

BOARD OF DIRECTOR'S REPORT AND PROPOSITION FOR THE GENERAL MEETING

Board of Director's report on the single item on the agenda

Annual financial statements for the year ending 31 December 2006; reports of the Board of Directors, Board of Statutory Auditors and Independent Auditors; related resolutions

To our Shareholders,

the 2006 financial statement, which we hereby submit for your approval, shows a profit of €719,235,552.72, which we propose you should distribute it as follows:

- €35,961,777.64, or 5% of the profit, to be appropriated to the legal reserve;
- a maximum of €148,818,346.25 to be allocated to shareholders in the form of a €0.35 dividend for shares with dividend rights, including shares relating to any exercise of subscription rights/right to purchase own shares assigned under stock option plans;
- €534,455,428.83 to be carried forward.

The recommended dividend and its increase on previous years is due to the growth in operating income posted last year and in previous years and is compatible with the cash flow from operations generated in FY 2006.

The appropriation of the remainder to reserves is intended to further consolidate the Company's assets and to support a dividend policy that will deliver continuous shareholder rewards in the future.

Wherefore we submit for your approval the following

Agenda

“The Ordinary General Meeting of the Shareholders of FINMECCANICA – Società per azioni”:

- having read the Board of Director's report;
- having read the Board of Statutory Auditor's report;
- having seen the financial statements for the year ending 31.12.2006;
- acknowledging the report of PricewaterhouseCoopers S.p.A.;

resolves

- to approve the Board of Director's report and the financial statements for the year ending 31.12.2006;
- to approve the Board of Director's recommendation to allocate the profit of €719,235,552.72 as follows:
 - €35,961,777.64, or 5% of profit, to be appropriated to the legal reserve;
 - a maximum of €148,818,346.25 to be allocated to shareholders in the form of a €0.35 dividend for shares with dividend rights, including shares relating to any exercise of subscription rights/right to purchase own shares assigned under stock option plans;
 - €534,455,428.83 to be carried forward.

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