

REPORT OF THE BOARD OF DIRECTORS

REGARDING CORPORATE CONCENTRATION OPERATIONS (hereinafter the “Operations”) IN FINMECCANICA S.p.A. (hereinafter the “Incorporating/Beneficiary” company or “Finmeccanica”) REGARDING THE ACTIVITIES OF OTO Melara S.p.A. (hereinafter “OTO”), WHITEHEAD Sistemi Subacquei S.p.A. (hereinafter “WASS”), Selex ES S.p.A. (hereinafter “SES”), Alenia Aermacchi S.p.A. (hereinafter “Alenia”) and AgustaWestland S.p.A. (hereinafter “Agusta”)

This report of the Board of Directors of Finmeccanica S.p.A., has been drafted - based on the indications provided in Sections 2501 *quinquies*, first paragraph, 2506 *ter*, second paragraph, of the Italian Civil Code and on Article 70, second paragraph, of the Issuer’s Regulations (CONSOB Resolution No. 11971/1999 and its amendments) - in order to provide the broadest information to the public regarding the economic and legal purposes of the Operations and, in relation with the spin-off operations, the part of the equity to be allocated to the Beneficiary and the part that remains in the spun-off companies, although not required pursuant to the provisions of Sections 2505, first paragraph, and 2506 *ter* of the Italian Civil Code.

In implementing the new Organization Model of the Finmeccanica Group, defined during 2014, the Holding Finmeccanica has carried out a reorganization process directed to fully concentrate in the Holding coordination and management of the operating activities performed by the Group’s companies involved in its Aerospace, Defence and Security *core businesses*.

In particular, the activities of the companies operating in the *core business* of the Aerospace, Defence and Security 100% owned by Finmeccanica (Selex ES, Alenia Aermacchi, AgustaWestland, WHITEHEAD Sistemi Subacquei and OTO Melara) shall be exercised by the same Finmeccanica by means of its own specific Divisions, coordinated by specific Sectors. The activities of the companies that are not entirely owned, or for which specific governance rules have been established, shall be also managed and coordinated directly by Finmeccanica through its Sectors.

The adoption of this new organizational structure shall allow to perform a most efficient and effective operativeness of the Group's industrial activities.

In particular, two kinds of corporate operations have been identified in order to implement the Organizational Model outlined above with reference to the creation of different Divisions:

- a) On the one hand, the merger by incorporation of the companies OTO and WASS (hereinafter the "Merged" companies) to Finmeccanica;
- b) On the other hand, the partial spin-off of the companies SES, Alenia and Agusta (hereinafter the "Spun-off" companies) in favour of Finmeccanica.

Concentration in Finmeccanica of the activities of the Italian companies operating in the Aerospace, Defence and Security sectors fully owned by Finmeccanica (SES, Alenia, Agusta, WASS and OTO) by means of partial spin-offs or mergers represents, in fact, a vital milestone of the new organizational structure.

The choice of operating by means of merger by incorporation of the companies WASS and OTO appears to be the best legal and economic solution, because it meets the requirement of integrating all the activities of the Merged companies into Finmeccanica.

Also the choice of operating by means of partial spin-offs of the companies SES, Alenia and Agusta appears to be the best legal and economic solution because it meets the requirement of concentrating in Finmeccanica almost the entire assets of such companies, with the exception of some activities that will remain separated in the Spun-off companies.

In particular:

- The spin-off of SES foresees the allocation to Finmeccanica of the business branch dedicated to study, planning, production, implementation and marketing of systems, solutions, services and products in the sectors of security, defence, space, telecommunications, IT and of complex civil infrastructures, as described in detail in the respective spin-off projects and attachments thereto, with the exclusions provided therein;
- The spin-off of Alenia foresees the allocation to Finmeccanica of the business branch dedicated to planning, production, marketing and integration of military and

civil aircraft and their spare parts, integrated training systems and integrated logistic services, as described in detail in the respective spin-off projects and attachments thereto, with the exclusions provided therein;

- The spin-off of Agusta foresees the allocation to Finmeccanica of the business branch dedicated to planning, production and marketing in the “Rotorcraft” sectors, both civil and military, integrated training systems and integrated logistics services, as described in detail in the respective projects and attachments thereto, with the exclusions provided therein.

As the share capital of the Merged/Spun-off companies is entirely held by Finmeccanica, and such shareholding structure for Spun-off companies will remain as such also upon completion of the spin-off operations, consequently, the Beneficiary/Incorporating company shall not issue any new shares nor allocate its own shares; the Operations shall be performed applying the simplified procedure described in Section 2505 of the Italian Civil Code (with reference to the spin-off operations, as provided for by Section 2506 *ter* of the Italian Civil Code); therefore, the merger/spin-off projects do not include the information described in points 3), 4) and 5) of the first paragraph of Section 2501 *ter* of the Italian Civil Code and the Merged/Spun-off companies have not prepared the reports of the Board of Directors, in accordance with Section 2501 *quinquies* of the Italian Civil Code and the Experts’ reports regarding the consistency of the exchange ratio according to Section 2501 *sexies* of the Italian Civil Code.

The Operations shall be effective, also for accounting and tax purposes, as from 1st January 2016. If the last of the registration pursuant to Section 2504 of the Italian Civil Code for mergers, and according to Section 2506 *quater* of the Italian Civil Code for spin-offs, should take place after 1st January 2016, the Operations shall be effective as from the first day of the month after the last registration; in such case the mergers, for accounting and tax purposes, shall also be effective as from 1st January 2016; while the spin-offs, for tax purposes, in accordance with Article 173 of the Regulatory Presidential Decree No. 917/1986, shall be effective as from the first day of the month after the last registration pursuant to Section 2506 *quater* of the Italian Civil Code, and for accounting purposes, as from 1st January 2016.

As for the tax effects of the Operations, it is worth noting that these are tax-neutral operations and do not generate losses or profits with tax impact. The assets and liabilities of the Merged/Spun-off companies are entered to the Balance Sheet of the Incorporating/Beneficiary company under a tax continuity regime.

The Operations, as such, do not produce any effect on the major shareholding structure neither on the controlling structure of the Incorporating/Beneficiary company.

As far as the companies involved in the Operations are concerned, there are no shareholder's agreements relevant pursuant to Article 122 of TUF [Consolidated Law on Financial Intermediation].

The Operations shall be conducted based on the financial statements of the participating companies as of 30 June 2015, closed with positive net equity, approved by the Board of Directors of WASS on 22 July 2015, by the Board of Directors of OTO on 23 July 2015, by the Board of Directors of SES on 21 July 2015, by the Board of Directors of Alenia on 23 July 2015, by the Board of Directors of Agusta on 27 July 2015 and by the Board of Directors of Finmeccanica on 30 July 2015 respectively.

In consideration of the fact that Finmeccanica is the sole shareholder of the Merged/Spun-off companies, the Operations do not imply any increases to the share capital of the Incorporating/Beneficiary company.

Upon completion of the Operations, the shares held by Finmeccanica in the companies will be cancelled pro quota, in the case of spin-offs, or for the entire amount in the case of mergers.

In the case of spin-offs, any variations to the assets and liabilities of each spun-off business that will take place during the period from 1 July 2015 to 31 December 2015 do not imply any separated financial adjustment; these variations will contribute to determine the spin-off surplus/deficit of the Beneficiary.

The partial spin-offs of SES, Alenia and Agusta, performed by allocating part of their respective equities to the Beneficiary company, as described in detail in the spin-off

projects and their relevant attachments published with this Report, shall entail, for each company, a reduction of its share capital and reserves. In particular, the Spun-off companies shall proceed as follows.

SES:

- Allocation of “non-current assets” for Euros	2,065,629,853
- Allocation of “current assets” for Euros	2,981,051,615
- Allocation of “non-current liabilities” for Euros	-474,459,743
- Allocation of “current liabilities” for Euros	-3,690,093,614

For a total net allocated to Finmeccanica equal to **Euros 882,128,111**

Alenia:

- Allocation of “non-current assets” for Euros	2,847,995,328
- Allocation of “current assets” for Euros	4,351,082,723
- Allocation of “non-current liabilities” for Euros	-1,318,112,196
- Allocation of “current liabilities” for Euros	-5,589,348,212

For a total net allocated to Finmeccanica equal to **Euros 291,617,643**.

Agusta:

- Allocation of “non-current assets” for Euros	2,630,697,197
- Allocation of “current assets” for Euros	4,056,370,372
- Allocation of “non-current liabilities” for Euros	-584,766,815
- Allocation of “current liabilities” for Euros	-4,043,010,085

For a total net allocated to Finmeccanica equal to **Euros 2,059,290,669**

The aforementioned net equity of Euros **882,128,111** for SES, the aforementioned net equity of Euros **291,617,643** for Alenia and the aforementioned net equity of Euros **2,059,290,669** for Agusta (for a net equity total equal to Euros **3,233,067,640**), allocated to the Beneficiary company, will be accounted by the Beneficiary company as increase of its net book value/reserves.

The net equity of SES on 30 June 2015 amounts to **Euros 1,079,880,644** and is composed as follows:

- Share Capital	Euros 350,000,000
- Legal Reserve	Euros 70,000,000
- Other reserves	Euros 659,880,644

The partial spin-off of SES shall therefore cause a decrease of its net equity, as shown in the financial statement as of 30 June 2015, equal to Euros **882,128,111** and shall entail the reduction of its share capital and reserves in the same measure of what has been allocated, for Euros 346,480,000 and Euros 535,648,111 respectively.

The residual net equity of SES after the spin-off shall therefore amount to **Euros 197,752,533** composed as follows:

- Share Capital	Euros 3,520,000
- Legal Reserve	Euros 704,000
- Other reserves	Euros 193,528,533

The net equity of Alenia on 30 June 2015 amounts to **Euros 361,418,849** and is composed as follows:

- Share Capital	Euros 250,000,000
- Legal Reserve	Euros 5,613,281
- Other reserves	Euros 105,805,568

The partial spin-off of Alenia shall therefore cause a decrease of its net equity, as shown in the financial statement as of 30 June 2015, equal to Euros 291,617,643 and shall entail the reduction of its share capital and reserves in the same measure of what has been allocated, for Euros 216,208,169 and Euros 75,440,691 respectively.

The residual net equity of Alenia after the spin-off shall therefore amount to **Euros 69,801,206** composed as follows:

- Share Capital	Euros 33,791,831
-----------------	------------------

- Legal Reserve	Euros	780,038
- Other reserves	Euros	35,229,337

The net equity of Agusta on 30 June 2015 amounts to **Euros 2,191,430,267** and is composed as follows:

- Share Capital	Euros	702,537,000
- Legal Reserve	Euros	84,538,138
- Other reserves	Euros	1,404,355,129

The partial spin-off of Agusta shall therefore cause a decrease of its net equity, as shown in the financial statement as of 30 June 2015, equal to Euros 2,059,290,669 and shall entail the reduction of its share capital and reserves in the same measure of what has been allocated, for Euros 702,417,000 and Euros 1,356,873,669 respectively.

The residual net equity of Agusta after the spin-off shall therefore amount to **Euros 132,139,598** and shall be composed as follows:

- Share Capital	Euros	120,000
- Legal Reserve	Euros	24,000
- Other reserves	Euros	131,995,598

Rome, 30 July 2015

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 official document.