PROCESS

The management of the ICFR system developed by Finmeccanica features the following general stages:

- risk identification and assessment;
- assessment of the adequacy of related controls;
- testing the functioning of the system of controls;
- monitoring and improving the system of controls.

Risk identification and assessment

Risks are identified by considering the likelihood that an event will occur and its potential impact on the financial statement items, without taking account of the existence or functioning of controls aimed at eliminating the risk or reducing it to acceptable levels.

Assessment of the adequacy of related controls

Based on the risk assessment, performed at top-down risk based approach⁵, specific controls are identified, which fall under two main categories:

- entity-level controls which, as controls that apply to the entire organisation since they are common and cut across it, are structural elements of the ICFR system;
- process-level controls.

On the basis of the top-down risk based approach, Finmeccanica continued activities to rationalise process controls with the aim of making the control system more efficient in terms of financial reporting process.

⁵ This approach was introduced by the interpretation guidelines of the Securities and Exchange Commission (SEC) regarding the annual assessment of the ICFR system as set down in Section 404 of the Sarbanes-Oxley Act and implemented by the Auditing Standards of the Public Company Accounting Oversight Board (PCAOB).

Testing the functioning of the system of controls

In order to verify and ensure the functioning of the ICFR system, specific monitoring activities have been defined for both the process owners and for parties outside the process itself (Internal Auditing Unit) in relation to the process functioning (tests).

Monitoring and improving the system of controls

In order to properly monitor the ICFR system, the design of the system itself is systematically assessed, in addition to being evaluated when significant events occur.

The functioning of the controls defined by administrative and accounting procedures is tested twice each year on an annual basis.

In 2011, as already reported in the previous paragraphs, the ICFR was further developed and integrated with a specific component for the management of fraud risks. Specifically, a list of fraud schemes (Fraud Library) has been identified which classifies them by process and risk macro-category (fraudulent misrepresentation of financial statements, misappropriation of corporate assets, corruption) in accordance with the Uniform Occupational Fraud Classification System developed by the Association of Certified Fraud Examiners (ACFE).

The cases of fraud risks included in the Fraud Library concern those defined as “internal” cases, i.e. cases of fraudulent acts that assume the participation or the involvement of at least one person belonging to the company.

Therefore, on the basis of the results of a fraud risk assessment - by which the level of inherent riskiness is assessed for each fraud scheme applicable to the companies -, an activity was started for the integration of the checks already in place with additional checks deriving from the schemes defined in the Fraud Library.

The management of fraud risks provides for the following control components:

- checks aimed at detecting frauds (if any) perpetrated to the detriment of the company and/or significant weaknesses at the level of the internal control system (“Detection Audit”);
- checks at process level (“Transaction Level Control”);
- elements of the control environment at the level of Entities that are relevant for anti-fraud purposes (“Entity Level Control”/“IT General Control”).

The monitoring plan (test) for the anti-fraud control components will be started in the first half of 2012 with specific checks (so-called Detection Audit) that will be coordinated, at central level, by the Internal Audit Organisational Unit of Finmeccanica so as to ensure a uniform approach by the companies.

Finally, the 2012 action plan provides for the issue of the Manual for the management of compliance with Law 262/05, including the component related to the management of fraud risks; its objective is to strengthen the internal control model on financial reporting within the Group and to ensure it is managed with development in mind.

This plan will be integrated into the plan which is currently envisaged for the check of the actual application of the administrative and accounting procedures.

11.2. EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL AUDIT SYSTEM

The Chairman and Chief Executive Officer, Giuseppe Orsi, was chosen to oversee the internal audit system. His role is to follow the policies set by the Board in designing, implementing and managing the internal audit system.

Chairman Giuseppe Orsi, with the support of the Internal Audit Committee and the Internal Audit Manager:

- ensured that the main corporate risks (strategic, operational, financial and compliance) were identified in light of the features of the activities carried out by the Company and its subsidiaries, periodically submitting them to the scrutiny of the Board;
- supervised the planning, creation and management of the internal audit system, constantly verifying its overall adequacy, efficacy and efficiency;
- saw that the system was adjusted in response to changes in operational conditions and the legislative and regulatory framework.

11.3. INTERNAL AUDIT MANAGER

By resolution dated 15 May 2002, the Board of Directors appointed Mr Giuseppe Bargiacchi as Internal Audit Manager, responsible for verifying that the Internal Audit System remains suitable for the task and is operating to the full extent. Mr. Bargiacchi, whose remuneration is in line with the company policies applicable to such positions, also holds the position of Head of the Internal Audit Organisational Unit.

The Internal Audit Manager, who reports to the Chairman and Chief Executive Officer, is not accountable to the managers of the operational areas, including the administration and finance area, has direct access to all the information he needs in order to perform his duties and periodically reports on his work to the Internal Audit Committee, the Board of Statutory Auditors and to the Executive Director in charge of the internal audit system.

In 2011, the Internal Audit Manager performed the following main activities:

- performed audits;
- managed and updated the Register of natural and legal persons that have access to inside information;
- coordinated the Internal Audit Managers of the companies involved in implementing Law 262/05 with regard to verifying that the proper procedures have been followed;
- provided technical support for the Supervisory Body pursuant to Legislative Decree 231/2001, including updating the Company's Organisational, Management and Control Model.

As to the Group companies, the Internal Audit Manager reported to the Internal Audit Committee that their three-year plans for risk-based audits and monitoring of activities have been coordinated.

The Internal Audit Manager reported to the Internal Audit Committee on the work done by the main Group companies with regard to Legislative Decree 231/2001. The Manager stated that the requirements of this law were being successfully and generally fulfilled, with the adoption by said companies of the Organisational, Management and Control Model and of the Code of Ethics and the appointment of a Supervisory Body by their respective Boards of Directors. For information on updates made to the Model by Finmeccanica Spa and its subsidiaries, please refer to Section 11.4.

The Internal Audit Manager has financial resources included in the Internal Audit Organisational Unit's budget in order to carry out his duties. This Department's activities have not been outsourced. As mentioned earlier, the Internal Audit Committee is entrusted with the supervision of the Internal Audit Organisational Unit.

11.4. ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE 231/2001

With the entry into force of Legislative Decree 231/2001 as amended, which introduces specific corporate liability for certain types of criminal offences, the Company has adopted appropriate measures to prevent it from incurring any criminal liability in accordance with the provisions of this law. Special supervisory systems have been put in place aimed at preventing the offences contemplated by this Decree, which could potentially be committed by Directors, Auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica Spa.

The Finmeccanica Board of Directors, in its meeting of 16 December 2010, approved the current Organisational, Management and Control Model as per Legislative Decree 231/2001 (the "Model"), which includes the legislative changes regarding organised crime (Art. 24-ter); counterfeiting money, legal tender, revenue stamps and recognition instruments or marks (Art. 25-bis); business crimes (Art. 25-bis.1); intellectual property crimes (Art. 25-novies); solicitation of perjury or failure to give

statements to judicial authorities (Art. 25-*novies*), which the Company adopted, by resolution of the Board, on 12 November 2003 and subsequently updated on 26 July 2007 and 25 June 2009.

The Model is based on the guidelines issued by Confindustria (latest update available in 2008).

The prevailing Model, which is also a point of reference for other Group companies in the preparation of their own protocols, is composed of:

- a “general section”, essentially dealing with:
 - 1) the Supervisory Body, the information that has to be sent to it, and its reports on the work it has done with respect to corporate bodies;
 - 2) staff training and the circulation of the Organisational, Management and Control Model within and outside the Company;
 - 3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;
- a “special section A”, which covers offences against public authorities, listing areas of the Company potentially at risk from these types of crime, establishing the rules of conduct for individuals working in these areas and defining monitoring procedures;
- a “special section B”, which covers corporate crimes, structured as per section A above;
- a “special section C”, which covers violations of occupational health and safety laws;
- a “special section D”, which covers crimes of receiving, laundering or using illegal monies or goods;
- a “special section E”, which covers computer crimes and illicit data processing;
- a “special section F”, which covers criminal enterprise.

The following annexes are integral parts of Finmeccanica Spa’s Model:

- o the Code of Ethics;
- o the Finmeccanica Spa’s organisational structure;
- o the system of power delegation;
- o the report file in its new format set in the last update (i.e. a document to be drawn up by first-tier managers to report regularly to the Supervisory Body for meetings with members and/or representatives of government bodies including any information on restrictions contained in the Organisational Model pursuant to Legislative Decree 231/2001);
- o the list of “Key Persons” in accordance with the Code of Conduct for Internal Dealing;
- o the legislative framework;
- o the clause that the Company includes in commercial, financial and consulting contracts;
- o the list of nations with favourable tax regimes in accordance with Italian ministerial decrees of 21 November 2001 and 23 January 2002.

This Model can be found on the Company's website, in the Investor Relations/Corporate Governance section. In addition, it should be noted that all the Italian subsidiaries have adopted similar Organisational, Management and Control Models pursuant to Legislative Decree 231/2001, which can also be consulted on their respective websites, and that the companies have appointed related Supervisory Bodies.

Analysis activities are in progress which are preliminary to the updating of the Organisational Model in light of Legislative Decree no. 121 of 7 July 2011 governing the criminal protection of the environment which introduced, *inter alia*, article 25-undecies in the text of Legislative Decree 231/01. This new article provides for numerous types of offence that are the requirement for the liability of the entity, including the following:

- destruction or deterioration of the habitat within a protected site;
- spills that cause pollution of soils, sub-soils, surface waters and underground waters and the overcoming of the risk threshold concentrations;
- unauthorised waste management;
- breach of the obligations concerning disclosures and the keeping of statutory books and forms;
- unlawful waste traffic;
- breach of the emission limit values or of the rules laid down in the authorisation for operation of plants.

In relation to the actions already taken on the occasion of the previous reviews of the Organisational Model, a working group has been set up which is made up of internal resources and external consultants with an activity programme. Both the Supervisory Body and the Board of Directors gave their favourable opinion on the initiative in the meetings of 4 and 14 November 2011, respectively. The updating process for the integration of environmental offences, which entails a large risk assessments at the various sites, the identification of the existing checks, the preparation of an action plan and the drawing up of a new section G in the Special Part of the Organisational Model, involves not only Finmeccanica Spa, but also the subsidiaries incorporated under Italian law in the Finmeccanica Group and is expected to be concluded in 2012.

Other aspects concerning the updating and review of the Organisational Model concern the development of the organisational structure of Finmeccanica Spa, as well as some in-depth analyses relating to the American and British regulations (FCPA and Bribery Act) to which application Finmeccanica Spa is potentially exposed, either directly or indirectly.

Following the resignation of Professor Piergiorgio Alberti, the Supervisory Body of Finmeccanica Spa is currently made up of an external professional, Giuseppe Grechi, who holds the position of Chairman, the manager responsible for the organisational unit of Legal and Corporate Affairs, Mario

Orlando, as well as of the new member, Manuela Romei Pasetti, appointed by the Board of Directors' meeting of 27 March 2012. Multi-person compositions of the Supervisory Bodies have been resolved by the Board of Directors of some first-level subsidiaries, while other companies have appointed a member of the Board of Statutory Auditors as Chairman of the Supervisory Body, in any case ensuring a multi-person composition, with the participation, as members, of the managers responsible for the organisational units of Legal and Corporate Affairs and Audit.

The duties and functioning of this Body are governed by specific Bylaws approved by the Finmeccanica Board of Directors on 15 December 2005 and updated on 25 June 2009 and 16 December 2010. The Bylaws entrust the Supervisory Body with wide-ranging tasks for the purposes of monitoring the validity and effectiveness of the Organisational Unit. Within these tasks, among other things, the Supervisory Body receives reports (if any) on the part of company representatives or third parties, holds periodical hearings to hear the managers responsible for potential areas at risk, examines reports and disclosures prepared by the corporate units and provides recommendations or instructions to the Top Management and to the corporate bodies, also with respect to appropriate actions for improving or changing checks. The Supervisory Body has also adopted internal rules, which have been communicated to the Board of Directors. Similar rules have been adopted by the respective Boards of Directors of the subsidiaries.

11.5 INDEPENDENT AUDITORS

On 23 May 2006 the Shareholders' Meeting appointed PricewaterhouseCoopers SpA to audit the accounts during the period 2006 to 2011.

The firm's appointment, therefore, will terminate at the time of the approval of the financial statements for 2011.

The appointment envisages the auditing firm carrying out the following activities:

- (1) auditing of the individual financial statements of Finmeccanica pursuant to Arts. 155 *et seq.* of the Consolidated Law on Financial Intermediation, prepared in accordance with IAS/IFRS;
- (2) auditing of the consolidated financial statements of the Finmeccanica Group pursuant to Arts. 155 *et seq.* of the Consolidated Law on Financial Intermediation, prepared in accordance with IAS/IFRS;
- (3) verifying, during the financial period, that the accounts are properly kept in accordance with Arts. 155 *et seq.* of the Consolidated Law on Financial Intermediation;
- (4) review of the half-year consolidated financial statements pursuant to CONSOB Resolution 10867 of 31 July 1997, prepared in accordance with IAS/IFRS;
- (5) an audit of the Company's reporting package, prepared on the basis of the IAS/IFRS adopted by the Finmeccanica Group, on 31 December each year;

(6) a review of the Company's half-year reporting package, prepared on the basis of the IAS/IFRS adopted by the Finmeccanica Group, on 30 June each year.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Through its Resolution 17221 of 12 March 2010 (as amended by Resolution 17389 of 23 June 2010), CONSOB issued the "Regulation concerning transactions with related parties" (the "Regulation").

The guidelines, issued in implementation of the enabling act pursuant to Art. 2391-*bis* of the Italian Civil Code that requires CONSOB to establish the general principles on the transparency and the procedural and substantive fairness of transactions with related parties, also contains specific provisions on the transparency of urgent and periodic disclosures in accordance with Arts. 114 and 154-*ter*(6) of the Consolidated Law on Financial Intermediation.

In implementing these regulations and taking into account the guidelines issued by CONSOB, the Board of Directors, at its meeting of 26 November 2010, unanimously approved the "Procedures for Transactions with Related Parties" ("Procedures") after having reviewed the favourable opinion supported by the entire Procedures Committee, composed of independent Directors. The text of the Procedures underwent a revision on 13 December 2011 in order to take account of certain formal adjustments due to the changed organisational structure of the Company.

Also at that meeting, the Board repealed the previous "Guidelines and criteria for identifying significant transactions with related parties", which the Company adopted pursuant to Art. 2391-*bis* of the Italian Civil Code, as well as on the basis of the recommendations made in the Corporate Governance Code.

The Board also assigned the Internal Audit Committee, formed pursuant to the Code, the task of also serving as the Committee for Transactions with Related Parties.

The Procedures aim to define, based on the principles outlined in the Regulation, rules for ensuring transparency and substantive and procedural fairness in transactions with related parties entered into by the Company, directly or through its subsidiaries. To that end, the Procedures establish the criteria and methods for identifying parties related to the Company (identified in accordance with Annex 1 of the Regulation), as well as the quantitative criteria for identifying transactions of greater or lesser importance entered into by the Company; establishes the procedures for examining and approving transactions with related parties, identifying specific rules for cases in which the Company examines or approves transactions entered into by its subsidiaries; establishes the procedures for meeting the disclosure requirements related to the regime.

The Procedures also set out the types of transactions exempt from the procedural rules as provided for under the Regulation, subject to the regulatory plan concerning disclosure requirements.

It also established the quantitative criteria for identifying so-called “minor” transactions not subject to the Procedures, i.e. transactions for amounts of not more than €mil. 3, or €th. 250 (per year) for on-going consulting work and other professional services, as well as awarding remuneration and financial benefits to members of the administration and control bodies or executives with strategic responsibilities.

The supervisory body monitors whether the procedures adopted comply with the principles set out in the Regulation, as well as whether they have been followed and reports its findings to the Shareholders’ Meeting.

The Procedures Committee assesses the adequacy of the Procedures and the need to amend them at least once every three years in light of any legislative or regulatory changes and future application practices.

The full text of the Procedures is available on the Company’s website in the Investor Relations/Corporate Governance section, Transactions with Related Parties area.

Furthermore, with specific reference to the situations in which a director has an interest on his own behalf or on behalf of third parties, the Rules of Procedure of the Board of Directors provide for the Board members who have an interest, including a potential and indirect interest, in the transactions subject to the examination of the board, to promptly and exhaustively inform the Board itself of the existence of this interest and of the related circumstances. In this case, the directors themselves are required to leave the meeting at the time of the discussion and of the related resolution, or to abstain from both in the cases when the respective departure prejudices the maintenance of the necessary quorum of the meeting.

13. APPOINTMENT OF STATUTORY AUDITORS

As with the appointment of the members of the Board of Directors, the list voting system has also been adopted for choosing Statutory Auditors. The Board of Directors amended the provisions of the Bylaws governing the election of the Board of Statutory Auditors (Art. 28.3) on 3 November 2010 in order to align the deadlines and methods for filing and publishing lists and the related documentation with the requirements of Arts. 147-*ter*(1-*bis*) and 148(2) of the Consolidated Law on Financial Intermediation. This was done in response to the changes made by Legislative Decree 27 of 27 January 2010 during the transposition of Directive (2007/36/EC) on the rights of shareholders of listed companies.

As explained earlier regarding the appointment of Directors, Legislative Decree 27/10 provided that “privatised companies” are also subject to the ordinary rules found in the Consolidated Law on Financial Intermediation, as well as the implementing provisions, in place of the special rules contained in Law 474/94 (so-called “privatisation law”).

Therefore Art. 28.3 of the Bylaws currently requires that the list of candidates presented by shareholders, together with related supporting documentation, be deposited at the Company’s registered office at least 25 days prior to the date set for the first convocation of the Shareholders’ Meeting and must be published by the Company at least 21 days prior to the Meeting, in accordance with applicable law (it must be made available to the public at the Company’s registered office, at the market management company’s office and on the Issuer’s website).

In order to be able to provide up-to-date information on its website, the Company expressly requests that, when Shareholders’ Meetings are called, shareholders deposit résumés with exhaustive personal and professional information on each candidate when they file the lists.

Lists may only be submitted by Shareholders holding, either alone or jointly with other Shareholders, at least 1% of the share capital with voting rights at Ordinary Shareholders’ Meetings, or holding lower percentages if envisaged by applicable laws or regulations.

It should be noted that with regard to the election of the Board of Directors, the minimum shareholding required to present a list of candidates for the election of Finmeccanica’s administration and control bodies was set by CONSOB (with Resolution 18083 of 25 January 2012) at 1.5%, except for the minor share (if any) envisaged in the Bylaws. Therefore, in this regard, the 1% percentage envisaged in section 28.3 of the Bylaws of Finmeccanica shall apply.

The Bylaws also require two Regular and one Alternate Auditor to be taken from the minority list and that the Chairman of the Board of Statutory Auditors be chosen from among the Auditors elected from the minority list.

In the event of the replacement of a Regular Auditor elected from the majority list during the three-year period, the Alternate Auditor elected from the same majority list takes his place, while in the event of the replacement of the Regular Auditor elected from the minority list, the Alternate Auditor elected from the same minority list takes his place.

Article 28.1 of the Bylaws also requires at least two of the Regular Auditors and at least one of the Alternate Auditors to be chosen from registered auditors of accounts with at least three years of auditing experience. Auditors that do not satisfy this requirement must have at least three-year experience:

- a) in performing duties of governance and control or management in stock companies with a share capital of not less than €mil. 2; or
- b) as professionals or full university professors in legal, economic, financial or technical and scientific matters closely connected with the Company's activities; or
- c) in performing functions as executives in public or private bodies in the banking, finance and insurance sectors, or in sectors closely connected with the Company's activities, intended as those that are useful for achieving the Company's business purpose.

Apart from the situations of incompatibility and ineligibility provided by law, Art. 28.3 of the Bylaws also states that persons who serve as auditors for five or more issuers, or who perform governance and control functions for a number of other companies in excess of the limit provided by current law, may not be chosen as Regular Auditors.

Finally, the confidentiality obligations binding Auditors – as well as Directors – of the Company are expressly governed by the specific procedures for the handling of inside and confidential information.

14. STATUTORY AUDITORS (Article 123-bis, para. 2, letter d) of the Consolidated Law on Financial Intermediation)

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 29 April 2009 for the 2009-2011 term. The Board will, therefore, stand down at the next Shareholders' Meeting, held to approve the financial statements for the period ended 31 December 2011.

The Chairman of the Board of Auditors was appointed by the same meeting from the two Auditors elected by the minority.

The **Board of Statutory Auditors** serving at 31 December 2011 was composed as follows:

LUIGI GASPARI (2) CHAIRMAN

GIORGIO CUMIN (1)

MAURILIO FRATINO (3)

SILVANO MONTALDO (1)

ANTONIO TAMBORRINO (1)

- (1) Auditors appointed from the **majority list** submitted by the Ministry for the Economy and Finance, which had a shareholding of 30.2% of the share capital.
- (2) Auditor appointed from the **minority list** submitted by Arca SGR SpA, Fideuram Investimenti SGR SpA, Fideuram Gestions SA, Interfund Sicav, Monte Paschi Asset Management SGR SpA,

Stichting Pensioenfonds ABP, Pioneer Asset Management SA, Pioneer Investment Management Sgrpa, Ubi Pramerica SGR SpA, BNP Paribas Asset Management SGR SpA, which had a shareholding of 1.152% of the share capital.

- (3) Auditor appointed from the **minority list** submitted by Mediobanca SpA, which had a shareholding of 1.003% of the share capital.

Two Alternate Statutory Auditors appointed by the Shareholders' Meeting on 29 April 2009:

MAURIZIO DATTILO (2)

PIERO SANTONI (1)

- (1) Auditor appointed from the **majority list** submitted by the Ministry for the Economy and Finance, which had a shareholding of 30.2% of the share capital.
- (2) Auditor appointed from the **minority list** submitted by Mediobanca SpA, which had a shareholding of 1.003% of the share capital.

The table annexed to this Report summarises the structure of the Board of Statutory Auditors, showing the Auditors serving at 31 December 2011, as well as the total number of any other positions they hold in the control bodies of other issuers, in observance of the restrictions on the number of positions that can be held pursuant to Art. 144-*terdecies* of the Issuers' Regulation.

No changes in the composition of the Board of Statutory Auditors have taken place since the end of the 2011 financial year.

In 2011, the Board of Statutory Auditors met 39 times, while 10 meetings have been held in 2012 to date.

The following table shows the attendance records of the individual Statutory Auditors at the meetings of the Board of Statutory Auditors, as well as the 15 meetings of the Board of Directors held in 2011:

	<u>Bd of Stat Aud</u>	<u>Bd of Dir</u>	
LUIGI GASPARI	37 out of 39	15 out of 15	meetings
GIORGIO CUMIN	34 out of 39	15 out of 15	meetings
MAURILIO FRATINO	33 out of 39	15 out of 15	meetings
SILVANO MONTALDO	32 out of 39	15 out of 15	meetings
ANTONIO TAMBORRINO	36 out of 39	14 out of 15	meetings

All absences were excused.

Brief résumés of the careers of the members of the Board of Statutory Auditors are given below.

LUIGI GASPARI – CHAIRMAN

Chairman Gaspari was born in Rome on 14 September 1956. He has been a Statutory Auditor of Finmeccanica since 16 May 2003, having been reappointed on 23 May 2006 and 29 April 2009. He has been Chairman of the Board of Statutory Auditors since 23 May 2006 and has been a practising Chartered Accountant since 1985. He is entered in the Italian Register of Auditors and has held numerous positions including as head of operations for RIA Società Nazionale di Certificazione (1980-1985) and as a consultant to Assogestioni (1985-2000). In 2001, he was a member of the steering committee for the establishment of the *Organismo Italiano di Contabilità* (Italian accounting body) and was a member of its management board. He has held and continues to hold a number of posts on boards of directors, liquidation commissions, boards of auditors and supervisory committees, and acts as a corporate consultant, company appraiser and technical consultant to legal authorities and independent parties.

GIORGIO CUMIN – REGULAR STATUTORY AUDITOR

Mr. Cumin was born in Milan on 7 October 1937. He has been a Statutory Auditor of Finmeccanica since 10 May 2000, having been reappointed on 16 May 2003, 23 May 2006 and 29 April 2009. He holds a degree in Economics and Business from Bocconi University of Milan. He is a member of the Order of Chartered Accountants of the Courts of Milan and Lodi, and is entered in the Italian Register of Auditors. As a freelance practitioner, he has occupied a number of directorship and auditing positions in other companies, some as chairman, and has acted as liquidator and sole commissioner of companies in liquidation and extraordinary administration. He currently serves as auditor to a number of industrial companies and liquidating commissioner to companies in extraordinary administration.

MAURILIO FRATINO – REGULAR STATUTORY AUDITOR

Mr. Fratino was born in Alba (Cuneo) on 15 September 1952. He has been a Regular Statutory Auditor of Finmeccanica since 29 April 2009. He holds a law degree and practices in the areas of civil, commercial and corporate law. He has been entered in the Italian Register of Auditors since 1995. An instructor of food and wine law at the University of Turin, he has held numerous positions, including: member of the Committee of Experts for the Creation of the Single Market for the Prime Minister (1989-1992); statutory auditor (1986-1989) and director (1989-1992) of Autostrade SpA; Deputy Executive Chairman of Autostrada Torino Savona SpA (1989-1993); and managing director of Riccadonna International BV (1996-2004). Current positions include member of the board of directors of Campari Italia SpA and Vice-Chairman of Banca Regionale Europea SpA (UBI group), chairman of the board of auditors of Federvini, auditor of accounts for Federalimentare, and member of the tax and trademark protection committees of Confindustria.

SILVANO MONTALDO – REGULAR STATUTORY AUDITOR

Mr. Montaldo was born in Laigueglia (Savona) on 25 May 1957. He has been a Regular Statutory Auditor of Finmeccanica Spa since 23 May 2006, having been reappointed on 29 April 2009.

He has worked as a Chartered Accountant since 1981 and has been entered in the Italian Register of Auditors since 1995.

He has served or currently does serve as statutory auditor to numerous corporations, as well as an auditor of public entities, is a member of the supervisory bodies and is a commissioner of major firms in the process of bankruptcy.

ANTONIO TAMBORRINO – REGULAR STATUTORY AUDITOR

He was born in Torre del Greco (Naples) on 23 September 1939. He has been a Statutory Auditor of Finmeccanica since 16 May 2003, having been reappointed on 23 May 2006 and 29 April 2009. He is a Chartered Accountant and has been entered in the Italian Register of Auditors since 1995. He is a freelance practitioner, a professor of insurance company economics at the University of Lecce and has taught Masters and specialisation courses at the University of Lecce, the University of Bari and at CECCAR in Bucharest. He is a former chairman of the Order of Chartered Accountants for the Province of Lecce (1993-1996), and chairman of the National Council of Chartered Accountants from 2002 until 31 December 2007. He has occupied a number of positions as director and auditor to organisations and companies, as well as court-appointed positions (bankruptcy receiver, legal commissioner and official court consultant).

MAURIZIO DATTILO – ALTERNATE STATUTORY AUDITOR

Mr. Dattilo was born in Milan on 19 March 1963. He holds a degree in Economics and Business from Bocconi University in Milan. He has been a member of the Order of Chartered Accountants since 1990 and entered in the Italian Register of Auditors since 1995. He works as a Chartered Accountant at the firm of Dattilo Commercialisti Associati, which provides tax consultancy services for Mediobanca and other group companies such as Compass, Selma BPM Leasing, Compage and Spafid, as well as Banca Esperia, Banca Profilo, Banca IMI, di IW-Bank, Pernod Ricard Italia, Zurigo Assicurazioni Group Funds, the Generali Group, Cassa Lombarda and the European Oncology Institute.

PIERO SANTONI – ALTERNATE STATUTORY AUDITOR

Mr. Santoni was born in Rome on 3 November 1936. A graduate in Economics and Commerce, he is entered in the Italian Register of Auditors. He worked at IRI until 1987 as vice-director of the Planning and Management Control Department, then moved on to Urban Systems, where he has worked as joint general manager since 1993. He has served as director and auditor for a number of IRI Group companies.

In compliance with the Corporate Governance Code, the Board of Statutory Auditors regularly confirmed the requirements of independence for Regular Auditors during the financial year 2011.

In that regard, the Board of Statutory Auditors followed the indications of the Code regarding the concept of independence for Statutory Auditors and applied the principle of substance over form, as required by said Code.

In particular, in regard to application criterion 3.C.1(e) of the Code – based on which those serving as a Statutory Auditor for more than nine of the last twelve years are no longer considered independent – the Board of Statutory Auditors nonetheless confirmed the independence of Mr. Cumin, who began his twelfth year of service in 2011. This decision was made in consideration of his ethics and professionalism, as well as of the actual manner in which he carries out his functions, as these factors enable him to perform his duties autonomously and in an unbiased manner.

Any Auditor who has an interest, either on his own account or on behalf of a third party, in a certain transaction to be carried out by the Issuer must promptly give the other Auditors and the Chairman of the Board of Directors full information concerning the nature, terms, origin and scope of the interest.

The Board of Statutory Auditors supervises the independence of the auditing firm, verifying compliance with provisions of law governing the matter and the nature and the extent of the services, other than auditing services, provided to the Issuer and its subsidiaries by the firm in question and by the other entities belonging to its network.

In performing its work, the Board of Statutory Auditors liaises constantly with the Company's Internal Audit Organisational Unit and the Internal Audit Committee. Specifically, the Board of Statutory Auditors receives the necessary operational assistance for the performance of its own auditing work from the Internal Audit Manager, obtains all the Audit Reports and examines the Annual Audit Plan. As already stated, the Board of Statutory Auditors also attends all the Internal Audit Committee meetings.

15. SHAREHOLDERS RELATIONS

In view of the importance, emphasised by the Code, of establishing an ongoing professional relationship with the general body of Shareholders and institutional investors, a special Investor Relations Unit is set up to conduct this activity.

The Investor Relations unit provides the qualitative and quantitative elements about the expected financial and economic performance and the business performance of the Group, supporting the financial markets in achieving a perception and valuation of Finmeccanica on the stock exchange, which is consistent with the intrinsic value of the Group, as well as through the preparation of Guidance and careful monitoring of the market consensus.

This is in line with Italian and international best practices and aims to develop a transparent, ongoing dialogue with the Italian and international financial community, rooted in a clear strategic view of the Company's business and prospects.

Information regarding the composition of the Company's management bodies, résumés of their members' careers, internal dealing information and the Corporate Bylaws, as well as the Company's Annual Corporate Governance Report, may easily be found on the Company's website in the Investors Relations/ Corporate Governance Report and Shareholder Structure section.

The Board of Directors' reports, minutes of Shareholders' Meetings and other important corporate documents are also published in the Corporate Documents area, and a review of the press releases issued by the Company may be found in the Legal Notices area.

The Investor Relations section also publishes the Company's financial statements and presentations to the financial market with the relevant web-casting, video and audio broadcasts. The same section also provides a range of other data related to the retail market (the Company calendar, dividends, share capital, share price performance and shareholding structure) to which a special area ("FOR THE SHAREHOLDER") has been devoted that is being extended.

The Investor Relations Unit arranges for the presentation of the financial statements data at Shareholders' Meeting, ensuring that the information provided corresponds to the disclosures conveyed through the other channels for its financial announcements.

The Investor Relations unit organises numerous events aimed at improving the financial community's knowledge of Finmeccanica and dealing with the specific issues that arise from the dialogue with the same. In addition to daily contacts with analysts and investors, particular importance is attached to the conference calls on the occasion of the publication of the results of the first and third quarter and on the occasion of the announcement of important transactions, the institutional Roadshows with the group's Top management on the occasion of annual and six-monthly results, the Deal Roadshows on the occasion of extraordinary transactions and the Investor Day that is usually organised once a year and is considered the ideal platform to present the Finmeccanica Top management together with the Company managers, to the financial community. This is an opportunity for financial analysts and institutional investors to find out more about the Group's operations and to gain an understanding of its performance and its commercial, industrial, income and financial prospects, as well as to make direct contact with its top managers.

Finally, during the annual International Airshow (which alternates between Farnborough in England and Le Bourget in France), meetings are arranged between the financial community and the top

management of Finmeccanica and of the Group's main companies, with special presentations and one-on-one or small group meetings.

In 2011 Finmeccanica was confirmed, for the second consecutive year, in the prestigious World and Europe Dow Jones Sustainability Indexes.

The Group's daily commitment to the development of a sustainable business was rewarded also this year with the inclusion – the only company of the thirty companies in the Aerospace, Defence and Security sector – in both the World and Europe indexes.

Established in 1999, the Dow Jones sustainability indexes are the first and most important stock exchange indexes to assess, on an annual basis, the performance of companies and the maintenance of commitments undertaken in the field of economic, social and environmental sustainability. They are looked after by the rating company SAM - Sustainable Asset Management in Zurich, in cooperation with Dow Jones Indexes in New York.

The Investor Relations Manager is John Douglas Stewart, who follows the activities together with Raffaella Luglini, who is also responsible for Financial Communication. The Investor Relations units depend directly from the General Manager and CFO, Alessandro Pansa.

Contacts

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You can also contact the Unit via the following email address:

investor_relations@finmeccanica.com

16. SHAREHOLDERS' MEETINGS (Art. 123-bis, para. 2, letter c) of the Consolidated Law on Financial Intermediation)

Significant changes were introduced by Legislative Decree 27 of 27 January 2010 (transposing Directive 2007/36/EC) affecting some of the rights of shareholders of listed companies and how Shareholders' Meeting are to be conducted, which led to important changes for the Company.

The alignment to such law required that a series of adjustments be made to the Company's Bylaws, both mandatory changes and others left to the discretion of the Shareholders' Meeting, and that CONSOB issue implementing regulations.

Shareholders' Meetings are called by means of a notice published on the Company's website and by any other method determined by CONSOB (an announcement in at least one national daily newspaper and a message published on the Company's website and through Borsa Italiana's Newspaper service), containing the information required by Art. 125-bis of the Consolidated Law on Financial Intermediation.

In the calling, planning and management of these events, the focus has always been on encouraging as many Shareholders as possible to attend Shareholders' Meetings and on ensuring that Shareholders are provided with the highest quality information, subject to the restrictions on the methods of disclosure of price sensitive information.

Therefore, documents regarding the items on the agenda of the Shareholders' Meetings are promptly made available to Shareholders through the Company's website and are simultaneously filed at the Company's registered office and with Borsa Italiana. In consideration of this and in light of the provisions of Art. 125-*quater* of the Consolidated Law on Financial Intermediation, the Company publishes on its website explanations of the Meeting's agenda and any other documents to be submitted to the Shareholders' Meeting, proxy forms and information on the amount and composition of its share capital, as required by law or regulations.

Specifically, the Company's website has a special section dedicated to Shareholders' Meetings, containing the documents and information pertaining to each specific meeting, with a direct link from the home page. As stated in Section 15 above, as part of a broader revamping of the Company's website, the organisation and content of this section was already upgraded in 2010 to improve the quality of and access to information for shareholders prior to Shareholders' Meetings.

Based on the record date mechanism, the right to attend Shareholders' Meeting and vote is held by those who communicate via an authorised financial broker that they hold shares of the Company seven trading days prior to the date set for the Shareholders' Meeting in first convocation. In this respect, the Company amended the prior Art. 13.1 of its Bylaws by resolution of the Board of Directors on 3 November 2010, in part to remove the requirement that shares must first be deposited and "blocked" in order to attend the Shareholders' Meeting.

This Board of Director's resolution also made adjustments to the wording of Art. 14.1 of the Bylaws in order to incorporate the regulation that prohibits listed companies from applying the restrictions on representation at Shareholders' Meeting provided by Art. 2372 of the Italian Civil Code, as well as giving shareholders the option of notifying the Company of a proxy by electronic means (via certified electronic mail or uploading in a special section of the Company's website) as indicated in the notice calling the Shareholders' Meeting.

The Extraordinary Shareholders' Meeting of 30 April 2010 also amended Art. 14 of the Bylaws to give the Company the power to designate a common representative for each Shareholders' Meeting, i.e. a person to which the shareholders may grant a proxy with instructions on how to vote on all or certain of the items on the agenda (Art. 14.3). Such proxy must be given by the end of second to last trading day prior to the date set for the Shareholders' Meeting in first convocation.

Shareholders may pass resolutions on all issues reserved to them by applicable laws.

The Bylaws (Art. 24.1) also give the administrative body, by way of the right granted under Art. 2365(2) of the Italian Civil Code, the power to make decisions on the following matters:

- mergers and spin-offs, in the cases specified by law;
- the creation or elimination of branch offices;
- reductions in share capital in the event of withdrawals;
- adaptation of the Bylaws to regulatory changes;
- transfer of the Company's registered office within Italy.

During Ordinary Shareholders' Meetings, resolutions are passed by an absolute majority of those in attendance, with the exception of the matters specified under Art. 22.3 of the Bylaws, for which the favourable vote equal to at least three-fourths of the capital represented at the Meeting is required (Art. 16.5 of the Bylaws).

Extraordinary Shareholders' Meetings also require the favourable vote of at least three-fourths of the capital represented in order for resolutions to pass (Art. 16.4 of the Bylaws)

Also, the option of calling the annual Shareholders' Meeting to approve the financial statements within 180 days of the close of the fiscal year, previously permitted by the Bylaws and then introduced again by law, was reintroduced, resulting in the amendment of Art. 12.2 of the Bylaws approved by the Extraordinary Shareholders' Meeting of 30 April 2010.

For information on further changes made to the Bylaws following enactment of the new regime under Legislative Decree 27/10 addressing the timetable and formalities for filing and publishing lists of candidates for the corporate bodies, refer to previous sections of this Report.

Finmeccanica adopted **SHAREHOLDERS' MEETING RULES** some time ago, with the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, laying down rules for main aspects (such as the right to take part in meetings or to be present at them, rules for debate, voting methods, arrangements for voting operations, etc.) so that the proceedings are properly conducted and Shareholders are assured of the right to speak on the items on the agenda.

In order to ensure that all Shareholders are able to exercise this right correctly, the Rules contain special provisions concerning the manner in which requests to speak on the individual items on the agenda should be presented, the maximum time Shareholders are allowed to speak and the possibility of asking to be allowed to speak again and to state how they will vote if they wish to do so.

The Rules also contain provisions for special powers held by the Chairman that enable him to settle conflicts among the persons attending the meeting or to prevent them from arising and to repress abuse of any kind.

These Rules are always distributed to all Shareholders whenever a meeting is held, and may be viewed on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area). In 2010, they were amended to incorporate certain provisions of Legislative Decree 27/10, approved by the Shareholders' Meeting on 30 April 2010.

Specifically, in addition to certain stylistic changes and aligning the Rules with the content of the new law, more precise procedures for admittance to Shareholders' Meeting locations by those entitled to attend (Art. 4) were introduced, as were procedures for addressing shareholders' concerns prior to the Meeting (Art. 10) in keeping with the law in force.

The Company's Board of Directors and top management report on the business conducted during the year and on the Issuer's future plans at Shareholders' Meeting called to approve the annual financial statements.

The Board of Directors also sees that Shareholders are given accurate and timely information regarding the items on the agenda so that all Shareholders are in a position to be well informed and have full knowledge of the facts involved in making the decisions for which the Shareholders' Meeting is responsible.

During the 2011 financial year, in the context of the general crisis of the economic conditions and of the financial markets, significant changes were recorded in the market capitalisation of the Company's shares.

It should be remembered that the percentages envisaged in the Bylaws as to the exercise of the rights protecting minority Shareholders, in particular the ownership of 1% of the voting share capital required for the submission of lists of candidates for the position of Director or Statutory Auditor of the Company (sections 18.4 and 28.3 of the company's Bylaws), has appeared to be corresponding to or lower than – as already referred to herein with reference to the 2011 financial year – the minimum share identified by CONSOB.

The abovementioned Bylaws provisions also provide, as previously illustrated, specific procedures aimed at ensuring, within the described "list voting" mechanism, the appointment of Directors and Statutory Auditors drawn from minority lists.

17. CHANGES OCCURRED FROM THE CLOSING OF THE RELEVANT FINANCIAL YEAR

General remuneration policy.

In accordance with the new regulations governing transparency of the remuneration under article 123-ter of the Consolidated Law on Financial Intermediation, as well as in compliance with the new

section 7 of the Corporate Governance Code, the Board of Directors took steps, in the meeting of 27 March 2012, following the valuations made and the proposals put forward by the Remuneration Committee, to approve, with reference to the 2012 and subsequent financial years, the Company's policy on the remuneration of the members of governing bodies, general managers and of the other managers with strategic responsibilities envisaged in paragraph 3, letter a) of the abovementioned article 123-ter.

The first section of the abovementioned Report, containing the Company's remuneration policy, as well as the procedures used for the related adoption and implementation, will be submitted (pursuant to article 123-ter, paragraph 6, of the Consolidated Law on Financial Intermediation) to the consultative voting at the next Shareholders' Meeting called to approve the 2011 Financial Statements

The policy adopted – which is summarised in the following points – is the object of an analytical description, in compliance with the information criteria and elements envisaged in the provisions of laws and regulations referred to above, in the Remuneration Report approved by the Board on 27 March 2012, to which contents full reference is made.

The full text of the report is also made available, according to the procedures set out by law, through the publication on the Company's website (Investor Relations/Corporate Governance section, Remuneration area) within the time limit of 21 days prior to the date of the Shareholders' Meeting called to approve the Financial Statements.

Share-based remuneration plans.

At the date of this Report, the Company had no incentive plans based on financial instruments.

Remuneration of executive directors.

In order to ensure a correct balancing of the company's interests, aimed at retaining and motivating managers with the necessary skills for managing the company and business development and at ensuring an alignment of the management's objectives with the creation of value for shareholders in the medium/long term, the remuneration of the executive Directors is determined by ensuring a balanced pay-mix between the fixed component and the variable one, in relation to the strategic objectives set by the Board of Directors.

In particular, the variable remuneration is structured into a short term component (which is typically annual) and a medium/long-term component.

The short-term variable remuneration for executive Directors is mainly conditional on the achievement of predetermined performance objectives of an economic and operational nature, in line with the strategic guidelines determined by the Board of Directors, whose results can be objectively measured and verified.

The short-term variable remuneration of executive Directors is also conditional, to a lesser extent, on individual performance objectives, in line with the strategic guidelines determined by the Board of Directors, whose valuation is the responsibility of the Remuneration Committee.

The medium/long-term variable remuneration is structured into two 3-year incentive plans and is subject to the achievement of predetermined performance objectives of an economic and operational nature only.

Specifically, the executive Directors participate in the 2012-2014 Performance Cash Plan and in the 2012-2014 Long Term Incentive Plan, both of which are based on monetary incentives.

The performance indicators, which can be objectively measured and verified, are identified among those that mostly represent the company's ability to create value on multi-year plans and are aligned with the strategic guidelines determined by the Board of Directors.

For more details, also as to the incentives and the specific metrics used to assess performance, reference is made to the specific information provided in the Remuneration Report.

Remuneration of managers with strategic responsibilities.

It is specified that, taking account of the governance and of the current organisational structure of the Company, consequent to the renewal of the top management on 4 May 2011, no managers with strategic responsibilities can be identified.

Remuneration of non-executive Directors.

The remuneration of non-executive Directors is limited only to the fixed component, which is subject to the decision of the Shareholders' Meeting, and is not linked in any way to the achievement of performance objectives. Therefore, non-executive Directors do not participate in any incentive plan.

Indemnity due to Directors in case of resignation, dismissal without cause or termination of the employment relationship following a takeover bid (pursuant to article 123-bis, paragraph 1, letter i), TUF).

There are no agreements previously entered into between the Company and Directors which provide for indemnities for Directors in the event of resignation or dismissal without cause or the termination of the employment relationship as a result of a takeover bid.

Instead, with reference to the provisions concerning executive Directors, as to treatments in case of ceasing to hold office or the early termination of the employment relationship, reference is made to the specific information provided in the Remuneration Report.

TABLE 1: INFORMATION ON SHAREHOLDER STRUCTURE

<i>Significant stakes in the share capital</i>		
<i>Declarant</i>	<i>Direct shareholder</i>	<i>Ownership % of the ordinary capital and voting capital</i>
Ministry for Economy and Finance	Ministry for Economy and Finance	30.204
Tradewinds Global Investors, LLC (1)	Tradewinds Global Investors, LLC	5.382
Deutsche Bank Trust Company Americas (2)	Deutsche Bank Trust Company Americas	3.600
Blackrock Inc. (3)	Blackrock (Netherlands) BV	0.018
	Blackrock Institutional Trust Company NA	0.889
	Blackrock Fund Managers Limited	0.016
	Blackrock Advisors (UK) Limited	0.634
	Blackrock Investment Management (Australia) Limited	0.003
	Blackrock Investment Management LLC	0.063
	Blackrock Financial Management Inc.	0.020
	Blackrock Asset Management Japan Limited	0.183
	Blackrock Asset Management Australia LTD	0.008
	Blackrock Asset Management Canada Limited	0.016
	Blackrock Fund Advisors	0.358
	Blackrock Investment Management (UK) Limited	0.001
	Blackrock International Limited	0.031
		2.240
Grantham, Mayo, Van Otterloo & Co. Llc (4)	Grantham, Mayo, Van Otterloo & Co. LLC	2.045
Arab Bkg Corp/Libyan Inves, Man) (5)	Arab Bkg Corp/Libyan Inves, Man)	2.010

(1) Notice pursuant to article 120 of the Consolidated Law on Financial Intermediation: an equity investment held by way of "Discretionary Asset Management."

(2) Intermediary's notice for the payment of dividends for the 2010 financial year (started on 26 May 2011).

(3) Notice pursuant to article 120 of the Consolidated Law on Financial Intermediation: an equity investment held by way of "Non-Discretionary Asset Management", distributed among the abovementioned management companies of the Blackrock Group.

(4) Notice pursuant to article 120: an equity investment held by way of "Discretionary Asset Management."

(5) Intermediary's notice for the payment of dividends for the 2010 financial year.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors (triennium 2011-2013) appointed by the Shareholders' Meeting on 4 May 2011 and by the Board of Directors' Meeting on 1 December 2011								Internal Audit Committee		Remuneration Committee		Strategy Committee	
Position	Members *	Execu- tive	Non- Executive	Independent Cor. Gov. Code	Independent Cons. Law on Fin. Intermed.	Attendance BoD meetings ***	Other positions ****	Comp.	Attendan- ce ***	Comp.	Attendan- ce ***	Comp.	Attendan- ce ***
Chairman and Chief Executive Officer	Giuseppe ORSI	X		==	==	9/9	=					X (°)	1/1
Director - General Manager	Alessandro PANSA **	X		==	==	2/2	1						
Director	Carlo BALDOCCI		(°°)	(°°)	(°°)	9/9	=					X (°)	1/1
Director	Franco BONFERRONI		X	X	X	15/15	3	X (°°°)	15/15	X	7/7		
Director	Paolo CANTARELLA *		X	X	X	9/9	1	X (°°°°)	==			X (°)	1/1
Director	Giovanni CATANZARO		X	X	X	9/9	=	X (°)	08/09				
Director	Dario GALLI		X	X	X	15/15	=			X	7/7	X	2/2
Director	Marco IANSITI *		X	X	X	9/9	2					X (°)	1/1
Director	Silvia MERLO *		X	X	X	9/9	2	X (°)	09/09				
Director	Francesco PARLATO		X	==	==	14/15	=			X	7/7	X	1/2
Director	Christian STREIFF *		X	X	X	8/9	3			X (°)	6/6		
Director	Guido VENTURONI		X	X	X	15/15	=	X (°)	09/09			X (°°°°)	1/1
Number of meetings held during 2011:			BoD: 15	Internal Audit Committee: 15			Remuneration Committee: 7			Strategy Committee: 2		Appointments Committee: not envisaged	
Quorum for presentation of minority lists: 1% of share capital with voting rights at Ordinary Shareholders' Meetings													

NOTES

- * Asterisk indicates a Director appointed from a minority list.
- ** In office since 1 December 2011
- *** All absences from BoD or Committees meetings are excused.
- **** This column contains the number of positions as Director or Auditor held by the persons serving in other companies listed on regulated markets, in Italy and abroad, and in finance houses, banks, insurance companies or major companies. The positions are described in full in the Report.
- (°) Member of the Committee from 26 May 2011
- (°°) Carlo Baldocci was appointed a Director without voting rights by Ministerial Decree pursuant to Law 474/94 and Art. 5.1. *ter*, letter d), of the Bylaws.
- (°°°) Member of the Committee until 22 November 2011
- (°°°°) Member of the Committee from 1 December 2011
- (°°°°°) Member of the Committee until 4 May 2011

TABLE 3: OUTGOING DIRECTORS IN YEAR 2011

Position	Members *	Executive	Non-Executive	Independent Cor. Gov. Code	Independent Cons. Law on Fin. Intermed.	Attendance BoD meetings **	Internal Audit Committee		Remuneration Committee		Strategy Committee	
							Comp.	Attendance **	Comp.	Attendance **	Comp.	Attendance **
Chairman and Chief Executive Officer	Pier Francesco GUARGUAGLINI (°)	X		==	==	13/14					X	2/2
Director	Piergiorgio ALBERTI * (°°)		X	X	X	6/6	X	6/6	X	1/1		
Director	Andrea BOLTHO VON HOHENBACH * (°°)		X	X	X	6/6					X	1/1
Director	<i>Giovanni</i> CASTELLANETA (°°)		(°°°)	(°°°)	(°°°)	6/6					X	1/1
Director	Maurizio DE TILLA * (°°)		X	X	X	5/6	X	6/6				
Director	Richard GRECO * (°°)		X	X	X	5/6					X	1/1
Director	Nicola SQUILLACE (°°)		X	X	X	6/6	X	4/6			X	1/1
Director	Riccardo VARALDO (°°)		X	X	X	6/6			X	1/1		

NOTES

- * Asterisk indicates a Director appointed from a minority list.
 ** All absences from BoD or Committees meetings are excused.

(°) In office until 1 December 2011

(°°) In office until 4 May 2011

(°°°) Giovanni Castellaneta was appointed a Director without voting rights by Ministerial Decree pursuant to Law 474/94 and Art. 5.1. *ter*, letter d), of the Bylaws.

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors (triennium 2009-2011)				
appointed by the Shareholders' Meeting of 29 April 2009				
Position	Members *	Independent (Corp. Gov. Code)	Attendance at BoSA Meetings **	Number of other positions held ***
Chairman	Luigi GASPARI *	X	37/39	=
Regular Auditor	Giorgio CUMIN	X	34/39	=
Regular Auditor	Maurilio FRATINO *	X	33/39	1
Regular Auditor	Silvano MONTALDO	X	32/39	=
Regular Auditor	Antonio TAMBORRINO	X	36/39	1
Alternate Auditor	Maurizio DATTILO *	==		2
Alternate Auditor	Piero SANTONI	==		=
Number of meetings held during 2011: 39				
Quorum for presentation of minority lists for the election of two Regular and one Alternate Auditors: 1% of share capital with voting rights at Ordinary Shareholders' Meetings				

NOTES

- * Asterisk indicates an Auditor appointed from a minority list.
 ** All absences from Board of Statutory Auditors' meetings are excused.
 *** This column indicates the number of auditor positions held with other issuers.

TABLE 5: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	YES	NO	Brief account of the justification for any departures from the recommendations in the Code
System of delegated powers and transactions with related parties			
Has the BoD conferred powers specifying their:			
a) restrictions	X		
b) method of exercising them	X		
c) and reporting intervals?	X		
Has the BoD reserved its responsibility for the scrutiny and approval of transactions significantly impacting on profitability, assets and liabilities and financial position (including transactions with related parties)?	X		
Has the BoD laid down guidelines and criteria for the definition of “significant” transactions?	X		
Are the above guidelines and criteria set out in the report?	X		
Has the BoD laid down special procedures for the scrutiny and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties set out in the report?	X		
Procedures adopted in the latest appointments of Directors and Auditors			
Were the names of the candidates for positions as Directors deposited at least ten days in advance?	X		
Were the names of the candidates for positions as Directors supported by full information?	X		
Were the names of the candidates for positions as Directors accompanied by a specification of whether they qualified as independent?	X		
Were the names of the candidates for positions as Auditors deposited at least ten days in advance?	X		
Were the names of the candidates for positions as Auditors supported by full information?	X		
Shareholders’ Meetings			
Has the company approved Rules of Procedure for Shareholders’ Meeting?	X		
Are the Rules of Procedure annexed to the report (or does the report state where they can be obtained/downloaded)?	X		
Internal control			
Has the company appointed internal control managers?	X		
Are the internal control managers not accountable to managers of operating areas?	X		
Organisational unit responsible for internal control	AUDIT		
Investor Relations			
Has the company appointed an Investor Relations Manager?	X		
Name of the organisational unit and contacts (address/phone number/fax/e-mail) of the Head of Investor Relations:	Investor Relations – Head of IR John Douglas Stewart – Head of Financial Communication: Raffaella Luglini. P.zza Monte Grappa, 4 - 00195 Rome Tel.+39 0632473.290/066. Fax: +39 06 32473514 e-mail: investor_relations@finmeccanica.com		