



Finmeccanica to Acquire DRS Technologies

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This presentation and other statements by Finmeccanica may include forward-looking statements within the meaning of applicable securities laws and regulations with respect to the pending DRS acquisition, future synergies, future financing activities, financial structure objectives and other future financial or business performance, conditions, strategies, expectations or goals. All statements that are not descriptions of historical facts are forward-looking statements, based on management's estimates, assumptions and projections that are subject to risks and uncertainties. These statements can generally be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should," or "anticipates" or similar terminology.

Actual results could differ materially from those currently anticipated due to a number of factors, including among other things:

- uncertainties as to whether or when our pending DRS acquisition will be consummated;*
- the risk that anticipated synergies and other benefits of the acquisition will not materialise;*
- costs and availability of financing on favorable terms and future capital needs;*
- changes in costs of supplies and raw materials, customer preferences, exchange rates and other national, regional or global economic and financial conditions;*
- the potential inability to retain existing DRS management, upon whom we will rely;*
- uncertainties associated with government procurement practices;*
- difficulties in developing and producing operationally advanced technology systems;*
- marketing, regulatory, product liability, supply, competitive, political and other risks; and*
- changes in and ability to comply with environmental, tax, labor and employment, and other laws and regulations.*

Additional important factors that could cause actual results to differ materially from our current expectations are identified in filings by Finmeccanica and DRS with applicable securities regulators and stock exchanges. We will not update any forward-looking statements to reflect new, changing or unanticipated events or circumstances that occur after the date on which the statement is made, except as may be required by applicable law or regulation.

IBES consensus estimates for DRS are used in this presentation for illustrative purposes. DRS projections may differ and actual results may vary. Finmeccanica does not adopt IBES estimates as its projections.

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Pier Francesco Guarguaglini

Finmeccanica Chairman and CEO

- ✓ What we are announcing
- ✓ Strategic rationale of the acquisition

- Merger agreement under which Finmeccanica will acquire DRS Technologies for US\$81 per share in cash for approximate total consideration of \$5.2bn/€3.4bn (including transaction costs/adjustments)

Transaction Key Terms

Purchase Price per Share	\$ 81	
Fully Diluted Shares (mm)	48,623	
	in \$ (mln)	in € @ 1.55(mln)
Equity Value (100%)	3,938	2,541
Net Debt@31/12/2007	1,267	817
Total EV	\$ 5,205	€3,358

Approvals Completed: DRS Technologies and Finmeccanica Boards unanimously approved

Approvals Needed: DRS Technologies Stockholders, Committee on Foreign Investment in the United States (CFIUS), US antitrust authorities (HSR), Defence Security Service (DSS)

Expected to close by the end of Q4

- ✓ Headquartered in Parsippany, New Jersey, U.S.A., DRS Technologies is a leading supplier of integrated products, services and support to military forces, intelligence agencies and prime contractors worldwide
- ✓ Focused on defense technology, the Company develops, manufactures and supports a broad range of systems for mission critical and military sustainment requirements, as well as homeland security.
- ✓ Listed on the NY Stock Exchange, the company employs approximately 10,000 people and in CY2007 has generated revenues for US\$3.2bn and Ebit CY2007 of US\$309mln.

Grow organically and through acquisitions

Acquisition track record

- ✓ 2002-2004: new positioning as National Champion thanks to focused **domestic** acquisitions (Telespazio, Aermacchi, Marconi)
- ✓ 2005-2007: strong **UK footprint** established through AgustaWestland, BAE Systems Avionics and Vega acquisitions

In USA – the most valuable A,D&S market in the world, which offers significant opportunities from a technical and industrial viewpoint, our strategy is to:

- ✓ Consolidate industrial presence already established in Aeronautics (B787 – Charleston) and Helicopters (AW139 – Philadelphia)
- ✓ Strengthen relationship network building with large US players upon existing teaming experiences

Participating in Large US Platform Programmes



FY2007A: Finmeccanica in USA

- ✓ Headcount ~2,000
- ✓ Revenues ~€1.5bn/ ~\$2.3bn

Locations



- ✓ **US101 (\$1.7 bn)** - 23 helicopters for US Navy (VH71 Presidential fleet)
- ✓ **C27J (\$2.1 bn)** – 78 aircraft for US Army and Air Force within the JCA programme (*Joint Cargo Aircraft*), with a potential total requirement for 207 aircraft
- ✓ **B787 (\$2.3 bn)** – 300 aircraft (with a total of 900 aircraft already sold by Boeing)



World Class Defence Electronics Capabilities Already being Sold to US Customers



- ✓ **DIRCM** (*Directional Infrared Countermeasure Systems*- self protection) in collaboration with Northrop Grumman
- ✓ **Javelin** – guided missile system. Collaboration program with Lockheed Martin and Raytheon
- ✓ **Seaspray 7500 E** – e-scan radar for US Coast Guard
- ✓ **AT FLIR** – fire control system for F-18 military aircraft. Collaboration program with Raytheon
- ✓ **LOAM** – laser obstacle avoidance system for US Air Force
- ✓ **HALO** – hostile acoustic location system for US Army
- ✓ **CAR PLATE READERS** – more than 240 customers in US

Significant potential to grow sales through US owned company

Very few right sized defence electronics companies fitting with Finmeccanica in terms of size, technology, integration opportunities, market cap...

<u>Small to Medium US Companies</u>		<u>EV*</u>	
		\$bn	€bn
✓	L3 Communications	17.8	11.5
✓	Rockwell Collins	10.8	6.9
✓	Harris Corp	8.2	5.3
✓	ATK	5.5	3.5
✓	DRS Technologies	5.2	3.4
✓	Orbital Sciences	1.5	1.0
✓	Cubic Corp	0.6	0.4

* Latest available figures, @ Forex \$/€ 1.55

- ✓ Strong defence electronics technology
- ✓ Superior performance through both organic and external growth
- ✓ Strong backlog trends and contract mix
- ✓ Strong management team remaining and committed to further grow the business
- ✓ Meaningful opportunities; minimum overlap
- ✓ Significantly augments defence electronics footprint from €4bn to > €6bn
- ✓ Access to the most valuable D&S market worldwide

Mark Newman

DRS President and CEO

✓ **DRS Technologies**

DRS Technologies: Business Overview



- *CY2007A Revenues: \$3,155mln
- CY2007A EBIT: \$309mln (9.80%)
- Headcount: 10,000

Reconnaissance, Surveillance & Target Acquisition

23%

- **CY2007A Revenues: \$719mln**
- Develops and produces electro-optical sighting, targeting systems, sensors, night vision, combat identification, and laser aiming products; also provides other electronic manufacturing services



C4I

40%

- **CY2007A Revenues: \$1,269mln**
- Develops and produces naval display systems, radar systems, air combat training and electronic warfare systems, naval and industrial power systems, intelligence collection and processing systems, tactical computer systems and vehicle electronics



Sustainment Systems

15%

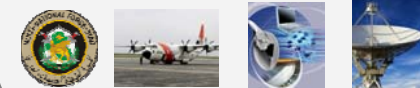
- **CY2007A Revenues: \$474mln**
- Designs, engineers and manufactures military radar, power generation and distribution equipment, cargo lifters, heavy equipment transporters, refrigerated containers, shelters, and water purification equipment



Technical Services

22%

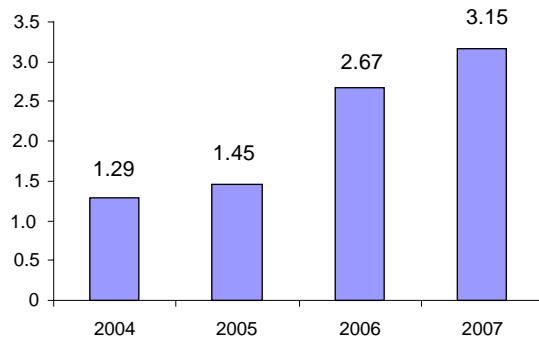
- **CY2007A Revenues: \$693mln**
- Provides engineering services, product support and training, aircraft maintenance, telecommunications and IT integration and support, satellite bandwidth management and wireless networking, and sensor integration and personnel for asset security



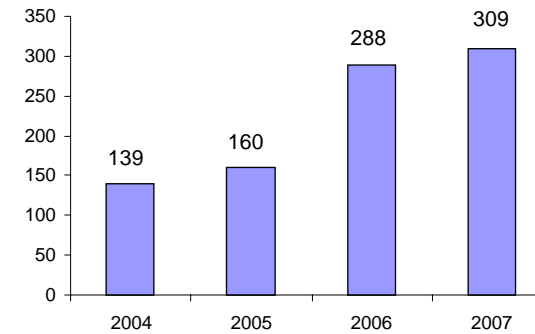
Defence technology leader providing integrated products, services and support for military forces, intelligence agencies and prime contractors mainly for the US DoD and other Government customers. Wide and diversified capabilities to produce components and sub-systems as high supplier

*Calendar year

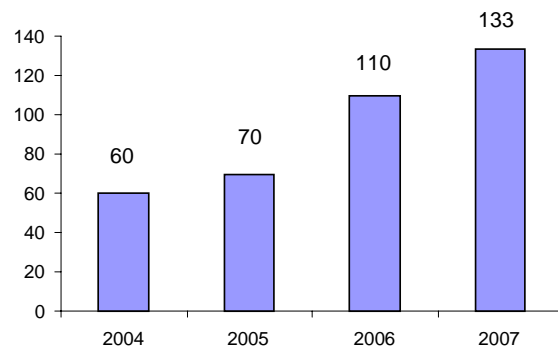
Revenues CY2004-2007 (\$bn)



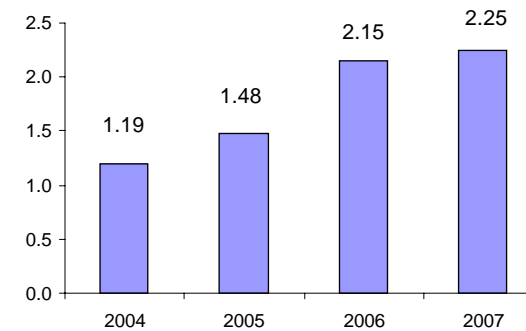
EBIT CY2004-2007 (\$mIn)



Net Income CY2004-2007 (\$mIn)



Market Cap CY2004-2007 (\$bn)





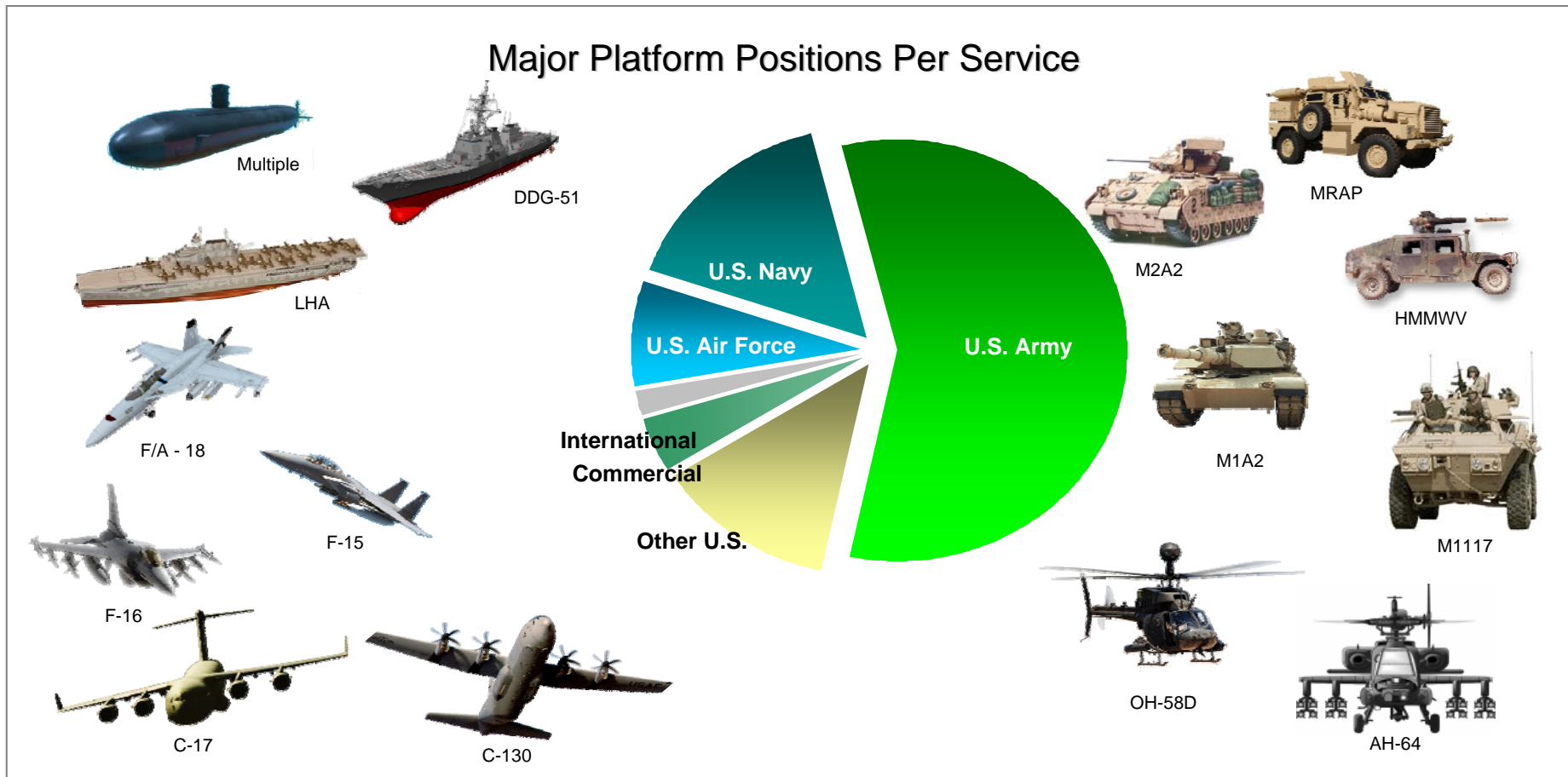
DRS Technologies: M&A Augments Organic Growth



Date	Acquisition	Transaction Value
2006	✓ Engineered Support Systems, Inc.	\$1,930mIn
2003-2005	✓ Walkabout Computers ✓ Codem Systems, Inc. ✓ Night Vision Equipment Company (NVEC) ✓ Integrated Defense Technologies (IDT) ✓ Power Technology Incorporated (PTI) ✓ Kaman's Electromagnetic Development Center	\$698mIn
2000-2002	✓ Paravant Inc. ✓ Nytech Integrated Infrared Systems ✓ Eaton's Navy Control Division ✓ U.S.- based Unmanned Aerial Vehicle business of Meggitt – Texas ✓ Boeing's Sensors and Electronic Systems Business ✓ Lockheed Martin Corporation's Electro Mechanical Systems ✓ General Atronics Corporation	\$297mIn

Since 2000, 14 transactions valued at ca. \$3bn

- Products installed on the majority of current US war-fighting platforms
- Foreign Military Sales of existing air and ground assets provides follow-on opportunities in platforms' lifecycles
- Technological incumbency provides avenue for upgrades and future platform development – DDG 1000, CVN 78, etc.



A product business largely insulated from any single platform's waning demand

Pier Francesco Guarguaglini

Finmeccanica Chairman and CEO

✓ **Market and product complementarities/synergies**

Aerospace, Defense and Security



- RSTA
- C4I
- Comms
- Services

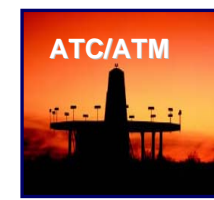
Wider state of art portfolio covering radar, E/O (sensor, sights, targeting and countermeasures)

Airborne surveillance & patrolling, tactical land and armament systems, naval armament and combat systems, security

Terminals, routers, switches, sw radio, infrastructure & networking solutions, connectivity, satellite value added services

Consultancy, Simulation, Training, Logistics, Sustainment, Technical Services, Managed Solutions

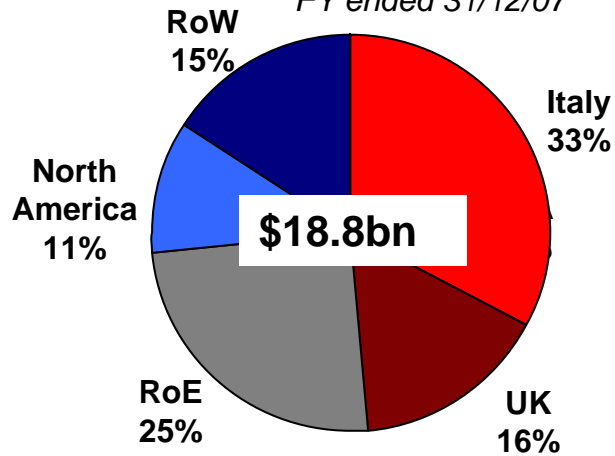
- RSTA
- C4I
- Comms
- Services



Finmeccanica's Owned Platforms & Systems



* FY ended 31/12/07

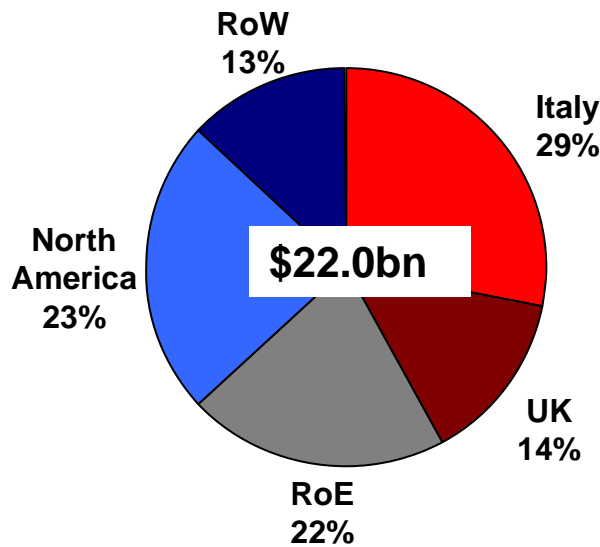
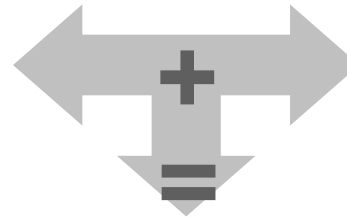
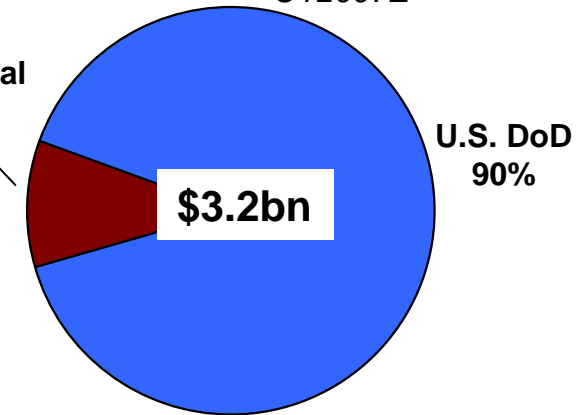


2007A Revenues



** CY2007E

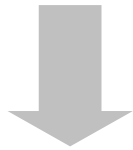
International 10%



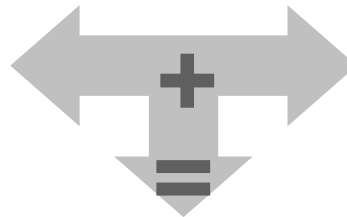
After this acquisition Finmeccanica becomes:

- one of the most geographically diversified A,D&S player worldwide
- with one of the highest presence in UK and USA markets

All this implies...



**Finmeccanica dramatically increases its international exposure to key Defence and Security markets:
> 70% of Revenues from non Italian market, of which ~1/3 in North America**



Opportunity for DRS Technologies to expand sales of its products out of the US, leveraging Finmeccanica's platforms and commercial network

Establishing a true global A,D&S player:

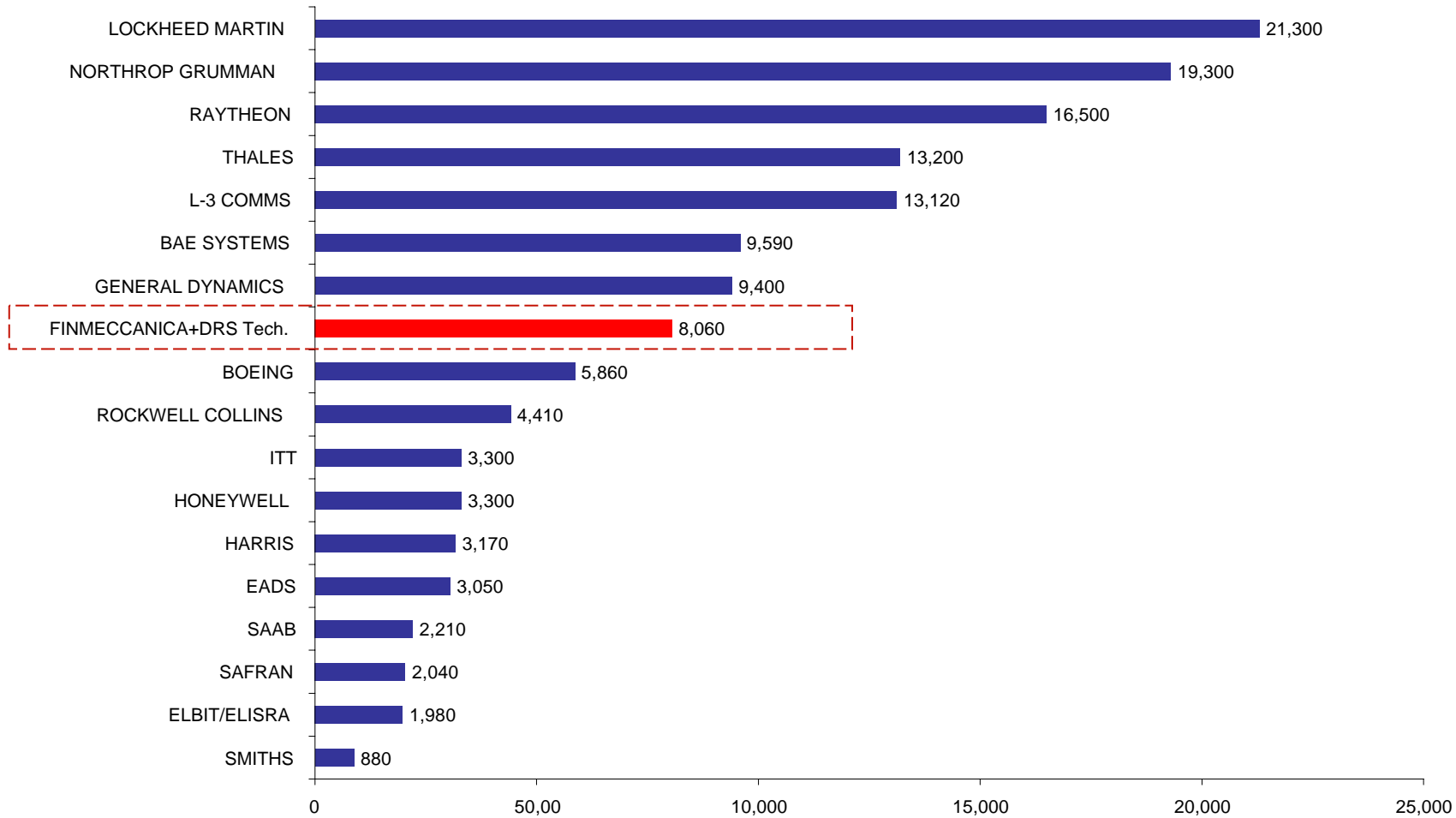
- Wider market accessibility
- Transatlantic positioning
- Significantly augments defence electronics footprint
- Enhanced Complex system skills & capabilities
- Technology complementarities
- Value chain coverage and product portfolio strengthened
- Exploitation of Finmeccanica space / airborne platforms



Finmeccanica & DRS Technologies Together: Worldwide Competitive Positioning in Defence Electronics



2007 Revenues (\$mIn)*



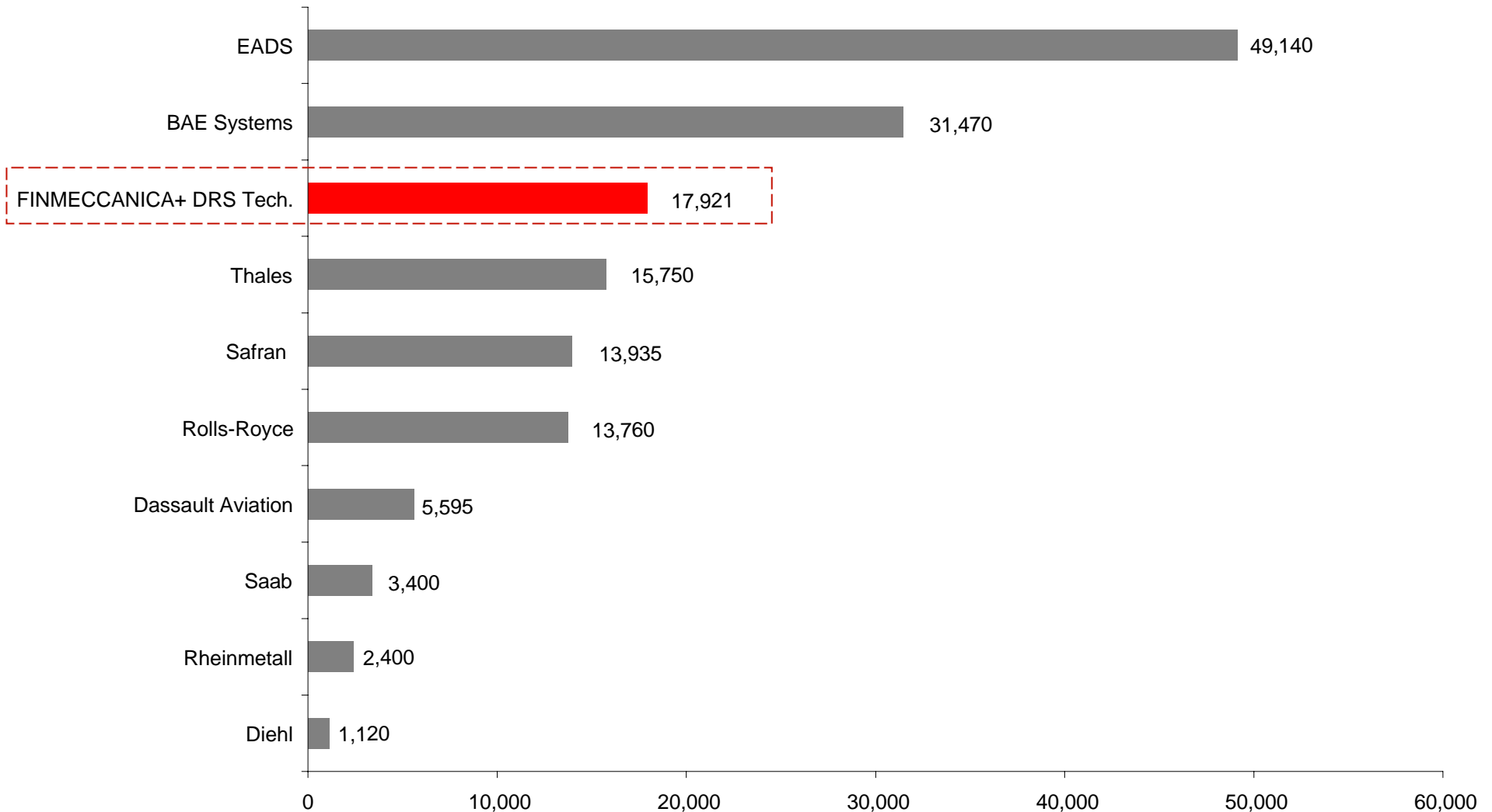
*Finmeccanica estimates



Finmeccanica & DRS Technologies Together: European Competitive Positioning in Aerospace, Defence and Security



2007 Revenues (\$mIn)*



*Finmeccanica estimates

Alessandro Pansa

Finmeccanica Co-General Manager / CFO

- ✓ Deal structure
- ✓ Valuation multiples
- ✓ Financing objectives
- ✓ Financial structure rational
- ✓ Impact of the acquisition on Finmeccanica

Finmeccanica acquires 100% of outstanding shares of DRS Technologies in a cash merger

Based on the indicative timetable, transaction should close by the end of Q4

Done

- ✓ Signing of Merger Agreement
- ✓ Finmeccanica and DRS Technologies Boards
- ✓ Announcement

To be done

- ✓ DRS Technologies Shareholder Approval
- ✓ HSR – US antitrust authorities
- ✓ CFIUS – Committee on Foreign Investment in the United States
- ✓ DSS/FOCI – Mitigation Agreement

Break-up fee of approx. \$90mln

Valuation Multiples



	\$ mln	€ mln
DRS Technologies net fully diluted shares @ \$81	3,938	2,541
DRS Technologies net debt @ 31/12/2007 (Assumes convertible conversion)	1,267	817
Total EV	5,205	3,358
2008 Consensus* DRS Technologies EBIT	362	234
2008 Consensus* DRS Technologies EBITDA	457	295
2008 Consensus* DRS Technologies Net Income	167	108
Premium to 30 day trading of \$61,35per share:		32%
	EV/EBIT	14.3x
	EV/EBITDA	11.4x
	P/E	23.6x

The transaction multiples are in line with recent transactions

* IBES Consensus calendarised, \$ per €=1.55x

Sources of Financing



STEP 1
Bridge Loan

**Syndicated
Loan
Facilities**

- ✓ Transaction will be initially funded through a Bridge Bank Financing amounting to €3.2bn and cash on hand

STEP 2
Permanent
Financing
Take out Plan

Capital Increase

**Non Strategic
Asset Disposals**

Additional Debt

- ✓ Capital increase transaction expected to be carried out on terms to be defined
- ✓ A 42 million share non rights offering already approved by General Shareholder Meeting

- ✓ Sale of a stake of Ansaldo Energia, through an IPO, in line with Finmeccanica's strategy to gradually lower exposure in non-core assets
- ✓ Divestiture of other assets

- ✓ Allocated against both Finmeccanica and DRS Technologies cash flow

Sustainable Capital Structure

- ✓ Preserve Finmeccanica's solid capital structure, while preserving EPS
- ✓ Strong commitment to current ratings
- ✓ Equity and asset disposals will fund approximately two thirds of the acquisition
- ✓ Maintain a strong capital base to support the Group's growth strategy

Value Creation

- ✓ Shareholders value accretive (growth of EPS)

Financial Flexibility

- ✓ Strong focus on operational cash flow generation
- ✓ Available credit lines and cash balances
- ✓ Liquidity position and debt capacity targets in line with current credit ratings

Notional / Illustrative 2009 Impact on Finmeccanica



	Finmeccanica Guidance Stand alone (a)	DRS Technologies Consensus* (calendarised figures) (b)	Illustrative Post-Deal Finmeccanica c = (a+b)
Revenues	€15.1 – 15.9bn	~ €2.4bn**	~ €17.5 - €18.3bn
EBITA	€1,300 – 1,420mln	~ €270mln**	~ €1,570-1,690bn

The combined figures under column (c) are for illustrative purposes only and do not represent a change in the official 2009 guidance already published for Finmeccanica “stand alone” and reported under column (a).

Guidance will be updated for the effects of the transaction at a later stage

* IBES Consensus CY2009, €/€ @1.55

** Calendarised not fiscal year. Ebita DRS includes €18mln of calendarised amortisation

Pier Francesco Guarguaglini

Finmeccanica Chairman and CEO

✓ **Concluding remarks**

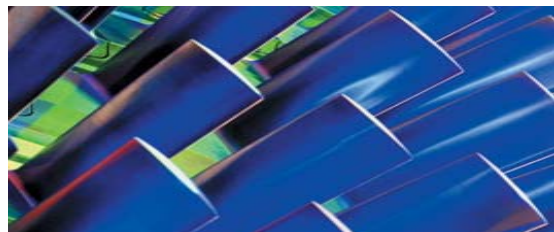
With the acquisition of DRS Technologies
Finmeccanica achieves 3 main strategic objectives:

- ✓ Increases focus on the three strategic pillars
- ✓ Becomes a global player in Defence Electronics
- ✓ Establishes a strong footprint in the US, the most valuable Defence and Security market worldwide

This is a **market deal** which

- ✓ creates value for our shareholders, by strengthening growth and enhancing profitability
- ✓ is built upon a solid financial structure
- ✓ allows further growth opportunities leveraging on synergies and additional cash flows

Appendix



Energy

(€mln)	FY 07	FY 06	%Change
Revenues	1,049	978	7%
EBITA Adj.	93	65	43%
Margin	8.9%	6.6%	-
Orders	1,801	1,050	72%
Backlog	3,177	2,468	29%
FOCF	187	133	41%



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