Value Creation

Driving success by executing our goals
Rewarding Performance throughout the Finmeccanica Group

Roberto Maglione
Executive Vice President
Human Resources

Driving success by executing our goals
System aligned with strategic goals

**Annual Executive Incentive Scheme**
- Revenues
- Orders (based on quantitative and qualitative targets)

**Performance Share Plan**
- Gross Margin
- EBIT (both at Group and Company level)
- Economic Value Added
- VAE – Economic Value Added

**Long-term Incentive Plan**
- Net Profit (both at Group and Company level) as Plan threshold
- Retained Cash Flow

**Strategic Goals**
- Growth
  - Revenues
- Profitability
  - Gross Margin
  - EBIT (both at Group and Company level)
  - Economic Value Added
- Cash
  - FOCF (at Group and Company level)
Addressing right individuals to deliver superior results (1/2)

- 90% of FNM Group Executives
- Strategic Executives
- A selection of Key Executives and High Potential Executives
- Strategic Executives only

Number of Participants

- Annual Executive Incentive Scheme: Approx. 1800
- Performance Share Plan: Approx. 600
- Long Term Incentive Plan: Approx. 60
Addressing right individuals to deliver superior results (2/2)

Long Term Incentive Plan (cash) = LTIP
Pay out July next year

Performance Stock Plan (stock grants) = PSP
Pay out December next year

Annual Bonus (cash)
Pay Out May next year

Group Executives
Selection of Key and High Potential Executives
Strategic Executives
2007 Annual Executive Incentive Scheme

90% Executives
(including all Strategic, Key and High Potential Executives)
**Geared towards efficiency gains**

**G&A Costs**
- Keep under control G&A costs
- Cost efficiencies to fund export market growth

**% Ratio Sales / Value of Production**
- Focus on Working Capital Reduction and Stocks
- Achievement of planned milestones to deliver on commitments

**Efficiency Projects**
- “Quality” in profitability
- Contribute towards EBIT and FOCF targets achievement

**Group Special Projects**
- Develop processes to support growth in volumes and profitability
- Achievement of **budget target** triggers **60%** of payout on each objective
- No payout below budget
- "**Gate principle**": in the case of a performance level below **80%** of budget on just one objective, **all potential payouts cancelled**
2005-2007 Performance Share Plan

600 Key and High Potential Executives + Strategic Executives
What needs to be achieved?

Performance Condition 1
- 60%
  - VAE – Economic Value Added
  - Group targets for FNM Executives
  - Company targets for Company Executives
  - Orders need to comply with average margins set in Budget/Plan
  - On/Off objective

Performance Condition 2
- 40%
  - Orders
  - Group targets for FNM Executives
  - Company targets for Company Executives
  - On/Off objective

PSP Max Payout

Performance Period 2005-2007
Long-Term Incentive Plan

60 Strategic Executives only
“RCF” is Retained Cash Flow = Net Profit + Dividends + Amortisation
Funding the Schemes
Rewarding is not a cost

Total Reward Costs:

- Base Salaries
- Annual Executive Incentive Scheme
- Long Term Incentive Schemes

are entirely incorporated in the EBIT Budget target

SELF-FUNDING and PROFIT-SHARING
Key final messages

• We are enhancing **Management Accountability** by increasing Performance-related Remuneration

• Executives **highly incentivised to achieve our strategic targets**: Revenue Growth, Profitability and Cash Flow

• A Reward System that enables Finmeccanica to attract, motivate and retain talented Executives globally

• Senior Finmeccanica Executives can earn up to more than **twice the base salary if all objectives are fully achieved**