# Remuneration Report

**Drafted pursuant to Article 123-*ter* of Legislative Decree no. 58 of 24 February 1998**

**(Consolidated Finance Act – TUF)**

**and pursuant to Article 84-*quater* of CONSOB Resolution no. 11971 of 14 May 1999**

**(Issuers' Regulation)**

**27 March 2012**

***Website:*** www.finmeccanica.com

*Disclaimer*

*This Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.*

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## SECTION II

**Remuneration Report**

This Report is drafted in compliance with the legal provisions in force, and in line with the Self-Regulatory Code for Listed Companies.

In fact, the Company Board of Directors' Resolution of 27 March 2012 approved the Remuneration Report pursuant to the new Article 123-*ter* of the TUF, which illustrates, among other things, the policy adopted with regards to the remuneration of members of the administrative bodies, of general managers and of other executive managers with strategic responsibilities, also in compliance with the recent recommendations of the Self-Regulatory Code regarding remuneration, issued in March 2010.

The initial section of the document illustrates the remuneration policy adopted as of financial year 2012, setting out the criteria and guidelines that the Company has adopted in relation to the remuneration of its administrative bodies' members, its general managers and other executive managers with strategic responsibilities. Said Section is subject to the non-binding resolution of the Shareholders' Meeting pursuant to Article 123-*ter*, paragraph 6, of the TUF.

The second section analyses and details the fees actually paid to, or in any case assigned to, members of the administrative and control bodies, and the Company's general managers, during the course of 2011.

It should be noted that, in light of the Company's governance and current organizational set-up, following the appointment of the Company's senior management on 4 May 2011, no executive managers with strategic responsibilities can be identified.

The Remuneration Policy set out in this Report has been adopted by the Company, as provided for by Consob Regulation no. 17221/2010 with regards to related-party transactions, also in accordance with, and for the purposes of Article 11.2(b) of the Procedure for Related-Party Transactions approved on 26 November 2010.

This document is available at the Company's registered office and on its website (www.finmeccanica.com, *Investor Relations/Corporate Governance* Section, Remuneration area).

## INTRODUCTION

The remuneration policy described in this document falls within the broader framework of the management of the remuneration of Finmeccanica's executives, with regards to which the Company has been creating for several years a system designed to guarantee the constant alignment of the remuneration policy with the shareholders' long-term interests; this allows the adoption of management systems that attract and retain key human resources for the continuation and development of business, by motivating them to pursue excellence in their performance.

Within this context, the path followed by Finmeccanica with regards to the design of the Group's Executive Compensation system has enabled the Company to identify certain key principles as the basis for its remuneration policies, whilst constantly monitoring the evolution of best practices, at both national and international level, pledging to continue carefully assessing the potential directions to be taken in the future.

In particular, the path initially taken focussed on the design of the Executive pay policy in Italy and abroad, before gradually extending its coverage to key resources with considerable potential working in non-managerial areas, under a medium and long-term Talent Management perspective.

In line with internationally-established practices, Finmeccanica has created its remuneration system through the use of all available forms of incentives, through the provision of transparent guidelines relating to both the fixed and variable remuneration, which have led to the establishment of a **well balanced pay-mix** between the two elements, by layers of management identified on the basis of the organizational structure, of the assigned responsibilities, and of a performance and potential assessment of those resources involved.

More specifically, on the one hand the fixed element of remuneration calls for the constant control of the associated costs ("Optimize Fixed Costs" principle), whilst, on the other hand, the technology-based sectors in which Finmeccanica operates pose an important challenge in relation to the acquisition of talent with the know-how vital for business growth and future competitiveness.

The definition of the fixed remuneration of Executives has thus been directed towards an optimal allocation of resources, specifically towards the definition of the most appropriate minimum level of compensation, in light of the value of the skills, of the seniority and of the potential of individuals, of their vulnerability against the external market, and of their positioning with regards to external and, to a certain extent, internal remuneration benchmarks.

At the same time, and also in order to counterbalance the general attention to fixed costs, Finmeccanica has gradually created a system of short and medium/long-term variable incentives, and has progressively pursued the expansion of its coverage in terms of eligible population, its proper positioning in terms of entity of the incentives, and a comprehensive design in terms of performance conditions – the latter to support the achievement of business targets and effectively communicated to the management – so as to create a genuine culture of performance ("Pay for Performance" principle).

The Directors' Remuneration Policy adopted by the Company, and described in the following sections, is in line with the Finmeccanica Group overall approach to Executive Compensation, and it expresses in greater detail the main objectives, instruments and methods for the definition of the Group executives' remuneration.

## SECTION I

### 1. PROCEDURES FOR THE ADOPTION AND IMPLEMENTATION OF THE REMUNERATION POLICY

With regards to the governance of the remuneration systems, the following is a more detailed description of the related management activities and the respective responsibilities, divided according to the role played by each body involved in the formulation and approval of the remuneration policy regarding the members of the Company's administrative bodies, its General Managers and the other executives with strategic responsibilities.

**A) Shareholders' Meeting**

On remuneration matters, the Shareholders' Meeting:

- determines the fees payable to the members of the Board of Directors and of the Board of Statutory Auditors;
- resolves on any Remuneration Plans based on financial instruments assigned to Directors, employees, consultants or other executives with strategic responsibilities, pursuant to Article 114-*bis* of the TUF.

**B) Board of Directors**

- has set up an internal Remuneration Committee, the composition and functions of which are fully described in section C) below;
- delegates to the Remuneration Committee the task of determining the remuneration of those Directors vested with specific functions, subject to the opinion of the Board of Statutory Auditors;
- approves this Remuneration Report and submits it to the Shareholders' Meeting pursuant to, and within the limits established by, Article 123-*ter*, paragraph 6, of the TUF;
- draws up, upon proposal from the Remuneration Committee, potential incentive plans based on shares or other financial instruments, and submits said plans to the Shareholders' Meeting for its approval;
- implements the aforesaid incentive plans based on shares or other financial instruments, with the support of the Remuneration Committee, in accordance with the authorization of the Shareholders' Meeting.

**C) Remuneration Committee**

The Board of Directors has set up its own internal Remuneration Committee, composed of the following members:

Dario Galli, Chairman (Independent Director)

Franco Bonferroni (Independent Director)

Francesco Parlato

Christian Streiff (Independent Director)

The Committee is composed of non-executive Directors, the majority of whom, the Chairman included, are "independent".

The Committee's duties are as follows:

- to determine, by virtue of the powers granted by the Board of Directors, the remuneration and regulatory treatment of Directors with mandates granted by the Company, following the opinion of the Board of Statutory Auditors when required by Article 2389 of the Italian Civil Code, within the context and limits of the regulation of their relationship with the Company;
- to evaluate the proposals made by the Company's Chairman and CEO regarding the general principles of remuneration and benefits, and of HR development plans and systems, for the Group's key personnel and for those Directors, endowed with powers, from the Group's Companies;
- to support the Company's top management in defining the best policies for the management of the Group executives;
- to evaluate proposals by the top management regarding the introduction or modification of share-based incentive plans or stock grants for the benefit of the Directors and Executives of the Company and of the Operating Companies of the Group, to be submitted to the Board of Directors;
- to perform its duties in the management of long-term incentive plans, as provided for by the respective Regulations.

The Committee's operations are governed by special Regulations.

Since its initial set up in December 2000, the Remuneration Committee has provided support to the Company's top management with regards to certain key issues pertaining to the strategic management of the Group's human resources, and to its remuneration and retention policy.

Incentive schemes were defined, aimed at achieving results and targets relating to the growth of the Finmeccanica share and value.

Furthermore, in line with the strategic aim of re-launching the HR planning and development process as one of Finmeccanica's priorities, the Committee lent its support to the development of a qualified, structured and regular process of management appraisal, also in order to select the beneficiaries of any long-term incentive schemes through an objective and unbiased process.

With specific reference to the Remuneration Policy outlined in this Report, the Remuneration Committee has defined the principles and practical methodology of application of the Policy, and has submitted it to the Board of Directors which, having examined and approved the Policy, then submits it to the Shareholders' Meeting for a non-binding resolution, pursuant to Article 123-*ter*, paragraph 6, of the TUF.

The Policy was approved by the Committee in its resolution of 21 March 2012 and by the Board of Directors at its meeting held on 27 March 2012.

**D) Board of Statutory Auditors**

On remuneration matters, the Board of Statutory Auditors expresses the opinions required by the regulations in force, with particular reference to the remuneration of those directors vested with specific powers pursuant to Article 2389 of the Italian Civil Code, and it verifies that said remuneration is in line with the general policy adopted by the Company.

**E) Independent Experts**

The Remuneration Committee has not deemed it necessary to request specific assistance to external independent experts, but has considered the possibility that such support may be required in the future, in order to examine the effectiveness of the policy in relation to the set targets, and with a view to adjusting the policy as necessary, so as to guarantee the maximum efficacy of the adopted instruments.

## 2. AIMS AND PRINCIPLES OF THE REMUNERATION POLICY

The Remuneration Policy sets out the principles and guidelines on the basis of which the remuneration of the members of the Board of Directors is determined, as well as the specific criteria with which the salaries of the Group's management are established, with specific reference to the executive population.

In particular, the Policy is designed to attract and motivate human resources capable of carrying out their assigned duties and tasks to an excellent level, guaranteeing an appropriate balance between the variable element of the remuneration (if any) and the fixed element, as well as a balance between short-term and medium/long-term incentives, in order to ensure the sustainability of the policy in the long term.

At the same time, the Policy is designed to effectively align the remuneration and benefits system with the pursuit of the Company's long-term interests, by ensuring that the variable element of the remuneration, if any, is connected to actual results, through the introduction of not only a direct link between performance and remuneration, but also by paying particular attention to the nature of the performance conditions which the remuneration is subject to, and to the indicators used to measure remuneration, without prejudice to the existence of an upper limit on incentives.

The Company adopts this policy in relation to the specific needs of the business and to the sectors in which it operates.

**Reference to the remuneration policies of other companies**

The policy, although not established in relation to the remuneration policies of any other particular company, is determined following a thorough analysis of the existing remuneration systems and best practices at both national and international level, also in relation to aggregate external benchmarks.

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The Company's remuneration policy has been formulated according to the following principles.

**Fixed Remuneration and non-cash benefits**

The fixed element of remuneration is such that it duly remunerates the services provided by the members of the Company's Administrative Bodies and is proportioned to the assigned duties and responsibilities.

For those Directors not entrusted with specific duties, the remuneration consists exclusively of a fixed element, to be determined by the Shareholders' Meeting, and it is in no way linked to the achievement of performance targets.

For Executive Directors, the remuneration is composed of a fixed element and a variable element, the latter being divided in turn into a short-term incentive and a medium/long-term incentive; the medium/long-term incentive is assigned through the participation in the medium/long-term cash incentive plans set up for the Finmeccanica Group executives (2012-2014 Performance Cash Plan and 2012-2014 Long Term Incentive Plan).

In order to guarantee a correct balance of the interests of the company, which on the one hand are aimed at retaining and motivating managers possessing the necessary qualities to lead the company and ensure the development of the business, and on the other hand are meant to ensure the convergence of the objectives assigned to the senior management with the creation of value for shareholders in the medium/long-term, the remuneration of Directors guarantees a well balanced pay-mix of fixed and variable components, in relation to the strategic aims established by the Board of Directors.

In principle, the fixed element of the remuneration is set at a level that sufficiently compensate a Director's performance in the event that the variable element is not paid out, due to the failure to reach the underlying performance targets.

In any case, the fixed element of the remuneration is determined taking into account the width and nature of the specific powers assigned to the individuals, also on the basis of external benchmarks at national and international level.

Within the fixed elements of remuneration, certain non-cash rewards and benefits are provided for, in line with the Company's policies for senior executives, guaranteeing equitable treatment in relation to internal practices, and, at the same time, adequate levels of competitiveness against the market. Such rewards and benefits may include insurance provisions, welfare or pension benefits, and other forms of company benefits.

**Variable Remuneration**

Similarly, the variable element of remuneration, provided for Executive Directors only, is determined taking into account the width and nature of the specific powers assigned to the individuals, also in relation to external benchmarks at national and international level.

Specifically, in order to reduce any excessively risky forms of behaviour, and to encourage behaviours leading to sustainable results and the creation of value for shareholders in the medium/long term, the variable part of the remuneration is composed of a short-term element (typically an annual incentive) and a medium/long-term element. The short-term variable element is generally contained in a percentage substantially equivalent to the percentage of the medium/long-term remuneration.

It is the Company's policy not to award discretional bonuses to Executive Directors, as their incentives are provided through the aforementioned instruments. Such bonuses may be awarded by the Board of Directors, upon proposal from the Remuneration Committee, only in exceptional cases of operations of particular strategic importance for the Group having a significant impact on the Company's results.

Finally, the variable remuneration systems necessarily provide for "self-funding" mechanisms designed to ensure that all costs associated with the incentive plans – be they short or medium/long-term – are included in the profitability criteria conditioning the awarding of incentives.

In line with best practices, the variable incentive plans effectively translate into "profit-sharing" instruments which guarantee control mechanisms designed to ensure that the costs of the plans themselves do not negatively impact the planned economic results; profit sharing effectively representing one of the many aspects of the alignment of interests of both the Top Management and the Shareholders.

**Short-Term incentives**

A key aspect of short-term incentives, provided through the application of the Group's MBO (Management by Objectives) System which covers **100% of the Group executives**, is the **modulation of performance targets** depending on the participants' role and seniority, from the Company's top management all the way down to the base of the organizational structure.

Targets are carefully established for each executive, based on the balance of two logical principles: the first principle – of a "vertical" kind – provides for a correlation between the targets assigned respectively to the boss and to his/her subordinates, in order to guarantee that the team is adequately motivated to reach all of the targets assigned to the person in charge. The second principle – of a "horizontal" kind – provides, on the other hand, that the assigned series of targets is in line with the responsibilities and operating powers entrusted to the single manager.

This method for establishing targets - for both **financial and individual role-specific objectives** – enhances not only the Company's overall results, but also the individual contribution by each executive, consequently acting as a **retention and talent attraction factor**.

Besides, even when assigning individual role-specific targets, **objectively measurable and verifiable metrics** are established so as not to leave any room for discretion when it comes to evaluating results.

In order to reward performances globally of an excellent level, a "**performance gate**" mechanism is used, involving the zeroing of payouts associated with all financial targets, in case results for one (or more) of such indicators are below 80% of the budget/target. Therefore, achieving performances in line with those required by strategic guidelines is not enough; one must also not fall below a certain (acceptable) level of performance, otherwise the entire incentive will be foregone.

This mechanism correlating the actual results achieved against the various targets acts as a risk-mitigation factor to prevent the management from choosing to direct its efforts towards only a selection of the assigned targets: during the course of the year, and on the basis of the company performance, decisions may be made, in a more or less conscious manner, as to the targets to be focussed on in order not to waste energy pursuing risky, or indeed jeopardized, objectives. Encouraging, even if only indirectly, such selective behaviour would expose overall performance to the risk of impairment.

The principle of achievement of high performance levels against all assigned targets plays a key and crucial role in all merit recognition and valorization processes, where merit refers, among other things, also to sensitivity to financial variables, to determination in the pursuit of assigned targets, and to pragmatism and practicality in achieving results.

Moreover, within the Finmeccanica Group Remuneration System, the connection between performance and remuneration is not an entirely linear one: a lower limit is always provided for, that is, an entry level below which no remuneration is due, together with an upper limit, that is, a ceiling that no greater performance may exceed.

An equally important aspect is that the lower limit always corresponds, at least for all targets based on financial metrics, to the **target value** set when drawing up the Budget/Plan. This **minimum threshold (entry-level)** providing access to the Company's annual incentives not only enables the Company to encourage the achievement of said objectives, but also allows for an effective **control of all associated costs**.

**Short-Term incentives for Executive Directors**

In particular, the short-term variable remuneration for executive directors is largely conditional upon the achievement of objectively-measurable financial performance targets, in line with the strategic guidelines established by the Board of Directors.

The short-term variable remuneration for executive directors is also conditional, to a lesser extent, upon individual performance targets, in line with the strategic guidelines established by the Board of Directors, the evaluation of which is entrusted to the Remuneration Committee.

Short-term variable remuneration for executive directors is also subject to adjustment mechanisms intended to ensure that actual performances are aimed at achieving all of the assigned targets.

Finally, the assigned performance targets and the relevant methods of evaluation, together with the calculation of the final payouts of short-term incentives for executive Directors, are in line with the methods and processes adopted for all the executives of the Group, and as such they guarantee internal fairness in the application of incentives schemes.

In particular, the minimum payout associated to each objective shall only be paid out when the budget/targets set for each indicator in the budget/plan are achieved, while the remaining portion of the incentive may be paid out in case of performances exceeding the budget/targets (so-called *over-performance*).

**Medium/Long-Term incentives**

With reference to medium/long-term incentives, the evolution of the remuneration policy over the years has led to the adoption of monetary (cash-based) plans covering specific areas of the management.

Medium/long-term variable remuneration is assigned with the aim of directing the Management's performance towards the creation of sustainable value, which translates into the creation of value for the benefit of shareholders.

Business sustainability is one of the key responsibilities of the company Senior Management and the incentive systems designed to encourage the creation of value in the medium/long term are aimed at ensuring that the interests of the Management and those of the Shareholders are aligned: this, in turn, constitutes a fundamental guarantee of quality in the management of the business.

Medium/long-term variable remuneration is based on one or more incentive plans, typically three-year schemes, and is subject to the achievement of performance targets exclusively of a financial nature.

Predetermined, objectively measurable and verifiable performance metrics are chosen from those that best represent the Company's capability to generate value on a multi-year basis, and are aligned to the strategic guidelines established by the Board of Directors.

Payouts associated to those performance indicators are only triggered when the targets set out in the budget/plan for each indicator are achieved. Lower levels of performance will not trigger any payout associated with each indicator; conversely, over-performance will not generate larger payouts.

The medium-long term plans currently adopted by the Company are the 2012-2014 Performance Cash Plan and the 2012-2014 Long Term Incentive Plan.

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The "2012-2014 Performance Cash Plan" is a three-year closed plan, eligibility to which is extended to "Key Resources" holding leading positions within the Company, as well as to participants of lesser seniority, but judged to be of a considerable value to the Group, following an evaluation of their performance and of their potential through the HR management and development tools in use within the Group (*Finmeccanica Elite Management System*). This allows the Company to retain and motivate the people who the Group has invested on, granting a medium/long-term incentive to those who are included in the Company succession plans, thus guaranteeing an adequate **talent management** process and, most importantly, an appropriate system for the management of the **future turnover**.

The Plan was approved by the Finmeccanica S.p.a. Remuneration Committee in its resolution of 26 January 2012.

The Plan's performance metrics are connected to financial indicators of the Group and of the individual Operating Companies, in line with the aim of value creation in the medium/long-term.

Specifically:

- 60% of the incentive is conditional upon the achievement of the target for "Orders" - either annual or cumulative – in coherence with the respective global average margin, in relation to the relevant financial year within the plan's duration period – in accordance with the targets set in the Budget/Plan of the Company. Should the part of incentive associated to one year not be payable, achievement of the cumulated targets for years 2012-2013 and/or 2012-2014 will trigger a payout for the previous year/s as well;

- 40% of the incentive is conditional upon the achievement of the target associated with the "Funds from Operations" indicator (FFO) – either annual or cumulative - in relation to the relevant financial year within the plan's duration period – in accordance with the targets set in the Budget/Plan of the Company. Should the part of incentive associated to one year not be payable, achievement of the cumulated targets for years 2012-2013 and/or 2012-2014 will trigger a payout for the previous year/s as well;

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The "2012-2014 Long Term Incentive Plan" is a three-year rolling plan which envisages, therefore, the start of a new cycle each year, and eligibility to which is reserved to the Group's "Strategic Resources". The incentive is of a monetary nature.

In particular, the incentive is conditional upon the achievement of targets, which affect the incentive in equal measure, related respectively to indicators regarding the Group Net Financial Debt, set in the Budget/Plan, and to a target regarding the appreciation of the Finmeccanica share on the stock market, set beforehand by the Company. The entity of this part of the incentive is not proportioned to the performance of the share, and, thus, to the variation in the price of the share: it is instead determined on a fixed basis, related to the beneficiary's remuneration, and will only be paid out when the identified threshold is exceeded.

The incentive is paid in three instalments: the first, of 30%, upon achievement of the 2012 targets; the second, of 50%, upon achievement of the 2013 targets; and the third, of 20%, upon achievement of the 2014 targets. In the event that the infra-periodical targets for the Group Net Financial Debt objective for years 2012 and/or 2013 are not achieved, the respective portions of the incentive may be recovered upon achievement of the 2014 target.

Actual payment of the cash amounts awarded upon achievement of the performance targets provided for in the Plan is also conditional upon satisfaction of a specific self-funding principle, which requires the achievement of the annual budget/plan target in terms of the Group Net Profit. This threshold acts as a **risk-mitigation** factor, making the incentive conditional upon an actual value creation in the medium/long-term.

### Pay in the event of early termination of office or of employment and Non-Competition Agreement

As a rule, the Company does not stipulate agreements governing, *ex ante*, the financial aspects of early termination of the management's employment with the Company, without prejudice however to the obligations provided for by law and by the applicable Collective Bargaining Agreement. Nevertheless, for executive directors, in light of their specific professional value and of the importance of retention in relation to their positions, the Company may establish special clauses that govern *ex ante* the effects of the early termination of their office or employment, in line with the long-term strategies, values and interests established by the Board of Directors.

In particular, after careful consideration, the Company may determine, with reference to executive directors, that they are entitled to specific severance payments, should their office as directors be terminated in advance, or in the event of their resignation and/or dismissal as employees of the Company, without prejudice to the obligations provided for by law and/or by the applicable Collective Bargaining Agreement.

Such severance payments shall be, in any case, determined in relation to the value added and to the Director's contribution to the growth and maintenance of the business, as well as to the associated retention interests of the Company.

The specific early termination provisions will also identify the methodology for the calculation of the variable part of the remuneration due, in connection to the participation to the short and medium-long term incentive plans of the Company.

Furthermore, with regards to executive directors and in case of individuals with particularly significant professional skills (such that termination of their office or employment could represent a risk for the Company), the Company reserves the right to enter, from time to time, into non-competition agreements, providing for the payment of a sum of money commensurate with the duration and entity of the restrictive obligations deriving on the individual from the agreement itself.

## 3. REMUNERATION POLICY

### A) Members of the Board of Directors and of the Board of Statutory Auditors

The remuneration of the members of the Board of Directors and of the Board of Statutory Auditors shall be determined by the Shareholders' Meeting.

The Shareholders' Meeting held on 4 May 2011 set, for the three-year period 2011-2013, the remuneration of the Chairman of the Board of Directors at € 90,000 per year before tax, and that of the other members of the Board at € 60,000 per year before tax.

The Shareholders' Meeting held on 29 April 2009 set, for the three-year period 2009-2011, the remuneration of the Chairman of the Board of Statutory Auditors at € 78,000 per year before tax, and that of the other regular auditors at € 52,000 per year before tax.

The Company's Board of Directors, with its resolution of 26 May 2011, set the following levels of remuneration for the members of the Committees:

- € 2,500 per year before tax for each member, and € 7,500 per year before tax for the Chairman of the Committee;
- € 2,000 attendance fee, payable on the occasion of each Committee meeting.

The remuneration for the Lead Independent Director was set at € 7,500 per year before tax.

In line with best practices, the remuneration awarded to those Directors who are not entrusted with specific duties is not linked in any way to the achievement of specific performance targets, and thus consists of a fixed element only, rather than of a variable element as well.

### B) Executive Directors

In compliance with the procedures set out in paragraph 1 of this Section, the Remuneration Committee, delegated by the Board of Directors, has determined the remuneration and the other terms and conditions applicable to the Chairman and CEO, and the remuneration of the Director-General Manager and CFO, without prejudice to the conditions governed by those provisions of the law and of the Collective Bargaining Agreement that apply to the employment of the latter as an executive of the Company.

In light of the particular situation of the company, the Remuneration Committee, having received the prior declaration of availability of the Chairman and CEO and of the Director-General Manager, decided to reduce the amount of the aggregate maximum remunerations compared to the previous organisation, and, specifically, respectively by 35% compared to the remuneration previously provided to the Chairman and CEO of the Company and by 30% compared to the remuneration previously provided to the General Manager of the Company.

Particularly, following the definition of the structure as determined by the assignment of the office of Chairman to Mr. Orsi on 1 December 2011 (in addition to the office of CEO which had already been assigned to him on 4 May 2011) and of the office of General Manager to Mr. Pansa on 4 May 2011 (the latter having been co-opted by the Board of Directors on 1 December 2011), starting from fiscal year 2012, the fixed component of the annual remuneration has been confirmed in the amount of € 1,650,000 for the Chairman and CEO and has been confirmed in the amount of € 800,000 for the Director-General Manager and CFO (whose fixed remuneration has remained unchanged since 2007).

Moreover, the Remuneration Committee has established that the variable short-term incentive be determined for the Chairman and CEO in the maximum annual amount of 48% circa of the fixed remuneration, and for the Director-General Manager in the maximum annual amount of 87% circa of the fixed remuneration.

Finally, the Remuneration Committee has established that the medium/long-term variable incentive be determined for the Chairman and CEO in the maximum annual amount of 42% circa of the fixed remuneration, and for the Director-General Manager in the maximum annual amount of 87% circa of the fixed remuneration.

It shall be noted that the variable component of the remuneration is conditional upon the achievement of predefined performance targets and, with specific reference to the short-term variable incentive, will be payable in the amount of 60% of the maximum payout upon the achievement of the budget targets identified in the budget/plan of the Company for each indicator, being the remaining part of the incentive payable exclusively in case of higher performances than the targets set in the budget/plan (overperformance).

The variable component of the remuneration is also conditional upon the fulfilment of the self-funding requirements of the incentive plans, as described in the previous sections of this document.

**Short-term variable remuneration**

Executive directors participate in the Finmeccanica short-term incentive "MBO (*Management by Objectives*) System" scheme, which covers all executives of the Group: the plan ties payment of an annual bonus to the achievement of performance targets of both financial and individual role-specific nature.

The Remuneration Committee has established that the variable short-term incentive be determined for the Chairman and CEO in the maximum annual amount of 48% circa of the fixed remuneration, and for the Director-General Manager in the maximum annual amount of 87% circa of the fixed remuneration.

In consideration of the objectives relating to the Group's growth sustainability, to the achievement of competitive costs and margins, and to the achievement of the levels of Operating Profit and Free Operating Cash Flow determined in the Company's budget/plan, the short-term incentive system is based on the achievement of performance targets connected to financial indicators in line with the set strategic targets.

For the two-year period 2012-2013, the following indicators were identified:

- Group Adjusted EBITA - potential payout of 25% of the maximum payout;
- Group Free Operating Cash Flow - potential payout of 25% of the maximum payout;
- Finmeccanica G&As expenditure - potential payout of 20% of the maximum payout.

In addition to the aforesaid financial targets, certain individual role-specific objectives were also identified in connection with the performance of the individual Director in relation to the assigned strategic targets: a potential payout of 30% of the maximum payout is connected to those objectives.

The minimum portion of the incentive (60% of the maximum payout) will be payable upon the achievement of the budget targets identified in the budget/plan of the Company for each indicator, being the remaining part of the incentive payable exclusively in case of higher performances than the targets set in the budget/plan (overperformance).

Incentives connected to the achievement of individual role-specific objectives, and the final calculation of the respective performance achieved, shall be submitted for evaluation to the Remuneration Committee.

Furthermore, the MBO System provides for a ±10% correction factor connected to the budget planning process in the medium-term, in order to guarantee the greatest possible consistency within said process in support of the Company's multi-year plans.

Finally, to ensure that Directors are incentivised in an even manner in relation to the targets they have been assigned, and in order to ensure that the variable element of remuneration is fully in line with the Group's financial performance and results, the portion of the incentive associated to financial targets is subject to a "performance gate", so that, in case actual results for the Group Adjusted EBITA objective or the Finmeccanica G&As expenditure objective are below 80% of the budget/targets, all incentives linked to financial targets will be zeroed.

**Medium/long-term variable remuneration**

The part of variable remuneration connected to medium/long-term objectives comes from the participation of the Chairman and CEO and of the Director-General Manager to the Finmeccanica Group medium/long-term cash incentive plans, namely the "2012-2014 Performance Cash Plan" and the "2012-2014 Long Term Incentive Plan", as described in Section 2 of this document (Aims and Principles of the Remuneration Policy).

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Participation in the "2012-2014 Performance Cash Plan" will enable annually the Chairman and CEO to earn a total maximum bonus of up to 21% circa of the fixed annual remuneration, and will enable annually the Director-General Manager to earn a total maximum bonus of up to 43,5% circa of the fixed annual salary.

The incentive is of a monetary nature and its payment is subject to the achievement of the specific performance conditions provided for in the Plan's Regulations.

Subsequent to the end of financial years 2012, 2013 and 2014, following approval of the consolidated accounts by the Finmeccanica S.p.a. Board of Directors, the Remuneration Committee shall review the achievement of performance targets and calculate the cash sum due.

Following the aforesaid review, the incentive shall be paid in the month of December of the year following each financial year within the duration period of the Plan.

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Participation in the "2012-2014 Long Term Incentive Plan" will enable annually the Chairman and CEO to earn a total maximum bonus of 21% circa of the fixed annual remuneration, and will enable annually the Director-General Manager to earn a total maximum bonus of 43,5% circa of the fixed annual salary.

The incentive is of a monetary nature and its payment is subject to the achievement of the specific performance conditions provided for in the Plan's Regulations.

Subsequent to the end of financial years 2012, 2013 and 2014, following approval of the consolidated accounts by the Finmeccanica S.p.a. Board of Directors, the Remuneration Committee shall review the achievement of performance targets and calculate the cash sum due.

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**Deferred remuneration systems**

Within its incentive schemes, the Company has not made any provisions for deferred payment systems.

**Incentive plans based on financial instruments**

As of the date of this Report, the Company has no incentive schemes based on financial instruments.

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**Pay in the event of termination of office or termination of employment and Non-Competition Agreement**

Chairman and CEO

The Remuneration Committee has established the conditions applicable to the relationship between the Company and the Chairman and CEO in the event of early termination, on the basis of the following provisions.

In the event of early termination by the Company and/or of early termination of the office of CEO and/or in the event of the early expiry of office and/or in the event of resignation from the office upon request from the majority shareholder (except in the event of termination for cause), the Chairman and CEO shall be paid a sum, as an “indemnity and compensation” severance payment, equal to the total pay he would have been entitled to until the end of his term of office.

The variable element due shall be determined taking into account the variable incentives actually received or accrued over the course of the previous twelve months.

Should early termination occur during the first year of office, and therefore in the absence of any specific benchmarks for the calculation of the variable element, the percentage of 60% of the maximum variable remuneration shall be taken into account.

The same obligations for the Company, outlined above for the case of early termination and/or request for resignation by the shareholder, shall also apply in case of resignation for cause, meaning resignation as a result of a substantial change in the position as CEO.

The sums payable for the aforesaid reasons shall be paid to the Chairman and CEO, or to his heirs, also in the event that any occurrences arise, even of a natural kind, other than voluntary resignation or termination for cause, as a result of which the employment is terminated.

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Moreover, following termination of his office and for one year thereafter, the Chairman and CEO will hold specific restrictive obligations based on a non-competition agreement. These obligations, upon request from the Company and following an express resolution of the Board of Directors, may be renewed for a further year, thus extending the non-competition agreement to two years.

To compensate for the restrictive obligations, the Company undertakes to pay the Chairman and CEO an annual sum amounting to the total remuneration received, calculated using the same criteria reported above for the calculation of the “indemnity and compensation” severance payment.

Compensation for the non-competition agreement shall be paid in arrears, upon expiry of the annual term of the agreement.

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Director-General Manager

The Director-General Manager’s employment with the Company is governed by the provisions of law in force and by the provisions of the collective bargaining agreement that apply to the employment of executives.

However, on 20 May 2005, the Company and the Director-General Manager, at that time an executive within the Company in the position of Co-General Manager but not a Director of the Company, agreed on an addition to the employment contract introducing the following stipulations, the effects of which persist to this day, as the National Collective Bargaining Agreement continues to apply to the employment.

In the interest of both parties, a rolling clause providing for a minimum duration period of three years has been included in the employment contract, due to expire upon the individual's reaching of age 65, also including the Director-General Manager's undertaking not to terminate his employment prior to the expiry of such clause, unless so requested by the Company.

Consequently, in the context of the provisions governing the cases of early termination of employment (early termination by the Company except termination for cause, and/or in the event that the Director-General Manager resigns upon written request by the Company, or in the event of resignation for cause), it has been established that the Company shall pay to the Director-General Manager, as an "indemnity and compensation" severance payment, a sum equal to 36 months (which will include the notice-period) of the actual total remuneration received, in consideration of the value added and of the contribution to the growth and maintenance of the Company's business, and of the associated retention purposes in the interests of the Company. The fixed element of said sum shall be calculated on the basis of the annual pre-tax remuneration effectively received at the time of termination of employment, while the variable element thereof shall be calculated on the basis of the average variable incentives received over the course of the previous three years.

The abovementioned contractual provisions will replace the provisions of the National Collective Bargaining Agreement for executives of industrial companies, with regards to both the indemnity payable in lieu of notice, and the indemnity provided for by Articles 19 and 22 of the National Collective Bargaining Agreement.

**Non-mandatory insurance, welfare or pension coverage**

The Remuneration Committee, within the terms and conditions applicable to the Chairman and CEO's relationship with the Company, has established the following in relation to insurance coverage.

The Company has taken out, on behalf of the Chairman and CEO, an insurance covering professional and extra-professional accidents, together with professional illnesses, with a guaranteed limit of liability of 5 years of the fixed remuneration in the event of death, and 6 years of the fixed remuneration in the event of permanent disability.

The Company has also taken out, on behalf of the Chairman and CEO, an insurance coverage with a guaranteed limit of liability of € 1,650,000.00 in the event of death or permanent disability deriving from causes other than professional accident or illness.

No specific welfare or pension provisions in favour of the Chairman and CEO, other than the mandatory ones, have been provided for.

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The Director-General Manager benefits from the mandatory forms of insurance coverage, in compliance with the provisions of law, of the National Collective Bargaining Agreement and of the trade-union agreements that apply to his employment as an executive of the Company.

In line with the provisions applicable to all executives within Finmeccanica S.p.a., the Director-General Manager benefits from the pension provisions guaranteed by the Finmeccanica Group Executives Pension Fund – Supplementary Company Pension Scheme, as a replacement of the mandatory pension provisions of the applicable National Collective Bargaining Agreement for executives of industrial companies.

**<u>Resolution Proposal</u>**

Dear Shareholders,

pursuant to Article 123-*ter*, paragraph 6, of Legislative Decree no. 58/98, you are invited to express your vote, in the form of a non-binding resolution, regarding the first section of the Remuneration Report as per Article 123-*ter*, paragraph 3, of Legislative Decree no. 58/98, illustrating the Company's policy on the remuneration of the members of its administrative bodies, of its general managers, and of its executive management with strategic responsibilities, and also regarding the procedures adopted for the implementation of said policy.

In light of the above, the following proposed non-binding resolution regarding the seventh item on the agenda is hereby submitted to the Ordinary Shareholders' Meeting:

"the Shareholders' Meeting of Finmeccanica S.p.a.

- having regard to Article 123-*ter* of Legislative Decree no. 58 of February 24, 1998, and to Article 84-*quater* of CONSOB Regulation no. 11971/99;
- having acknowledged the Remuneration Report approved by the Board of Directors on March 27, 2012;
- Taking into consideration the non-binding nature of this resolution, pursuant to Article 123-*ter*, paragraph 6, of Legislative Decree no. 58 of February 24, 1998;

**HEREBY RESOLVES**

to vote in favour of the first section of the Remuneration Report drafted by the Board of Directors pursuant to Article 123-*ter* of Legislative Decree no. 58 of February 24, 1998".

## SECTION II

The present Section II is divided into two parts and reports the remuneration paid to the members of the Administrative and supervisory Bodies, and to the General Managers, during the course of fiscal year 2011.

It should be noted that, in light of the Company's governance and current organizational set-up, following the appointment of the Company's senior management on 4 May 2011, no executive managers with strategic responsibilities can be identified, with the exception of the Director-General Manager Mr. Alessandro Pansa, who held the position of Co-General Manager during the period 1.01.2011/4.05.2011.

### Part One

With reference to fiscal year 2011, the following elements constituted the remuneration paid to the members of the Administrative and Supervisory Bodies, and to the General Managers:

**FIXED REMUNERATION**

**(*Table 1*)**

The members of the Board of Directors and the members of the Board of Statutory Auditors received the fixed remuneration determined by the Shareholders' Meeting. Executive directors also received the fixed element of their remuneration, as determined by the Company's Remuneration Committee, on the basis of the powers bestowed upon them by the Board of Directors (Table 1, "Fixed Remuneration" column).

Directors who are members of a Committee received the fixed remuneration determined by the Company's Board of Directors, together with the sums paid as attendance fees, on the occasion of each Committee meeting (Table 1, "Remuneration for participation in Committees" column).

General managers received the fixed element of their salary as set forth in their respective employment contracts (Table 1, "Fixed Remuneration" column).

**NON-EQUITY VARIABLE REMUNERATION**

**(*Tables 1 and 3B*)**

Executive Directors and General Managers may receive a variable element of remuneration upon the achievement of specific performance targets of a financial or individual role-specific type, determined in relation to the strategic targets set by the Board of Directors.

Specifically, payment of the short-term part of the variable remuneration due to executive Directors is subject to the achievement of certain targets set by the Remuneration Committee, on the basis of the powers bestowed by the Board of Directors. Such targets are objectively measurable and strictly correlated to the targets set in the Company budget/plan. The level of performance in relation to the aforesaid individual targets is evaluated by the Remuneration Committee.

General managers which were not directors participated to the Finmeccanica annual bonus scheme (MBO short-term incentive system) as senior executives of the Group.

The medium/long-term part of the variable remuneration of Executive Directors is subject to the achievement of the objectives assigned on the basis of their participation to the medium/long-term incentive plans approved by the Remuneration Committee and established for the executives of the Finmeccanica Group.

General managers which were not Directors also participate in the medium/long-term incentive plans approved by the Remuneration Committee and established for the executives of the Finmeccanica Group and the medium/long-term component of their variable remuneration is subject to the achievement of the objectives assigned within the context of the plans.

With regards to fiscal year 2011, executive directors and general managers are entitled to receive the sums payable on the basis of their achievements with respect to the targets assigned within the 2009-2011 and 2010-2012 cycles of the “Long Term Incentive Plan cash”, a plan approved by the Remuneration Committee in its resolution of 20 September 2005. These targets, which are exclusively of a financial nature, and thus objectively measurable and verifiable, are set strictly on the basis of the targets set forth in the Company budget/plan.

The amounts relating to the variable remuneration shown in Tables 1 and 3B that follow are calculated on an accrual basis.

**NON-CASH BENEFITS**

**(*Table 1*)**

Executive directors’ non-cash benefits refer to the insurance covers stipulated in their favour, to the assignment of an accommodation, and to the assignment of a company car for business and personal use.

General managers’ non-cash benefits, in addition to those granted to Executive Directors as mentioned above, also include their participation in the Finmeccanica Group Executives Pension Fund – Supplementary Company Pension Scheme, in line with the provisions applied to all Finmeccanica S.p.a. executives.

**TERMINATION OR SEVERANCE PROVISIONS AND NON-COMPETITION AGREEMENT**

**(*Table 1*)**

During the course of fiscal year 2011, Mr. P.F. Guarguaglini (Chairman and CEO until 4 May 2011, Chairman from 4 May to 1 December 2011) and Mr. G. Zappa (General Manager until 4 May 2011) were paid specific amounts related to the termination of their office or employment with the Company.

Specifically:

In addition to the accrued obligations up to termination of his office, during the course of fiscal year 2011 Mr. P.F. Guarguaglini was paid:

1) an end-of-term bonus with reference to the term of office 2008-2010, as Chairman and CEO, as established by the resolution of the Remuneration Committee dated 13 November 2008, amounting to one year’s total remuneration, calculated with reference to the fixed annual remuneration before tax (pursuant to Article 2398, paragraph 3, of the Italian Civil Code) payable at the time of termination of office, and with reference to the average short and medium/long-term variable remuneration received in the two years prior to termination of office (i.e. 2009 and 2010);
2) an “indemnity and compensation” severance payment for the term of office 2011-2013 as Chairman, provided for by the resolution adopted by the Remuneration Committee on 27 July 2011, equal to the

total remuneration (fixed and variable) he would have been entitled to until the natural expiry of his term of office, pursuant to Article 2389, paragraph 3, of the Italian Civil Code, by virtue of the specific powers bestowed by the Board of Directors on 4 May 2011.

The amount in question was calculated with reference to the fixed remuneration due at the time of termination of employment and, with regards to the variable element of pay, with reference to 60% of the maximum variable annual remuneration payable, as provided for by the Remuneration Committee's resolution of 27 July 2011.

Mr. P.F. Guarguaglini shall also be paid a non-competition fee amounting to one year's total remuneration, payable after the expiry of the term of 12 months governing the non-competition agreement, calculated with reference to the fixed remuneration due at the time of termination of employment and, with regards to the variable element of pay, with reference to 60% of the maximum variable annual remuneration payable, as provided for by the Remuneration Committee's resolution of 27 July 2011. This amount is included under the heading "Termination or Severance Indemnity" in Table 1 that follows, calculated on an accrual basis.

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Mr. G. Zappa, who was employed by the Company as an executive, in addition to the accrued obligations until termination of his employment, was paid an early termination incentive as determined by the trade-union conciliation Report signed on 5 July 2011, in application of a contract letter dated 4 January 2010, for a sum amounting to three years' total remuneration, calculated with reference to the fixed annual pre-tax remuneration due at the time of termination of employment, and, in terms of the variable element of remuneration, with reference to the average amount received over the course of the previous three years in the form of short and medium/long-term incentives.

Mr. G. Zappa shall also be paid a non-competition fee amounting to one year's total remuneration, payable after expiry of the term of 12 months governing the non-competition agreement itself.

The non-competition fee shall be calculated with reference to the fixed annual pre-tax remuneration due at the time of termination of employment and, in terms of the variable element of pay, with reference to the average remuneration received over the last three years in the form of short or medium/long-term incentives. Said amount is included under the heading "Termination or Severance Indemnity" in Table 1 that follows, calculated on an accrual basis.

The amounts shown in Table 1 do not include those sums due on the basis of the applicable provisions of law and of the National Collective Bargaining Agreement, in relation to the termination of executive employment (for example, Employee Leaving Indemnity).

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For details on the existing severance provisions in favour of current executive Directors in the event of termination of their office or employment, please see Section I, Paragraph 3, of the present document.

**STOCK OPTIONS**

**(*Table 2*)**

The Shareholders' Meeting held on 16 May 2003 resolved with regards to the implementation of a Long Term Incentive Plan (Stock Option Plan) for Finmeccanica's Key Resources – including its executive directors and general managers – based on the grant of the right to subscribe/purchase (options) ordinary shares of Finmeccanica – *Società per azioni*, subject to the achievement of certain specific targets, known as the "2002-2004 Stock Option Plan".

During the course of fiscal year 2011, no rights under the Plan were granted. During the course of fiscal year 2011, no participants exercised the rights granted during previous fiscal years. The term for the exercise of the allocated options ended on 31 December 2011, and thus the Plan in question is now closed.

For detailed information regarding the contents of the Plan, see the Informational Document published on the Company's website (in the Remuneration area of the Investor Relations/Corporate Governance section).

**INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS**

**(*Table 3A*)**

During the course of fiscal year 2011, executive directors and general managers were also transferred the Finmeccanica S.p.a. shares due to them following the achievement of the targets assigned within the "2008-2010 Performance Share Plan", with regards to the performance period of year 2010. On the basis of the Plan's regulations, share rights are transferred to the recipients in the month of December of the year following the performance one, and their value is indicated in Table 3A. For detailed information regarding the contents of the Plan, see the Informational Document published on the Company's website (in the Remuneration area of the Investor Relations/Corporate Governance section).

**Part Two**

Part two of Section II provides an analytical summary of all the amounts paid during the course of fiscal year 2011, regardless of their nature or form, to those persons who held, during said year, even for a fraction of the period, the position of member of the Administrative or Supervisory bodies, or of General Manager.

On behalf of the Board of Directors
The Chairman and Chief Executive Officer
(Giuseppe Orsi)

**TABLE 1**

**REMUNERATION PAID TO MEMBERS OF THE ADMINISTRATIVE AND SUPERVISORY BODIES AND TO THE GENERAL MANAGERS**

(amounts in thousands of euro)

| *Surname and First Name(s)* | *Position* | *Term of office* | *Expiry of term of office* | *Fixed remuneration* | *Remuneration for participation in Committees* | *Non-equity variable remuneration* | | *Non-cash benefits* | *Other remunerations* | *Total* | *Fair Value of equity payments* | *Termination or severance indemnity* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *Bonuses and other incentives* | *Profit-sharing* | | | | | |
| Guarguaglini Pier Francesco | Chairman/CEO | 1.1/4.5.2011 | 4.5.2011 | 530 | | 615 | | 2 | | 1.147 | | 3.891 |
| | Chairman | 4.5/1.12.2011 | 1.12.2011 | 756 | | | | 4 | | 760 | | 5.590 |
| Orsi Giuseppe | CEO | 4.5/30.11.2011 | 30.11.2011 | 1.002 | | 350 | | 2 | 8 (3) | 1.362 | | |
| | Chairman/CEO | 1.12/31.12.2011 | fiscal yr. 2013 | 145 | | | | 1 | | 146 | | |
| Pansa Alessandro | Director | 1.12/31.12.2011 | (*) | 5 | | | | | | 5 | | |
| | General Manager | 4.5/31.12.2011 | | 815 | | 978 | | 136 | 71 (4) | 2.000 (8) | | |
| Alberti Piergiorgio | Director | 1.1/4.5.2011 | 4.5.2011 | 20 | 17 | | | | | 37 | | |
| Baldocci Carlo | Director | 4.5/31.12.2011 | fiscal yr. 2013 | 40 | 3 | | | | | 43 | | |
| Boltho von Hohebach Andrea | Director | 1.1/4.5.2011 | 4.5.2011 | 20 | 3 | | | | | 23 | | |
| Bonferroni Franco | Director | 1.1/31.12.2011 | fiscal yr. 2013 | 60 | 51 | | | | | 111 | | |
| Cantarella Paolo | Director | 4.5/31.12.2011 | fiscal yr. 2013 | 40 | 4 | | | | | 44 | | |
| Castellaneta Giovanni | Director | 1.1/4.5.2011 | 4.5.2011 | 20 | 3 | | | | | 23 | | |
| Catanzaro Giovanni | Director | 4.5/31.12.2011 | fiscal yr. 2013 | 40 | 17 | | | | | 57 | | |
| De Tilla Maurizio | Director | 1.1/4.5.2011 | 4.5.2011 | 20 | 23 | | | | | 43 | | |
| Galli Dario | Director | 1.1/31.12.2011 | fiscal yr. 2013 | 60 | 26 | | | | | 86 | | |
| Greco Richard | Director | 1.1/4.5.2011 | 4.5.2011 | 20 | 3 | | | | | 23 | | |
| Iansiti Marco | Director | 4.5/31.12.2011 | fiscal yr. 2013 | 40 | 3 | | | | | 43 | | |
| Merlo Silvia | Director | 4.5/31.12.2011 | fiscal yr. 2013 | 40 | 19 | | | | | 59 | | |
| Parlato Francesco | Director | 1.1/31.12.2011 | fiscal yr. 2013 | 60 (1) | 21 (2) | | | | | 81 | | |
| Squillace Nicola | Director | 1.1/4.5.2011 | 4.5.2011 | 20 | 12 | | | | | 32 | | |
| Streiff Christian | Director | 4.5/31.12.2011 | fiscal yr. 2013 | 40 | 13 | | | | | 53 | | |
| Varaldo Riccardo | Director | 1.1/4.5.2011 | 4.5.2011 | 20 | 5 | | | | | 25 | | |
| Venturoni Guido | Director | 1.1/31.12.2011 | fiscal yr. 2013 | 64 | 35 | | | | | 99 | | |
| Gaspari Luigi | Chairman Board of St. Aud. | 1.1/31.12.2011 | fiscal yr. 2011 | 78 | | | | | 40 (5) | 118 | | |
| Cumin Giorgio | Regular Auditor | 1.1/31.12.2011 | fiscal yr. 2011 | 52 | | | | | | 52 | | |
| Fratino Maurilio | Regular Auditor | 1.1/31.12.2011 | fiscal yr. 2011 | 52 | | | | | 19 (6) | 71 | | |
| Montaldo Silvano | Regular Auditor | 1.1/31.12.2011 | fiscal yr. 2011 | 52 | | | | | | 52 | | |
| Tamborrino Antonio | Regular Auditor | 1.1/31.12.2011 | fiscal yr. 2011 | 52 | | | | | 89 (7) | 141 | | |
| Zappa Giorgio | General Manager | 1.1/4.5.2011 | 4.5.2011 | 437 | | | | 100 | | 537 | | 9.542 |
| (I) Remuneration in the Company drawing up the financial statements | | | | 4.601 | 258 | 1.943 | 0 | 245 | 19 | 7.066 | 0 | 19.023 |
| (II) Remuneration from subdiaries and affiliates | | | | | | | | | 208 | 208 | | |
| (III) Total | | | | 4.601 | 258 | 1.943 | 0 | 245 | 227 | 7.274 | 0 | 19.023 |

(*) - Co-opted by the Board of Directors on 1.12.2011, in office until the Shareholders' Meeting called to approve the 2011 financial statements.

(1) - Transferred to the Ministry of Economics and Finance.

(2) - Of which €5,000 transferred to the Ministry of Economics and Finance.

(3) - Remuneration for positions held in other Group Companies. It should be noted that Mr. Orsi forewent this remuneration.

(4) - Remuneration for positions held in other Group Companies. It should be noted that Mr. Pansa forewent this remuneration.

(5) - Remuneration for positions held in other Group Companies.

(6) - Fixed rate expenses.

(7) - Remuneration for positions held in other Group Companies.

(8) - All figures include the amounts paid to Mr. Pansa from 1.1.2011 to 4.5.2011 as Co-General Manager of the Company.

**TABLE 2**
**STOCK OPTIONS ALLOCATED TO THE MEMBERS OF THE ADMINISTRATIVE BODIES AND TO THE GENERAL MANAGERS**

| | | | Options held at the beginning of the fiscal year | | | Options allocated during the fiscal year | | | | | | Options exercised during the fiscal year | | | Options expired during the fiscal year | Options held at the end of the fiscal year | Options for the fiscal year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) = (2)+(5)-(11)-(14) | (16) |
| First name and Surname | Position held | Plan | Number of Options | Strike price (€) | Possible period of exercise | Number of Options | Strike price | Possible period of exercise | Fair Value at date of allocation | Date of Allocation | Market price of the shares underlying allocation of the options | Number of options | Strike price | Market price of the underlying shares at the date of exercise | Number of Options | Number of Options | Fair Value |
| Guarguaglini Pier Francesco | Chairman and CEO until 4.5.2011 and Chairman until 1.12.2011 | Stock Option Plan 2002-2004 (date of resolution 14.11.2002) | 130.810 | 12,28 | dec-11 | 0 | | | | | | 0 | | | 130.810 | 0 | |
| Zappa Giorgio | General Manager from 1.1.2011 to 4.5.2011 | Stock Option Plan 2002-2004 (date of resolution 14.11.2002) | 77.375 | 12,28 | dec-11 | 0 | | | | | | 0 | | | 77.375 | 0 | |
| Pansa Alessandro (a) | General Manager from 4.5.2011 | Stock Option Plan 2002-2004 (date of resolution 14.11.2002) | 0 | | | 0 | | | | | | 0 | | | 0 | 0 | |
| Orsi Giuseppe | CEO from 4.5.2011 and Chairman and CEO from 1.12.2011 | Stock Option Plan 2002-2004 (date of resolution 14.11.2002) | 0 | | | 0 | | | | | | 0 | | | 0 | 0 | |

(a) The information includes what was allocated to Mr. Pansa, as Co-General Manager of the Company, from 1.1.2011 to 04.05.2011

**TABLE 3A**
**INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS, FOR THE BENEFIT OF MEMBERS OF THE ADMINISTRATIVE BODIES AND OF GENERAL MANAGERS**

| | | | Financial instruments allocated during previous fiscal yars that are not vested during the fiscal year | | Financial instruments allocated during the fiscal year | | | | | Financial instruments vested during the fiscal year but not imputed | Financial instruments vested during the fiscal year and imputable | | Financial instruments for the fiscal year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) (*) | (11) | (12) |
| First Name and Surname | Position held | Plan | Number and type of financial instruments | Vesting period | Number and type of financial instruments | Fair Value at the date of allocation | Vesting period | Date of allocation | Market price at allocation | Number and type of financial instruments | Number and type of financial instruments | Value at vesting (€) | Fair Value |
| Guarguaglini Pier Francesco | Chairman and CEO until 4.5.2011 and Chairman until 1.12.2011 | Performance Share Plan 2008-2010 (resolution of 30.05.2007) | 0 | | 0 | | | | | 0 | 41.097 shares | 3,777 | |
| Zappa Giorgio | General Manager from 1.1.2011 to 4.5.2011 | Performance Share Plan 2008-2010 (resolution of 30.05.2007) | 0 | | 0 | | | | | 0 | 40.938 shares | 3,777 | |
| Pansa Alessandro (a) | General Manager from 4.5.2011 | Performance Share Plan 2008-2010 (resolution of 30.05.2007) | 0 | | 0 | | | | | 0 | 21.918 shares | 3,777 | |
| Orsi Giuseppe | CEO from 4.5.2011 and Chairman and CEO from 1.12.2011 | Performance Share Plan 2008-2010 (resolution of 30.05.2007) | 0 | | 0 | | | | | 0 | 16.604 shares | 3,777 | |

(*) Number of shares transferred on 1.12.2011 following the review of performance against the targets set within the Plan and relating to fiscal year 2010
(a) The information includes what was allocated to Mr. Pansa, as Co-General Manager of the Company, from 1.1.2011 to 04.05.2011

**TABLE 3B**

**CASH INCENTIVE PLANS FOR THE BENEFIT OF MEMBERS OF THE ADMINISTRATIVE BODY AND GENERAL MANAGERS**

(Amounts in Euro)

| A | B | (1) | (2) | | | (3) | | | (4) |
|---|---|---|---|---|---|---|---|---|---|
| | | | Annual Bonus | | | Previous Years' Bonuses | | | Other Bonuses |
| First Name and Surname | Position held | Plan | (A) | (B) | (C) | (A) | (B) | (C) | |
| | | | Payable/paid | Deferred | Period of deferral | No longer payable | Payable /paid | Still deferred | |
| Guarguaglini Pier Francesco | Chairman and CEO until 4.5.2011 and Chairman until 1.12.2011 | MBO 2011 (pro-rated 2011 4/12ths) | 343.000 | 0 | 0 | 0 | 0 | 0 | |
| Orsi Giuseppe | CEO from 4.5.2011 and Chairman and CEO from 1.12.2011 | MBO 2011 | 350.000 (1) | 0 | 0 | 0 | 0 | 0 | |
| Pansa Alessandro (a) | General Manager from 4.5.2011 | MBO 2011 | 497.041 (2) | 0 | 0 | 0 | 0 | 0 | 481.200 (3) |
| Guarguaglini Pier Francesco | Chairman and CEO until 4.5.2011 and Chairman until 1.12.2011 | Long Term Incentive Plan (pro-rated 4/12ths) | 272.000 | 0 | 0 | 0 | 0 | 0 | |
| Orsi Giuseppe | CEO from 4.5.2011 and Chairman and CEO from 1.12.2011 | Long Term Incentive Plan 2009-2011 (resolution of 20.09.2005) | 0 | 0 | 0 | 0 | 0 | 0 | |
| Pansa Alessandro | General Manager from 4.5.2011 | Long Term Incentive Plan 2009-2011 (resolution of 20.09.2005) | 0 | 0 | 0 | 0 | 0 | 0 | |
| Orsi Giuseppe | CEO from 4.5.2011 and Chairman and CEO from 1.12.2011 | Long Term Incentive Plan 2010-2012 (resolution of 20.09.2005) | 0 | 0 | 0 | 0 | 0 | 0 | |
| Pansa Alessandro | General Manager from 4.5.2011 | Long Term Incentive Plan 2010-2012 (resolution of 20.09.2005) | 0 | 0 | 0 | 0 | 0 | 0 | |

(a) The information includes what was allocated to Mr. Pansa, as Co-General Manager of the Company, from 1.1.2011 to 04.05.2011

(1) Lump-sum amount determined in the resolution of the Remuneration Committee of 27.07.2011 for year 2011 only, associated with the assignment of powers to the CEO

(2) Maximum achievable amount, estimated on the basis of the potential review against individual role-specific objectives for year 2011, to be paid in 2012, subject to approval by the Remuneration Committee

(3) Amount paid as an extraordinary bonus in relation to transactions having a particular strategic relevance for the Group

## SECTION III

### HOLDINGS OF THE MEMBERS OF THE ADMINISTRATIVE AND SUPERVISORY BODIES AND OF THE GENERAL MANAGERS

The following table shows the holdings in the Company or in its subsidiaries, of persons who during the course of the business year held the position, even if only for a fraction of the period in question, of member of the Administrative or Supervisory Body, or of General Manager.

| SURNAME AND FIRST NAME(S) | POSITION | COMPANY IN WHICH THE PERSON HOLDS AN INTEREST | Number of shares held at the end of the previous year (2010) | Number of shares purchased | Number of shares sold | Number of shares held at the end of the year in question (2011) |
|---|---|---|---|---|---|---|
| Orsi Giuseppe | CEO from 4/5/2011<br>Chairman and CEO<br>from 1/12/2011 | Finmeccanica | 31.069<br>(1) | 46.604<br>(2) | 0 | 77.673 |
| Pansa Alessandro | Director - General Manager | Finmeccanica | 52.524 | 21.918<br>(3) | 0 | 74.442 |
| Venturoni Guido | Director | Finmeccanica | 0 | 35.000<br>(4) | 35.000<br>(4) | 0 |
| Guarguaglini Pier Francesco | Chairman and CEO until 4/5/2011 and Chairman until 1/12/2011 | Finmeccanica | 205.759<br>(5) | 51.097<br>(6) | 21.856<br>(4) | 235.000<br>(7) |
| Greco Richard | Director until 4/5/2011 | Finmeccanica | 2.350 | 0 | 0 | 2.350<br>(8) |
| Zappa Giorgio | General Manager until 4/5/2011 | Finmeccanica | 150.707 | 40.938<br>(9) | 0 | 191.645<br>(10) |

(1) Shares held at the time of appointment (4/5/2011)
(2) Of which 16,604 allocated free of charge *(Stock Grant)*
(3) Allocated free of charge *(Stock Grant)*
(4) Held by the spouse
(5) Of which 21,856 held by the spouse
(6) Of which 41,097 allocated free of charge (*Stock Grant*)
(7) Shares held at termination of office (1/12/2011).
(8) Shares held at termination of office (4/5/2011).
(9) Allocated free of charge (*Stock Grant*)
(10) Shares held at termination of office (4/5/2011), including those shares allocated free of charge during the course of the period (on the 1/12/2011).