

Board of Director's report on the fourth item on the agenda of the ordinary part of the meeting

Incentive plan for the years 2008-2010 and authorization to the purchase and disposal of the required Company's shares; related resolutions

Shareholders,

we hereby submit for your approval a proposal of a share incentive plan for the three-year period 2008-2010 (hereinafter "the Plan"), addressed to select categories of Finmeccanica Group Management based on the allotment of the right to receive free Company's shares. The shares used to support the Plan shall be purchased by the Company on the market.

For this purpose, we also submit for your approval a request for authorisation (hereinafter the "Authorisation"), within the meaning of and pursuant to Article 2357 of the Italian Civil Code, for the purchase and disposal during a period of 18 months from the date of the resolution of 7,500,000 ordinary Finmeccanica shares (hereinafter the "Shares"), at a maximum and minimum unit price equal to the reference price on the Italian stock market (*Mercato Telematico Azionario*) organized and managed by Borsa Italiana S.p.A. on the day prior to the intended purchase date, more or less the 5% for the maximum and minimum price respectively, to be allocated to the 2008-2010 Plan, the general framework of which was ratified by the Company's Board of Directors on 20 April 2007.

1. The Plan

a) Reasons for adopting the Plan

The Plan that we propose should be implemented for the three-year period 2008-2010 essentially reproduces the characteristics of the 2005-2007 Plan, adopted following the resolution of the General Meeting of 1 June 2005. During this period, the Plan has proven to be an excellent incentive and loyalty strategy and has optimised the correlation between management pay and the Company's economic and financial performance. In the light of this experience, the Board of Directors has

decided to recommend to the General Meeting a confirmation of the Plan for the next three years.

As mentioned, the Plan is an useful loyalty and incentive strategy to select categories of Finmeccanica Group Management, a means for attracting and retaining resources at the highest professional level compatible with the interests of the Shareholder, enabling the Group to share projected growth in value of the Group and its companies, realised partly through the solid performance of its stock.

The Plan is consistent with the latest trends of the relevant salary markets and, being based on performance indicators reflecting a medium/long-term management and operational outlook, represents – in the opinion of the Board of Directors – a fundamental basis for further growth and expansion of the Group over the next few years.

b) Beneficiaries

The Plan is addressed to Senior Management and “key” Resources in view of their specific skills and/or responsibilities within Finmeccanica S.p.a. or the subsidiaries of the Finmeccanica Group. For the purposes of this Plan, the term “Subsidiaries” falls within the meaning of Article 2359, paragraph 1, subparagraph 1 of the Italian Civil Code.

In particular, the beneficiaries will be identified by the Board of Directors from among:

- executive Directors of Finmeccanica S.p.a. and of Subsidiaries of the Group;
- Managers of Finmeccanica S.p.a. and of Subsidiaries of the Group;
- non - employees holding a management position in Finmeccanica S.p.a. and in subsidiaries of the Group.

c) Duration of the Plan

The Plan will be valid for the three-year period 2008-2010. The rights allotted will accrue at the end of the period, subject to confirmation of the performance conditions required by the Plan.

If the required performance conditions have been achieved in the first and/or second financial year of the three-year period 2008-2010, predetermined rights may accrue in advance, with regard to both 2008 financial year and 2009 financial year, subject to a maximum of 25% of the rights allotted for each year.

The rights will be redistributed in case of changes affecting the nature of the work and/or position held within Finmeccanica S.p.a. and the Group Subsidiaries, where the individual concerned no longer qualifies as a beneficiary of the Plan. In this case, the rights will be redistributed taking account of the number of individuals who still qualify as beneficiaries for the residual period of the Plan. A similar criterion will apply with regard to the allotment of rights during the Plan.

The implementing regulations of the Plan – which will be adopted by the Board of Directors following the approval of the General Meeting – will include special provisions governing the management of rights allotted in case of a transfer (within Finmeccanica Group) or departure from the Board of Directors or from the Company, in case of a change in control or other operations that might affect the rights allotted.

d) Purpose of the Plan and implementation procedures

The Plan consists of allotting to beneficiaries the right to receive free shares during a “closed” cycle in the three-year period from 1 January 2008 until 31 December 2010, subject to attainment of the predetermined performance targets for the three-year period 2008-2010 and each of the financial years within said period.

Specifically, these targets are based on two performance indicators, Orders (and the corresponding Margins) and VAE, and the corresponding targets set in the 2008-2010 Budget Plan for the Group and its Subsidiaries, depending on the position of each beneficiary.

According to the Board, these two indicators are best able to guide the beneficiaries in supporting the growth and expansion of Finmeccanica Group over the medium and long term and match appropriately with the Group’s incentive model and key management and financial levers.

e) Conditions for the allocation of Shares

On the allocation date of the Shares, the beneficiaries of the Plan must be executive Directors of Finmeccanica S.p.a. or of Subsidiaries of the Group, or Managers/advisers of Finmeccanica S.p.a. or of Subsidiaries of the Group, save as for then provisions laid down in the implementing regulations of the Plan in the context of the management of rights assigned in the circumstances referred to in subparagraph c).

There are no restrictions on availability following the actual allocation of Shares to beneficiaries.

2. Granting of the Authorization

The Board's objective in proceeding with the purchase of the Shares is to secure the funding necessary for the implementation of the Plan, an initiative designed to provide incentives and foster loyalty among the beneficiaries of the Plan, taking account of the interests of the Shareholder.

Therefore, the request for authorisation is not intended to reduce the share capital by cancelling the Shares purchased.

3. Maximum number, category and nominal value of the Shares to which the Authorisation relates

On the date of this proposal, the certified share capital of Finmeccanica – Società per azioni consists of 424,966,920 shares with a par value of €4.40 each.

We recommend that you authorise the purchase of a maximum of 7,500,000 Company's shares (corresponding to 1.764% of the share capital), it being understood that purchases may not be made for amounts that exceed the available reserves as indicated by the most recent approved financial statements of the Company.

4. Relevant information for the purposes of assessing compliance with Article 2357, paragraph 3 of the Italian Civil Code

The Company currently holds 600,601 own shares, representing around 0.141% of the share capital.

It follows that the maximum number of Shares recommended for purchase falls within the statutory limits, without prejudice to the limitations referred to in the final paragraph of section 3 above.

When the Shares are bought and sold, as described in more detail below, the proper accounting entries must be made in accordance with the statutory provisions and applicable accounting standards.

5. Duration of the Authorization

The Authorization is requested for a period of 18 months from the date of the resolution. The Board may proceed with authorised purchases in one or more tranches and at any time, whereas authorization for disposal of the Shares purchased as indicated above or otherwise available to the Company is requested for the time necessary to implement the Plan.

6. Maximum and minimum payment

The Board recommends that the purchase price of the Shares should be set as a maximum and minimum unit price equivalent to the reference price on the Italian stock market organised and managed by Borsa Italiana S.p.A. on the day prior to the intended purchase date, more or less the 5% for the maximum and minimum price respectively.

With regard to the disposal of the Shares, these shall be allocated free of charge to the beneficiaries of the Plan, subject to the conditions set out in the Plan.

7. Procedures for implementing Share purchase transactions

The Board recommends that the following procedures should be executed with regard to the purchase of the Shares to service the Plan, at the time of its choice:

- purchase on the market according with the operating procedures laid down by the market regulations (Article 144 *bis*, paragraph 1, subparagraph b) of the Issuers' Regulations adopted by CONSOB Resolution No. 11971 of 14/05/1999, as subsequently amended);
- purchase and sale of derivative instruments traded on regulated markets (Article 144 *bis*, paragraph 1, subparagraph c) of the Issuers' Regulations adopted by CONSOB Resolution No. 11971 of 14/05/1999, as subsequently amended).

Therefore, the Board of Directors submits for your approval the following

Agenda

The Ordinary General Meeting of the Shareholders of Finmeccanica – Società per azioni:

- acknowledging the provisions contained in Article 114 *bis* of Legislative Decree 58/1998, as subsequently amended (the Italian Financial Services Act), Articles 2357 and 2357 *ter* of the Italian Civil Code and Article 132 of the Italian Financial Services Act,
- taking account of own shares already held by the Company,

resolves

1. to approve the 2008-2010 Plan for the free allocation of ordinary shares of Finmeccanica – Società per azioni addressed to executive Directors of Finmeccanica S.p.a. and of Subsidiaries of the Group, for other Managers of Finmeccanica S.p.a. and of Subsidiaries of the Group, and for contractors occupying a management position in Finmeccanica S.p.a. or in Subsidiaries of

the Group who will be identified in detail by the Board of Directors, within the terms indicated by the report;

2. to authorise, within the meaning of and pursuant to Article 2357 of the Italian Civil Code, the purchase, in one or more tranches and for a period of 18 months from the date of this resolution, of a maximum of 7,500,000 ordinary shares of Finmeccanica – Società per azioni, subject to a limit of 10% (ten per cent) of the share capital, taking account of the Company's shares already held, at a maximum and minimum unit price that must be equivalent to the reference price on the Italian stock market organised and managed by Borsa Italiana S.p.A. on the day preceding that of the intended purchase date, more or less the 5% (five per cent) for the maximum and minimum price respectively, to be intended to service the Plan;
3. to authorize the Board of Directors, and the Chairman and Chief Executive Officer acting on its behalf, to proceed, under the aforementioned conditions and to the extent that this is considered appropriate, with the purchase of Company's shares to be effected according to the following procedures:
 - purchase on the market according with the operating procedures laid down by the market regulations (Article 144 *bis*, paragraph 1, subparagraph b) of the Issuers' Regulations adopted by CONSOB Resolution No. 11971 of 14/05/1999, as subsequently amended);
 - purchase and sale of derivative instruments traded on regulated markets (Article 144 *bis*, paragraph 1, subparagraph c) of the Issuers' Regulations adopted by CONSOB Resolution No. 11971 of 14/05/1999, as subsequently amended);
4. to authorise the availability, at any time, in whole or in part, in one or more tranches, of Company's shares already held in portfolio and those purchased pursuant to this resolution, so that they may be used, subject to a resolution of the Board of Directors and in accordance with the statutory provisions, to support the aforementioned Plan in accordance with the terms, conditions and procedures laid down by the Plan itself and/or in the corresponding implementing regulations.

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