

FOR IMMEDIATE RELEASE

WESTLAND plc

Westland plc has today sent out to its shareholders a circular in which the Board of Westland unanimously and strongly recommends shareholders to accept the improved terms from United Technologies Corporation ("UTC") and Internazionale Holding Fiat S.A. ("Fiat").

The text of the letters and appendices contained in the circular is reproduced below:-

LETTER FROM WESTLAND'S CHAIRMAN

6th January, 1986

Dear Shareholder,

I am writing to you again about Westland's future. In view of the extensive media coverage and the confusing, and in some cases contradictory, statements made, I wish to explain why your Board has decided, unanimously and strongly, to recommend the improved proposals from UTC and Fiat. These proposals are set out in this circular, which also contains the Board's appraisal and clear recommendations.

The key issues to be considered are :

- * UTC and Fiat are strong and profitable private sector companies; UTC's Sikorsky division is the world's leading helicopter manufacturer. They will make excellent partners

for Westland. We are not in favour of linking with five separate parties which make up the Consortium, some members of which are competitors and state-owned and therefore subject to political pressure.

- * The work offered by UTC and Fiat is more broadly based and will make Westland a much more viable company. It will greatly benefit Westland's non-helicopter, as well as its helicopter activities. Westland is not just a helicopter company.
- * This is not an American takeover. The Prime Minister has confirmed that HM Government will continue to regard Westland as British. UTC and Fiat are both based in NATO countries and, as minority shareholders, will not alter Westland's status as an independent British company.
- * The Directors' duty is to act in the best interests of shareholders and employees. The Directors have no hesitation in concluding that these interests will be better served by a partnership with UTC and Fiat.

DELAY COULD BE EXTREMELY DAMAGING TO WESTLAND. IT IS VITAL THAT YOU SEND YOUR PROXY IN FAVOUR OF THE RESOLUTIONS TO ARRIVE BY THIS WEEKEND.

Yours faithfully,

JOHN CUCKNEY

Chairman

A LETTER FROM WESTLAND'S CHAIRMAN
ON BEHALF OF THE BOARD

6th January, 1986

Dear Shareholders,

I wrote to you on 21st December, 1985 recommending a proposed association between Westland, UTC and Fiat as part of a reconstruction of Westland (the "Original Proposals"). In that letter I referred to alternative proposals which had been received from a group of European industrial companies (the "Consortium"). Since then there have been further developments. First, the Consortium revised its proposals, and full details of these were sent to you on 2nd January, 1986. Secondly, UTC and Fiat have now improved their Original Proposals and these are set out in Appendix I (the "Improved Proposals").

Against this background, your Board has evaluated the two proposals with the utmost thoroughness. It has had to weigh up not only the immediate financial benefits of the proposals for the Company and its shareholders but also their longer term potential. In this connection, the Board has consistently maintained that the Company's future lies in an association with a substantial international business. Even if the two financial proposals had not been broadly similar, the respective commercial merits of the proposals would have been of major significance.

Your Board is firmly convinced that the qualitative nature of the work offered by UTC and Fiat and an association with two major private sector companies will be of greater benefit to the Company and offers better prospects for it to regain its former pre-eminence in the European military helicopter market. Although the situation has not been without its wider political overtones, your Board is, of course, required to act solely in the best interests of Westland's shareholders and employees.

The Directors, after the most careful consideration, unanimously and strongly recommend you to support the Improved Proposals from UTC and Fiat.

Both proposals are summarised in Appendix II to this letter. In financial terms they are broadly similar, although the Improved Proposals from UTC and Fiat raise more money for the Company. An important element of the Improved Proposals is that UTC will give up its ten year option to subscribe for additional shares at 85p per share. Instead, at the time of the Annual General Meeting (expected to be held next month), shareholders will be asked to approve an issue of warrants to subscribe for new A Ordinary Shares, to be granted to all holders of Existing Ordinary Shares, as described in paragraph 2 of Appendix I.

Why your Board recommends the UTC and Fiat proposals

In your Board's opinion the key difference between the two proposals is that the commercial viability of Westland will be altogether better assured with UTC and Fiat. Westland has had almost forty years of increasingly successful working relationships with Sikorsky. Your Board is confident that the strengthened association now proposed will represent a true partnership which will bring long term benefits to Westland. UTC, Fiat and Westland are all based in countries which are members of NATO, the cornerstone of British and European defence.

To meet HM Government's wish that a British helicopter design, development and manufacturing capability should, if possible, be maintained, it is vital for Westland to retain the ability to design, manufacture and develop complete helicopters. Under the Consortium's proposals, notwithstanding the guarantees of work over the next few years, it is the Board's considered view that Westland's role as a helicopter manufacturer would steadily be reduced to that of a manufacturer of parts only. For a

Company, one of whose principal assets is the engineering and technical skills of its workforce, this is a most unappealing prospect. Under the Improved Proposals from UTC and Fiat, not only is the quality of the workload superior to that offered by the Consortium, but the licence to market and manufacture the Black Hawk secures an important addition to the Company's helicopter product range.

A further benefit is the association of the technologies and aerospace activities of the Fiat group with those of Westland. The Fiat group is a very large and profitable international group with a broad spectrum of industrial interests in aviation, space and materials technology. Many of its interests dovetail with Westland's and this will result in opportunities for strengthening Westland's technological capability and for opening up new markets to it. The Fiat group and Westland, moreover, are two of Europe's leading helicopter transmission manufacturers.

Westland is altogether more likely to improve its efficiency and to prosper as part of a partnership with two such substantial international private sector companies as UTC and Fiat than it would in association with an ad hoc grouping of companies, some of which are state-owned and competitors both of ourselves and each other. The Directors believe that, given the existing capacity and manning level problems in the European helicopter industry, the Consortium's reaction to UTC's and Fiat's initiatives was influenced in part by defensive considerations. By contrast, UTC's and Fiat's proposed investment is forward looking and constructive.

Westland's future in Europe - the Prime Minister's letter

The Prime Minister stated in a letter of 1st January, 1986 (the full text of which is set out in Appendix IV) that "as long as Westland continues to carry on business in the UK, the Government will of course continue to regard it as a British and

therefore European company, and will support it in pursuing British interests in Europe".

Westland holds a firm contract for the development of the Anglo-Italian EH101 helicopter. In addition, the Company is involved on behalf of HM Government on the NATO naval and military light support helicopter (NH90), and is advising HM Government on the light attack helicopter (LAH). The Prime Minister has further assured your Board that "the Government would continue to support Westland's wish to participate in these projects and would resist to the best of its ability attempts by others to discriminate against Westland". UTC and Fiat have reaffirmed that they too will fully support Westland in all the European collaborative projects in which it is currently or may in the future be involved.

The Board takes considerable comfort from these assurances. Given the importance of the United Kingdom market for helicopters and the technical contribution which a strong Westland can make to European collaborative projects, the Board is confident that the Company will continue to benefit from such arrangements.

UTC and Fiat have made it clear that their participation in Westland is not conditional upon orders from the Ministry of Defence for the Black Hawk helicopter. Whilst the Ministry of Defence at present states that it has no intention of procuring the Black Hawk helicopter, HM Government has made it clear that its "policy will remain that the United Kingdom should procure its helicopters from the most cost-effective source".

Westland's bankers

The Board of Westland is very appreciative of the support which it has received from its principal bankers in this difficult period, in particular for their participation in the proposed reconstruction of the Company. The Banks have been kept informed

by the Company of its position, including the two latest proposals.

The Banks have agreed, in line with their original commitment, to accept the Improved Proposals from UTC and Fiat, subject to those proposals being acceptable to shareholders.

Immediate action to be taken

In order to effect the proposed Reconstruction, it is necessary to pass certain resolutions at the Extraordinary General Meeting on Tuesday, 14th January, 1986. Two of the resolutions are Special Resolutions which require a three-quarters majority. In order to support your Board's recommendation, it is essential that you complete and return the proxy card which was enclosed with my letter to you of 21st December, 1985. In case you have mislaid the original proxy card, I enclose another (blue) proxy card with this letter. **TO BE VALID, PROXIES MUST BE RECEIVED NO LATER THAN 10.30 A.M. ON SUNDAY, 12TH JANUARY, 1986. TO ENSURE THAT YOUR PROXY IS RECEIVED IN TIME YOU ARE STRONGLY URGED (IF YOU HAVE NOT ALREADY DONE SO) TO COMPLETE AND POST YOUR PROXY CARD NOW.**

If you have any difficulty in completing and/or returning your proxy card in time, please ring 01-583 1398 between 10 a.m. and 8 p.m. daily.

Recommendation

Your Directors and their financial advisers, Lazard Brothers, consider that the Improved Proposals from UTC and Fiat are in the best interests of the Company and its shareholders. Your Directors unanimously recommend you to vote in favour of the resolutions to be put before shareholders at the Extraordinary General Meeting, as they intend to do in respect of their own holdings of Existing Ordinary Shares.

Westland has operated in circumstances of extreme

uncertainty for some eight months. It is therefore imperative that certainty and stability are restored without any further delay and that the Board is allowed to give its undivided attention to the Company's business and to rebuilding its prosperity. Shareholders now have before them Improved Proposals from UTC and Fiat which the Board and its advisers have considered with the utmost care and which will give effect both to a capital reconstruction and an association which the Board believes will not only achieve stability but will also provide the potential for the Company's future growth. You are therefore urged to express your confidence in the Board by voting in favour of the Resolutions on 14th January. Any delay in effecting the proposed Reconstruction could be seriously damaging for your Company.

Yours faithfully,
JOHN CUCKNEY
Chairman

APPENDIX I

IMPROVED PROPOSALS FROM UTC AND FIAT

The variations to the Original Proposals set out in the circular dated 21st December, 1985 are as follows:

1. Increased subscription by UTC and Fiat

It is proposed that UTC and Fiat will continue to subscribe for the same number of Preferred Ordinary Shares and B Preference Shares as earlier described, except that they will subscribe for the Preferred Ordinary Shares at a price of 65p per share rather than, as formerly indicated, 60p per share. It should be noted that the additional premium of 5p per share represented by the increased subscription price will not be repayable in a winding-up to the holders of Preferred Ordinary Shares in priority to any payment to the holders of the Ordinary Shares.

2. Warrants for Westland shareholders

Under the Improved Proposals, UTC will give up its ten year option to subscribe for additional shares at 85p per share. Instead, an issue of warrants will be made to holders of Existing Ordinary Shares on the register at the close of business on 7th January, 1986 (the Record Date for the proposed rights issue) on a 2 for 5 basis, fractional entitlements being ignored. No payment will be required in respect of the warrants unless and until subscription rights in relation to the warrants are exercised. Full exercise of these warrants would result in the issue of up to 23,718,986 A Ordinary Shares. The right to subscribe for A Ordinary

Shares pursuant to the warrants will be exercisable on 31st July and 28th February in each year at 85p per share. The first subscription date will be 31st July, 1986 and the last, 28th February, 1996. It is proposed to convene an Annual General Meeting for 28th February, 1986 and an appropriate resolution in relation to the issue of the warrants will be proposed at that Meeting.

Application will be made to the Council of The Stock Exchange for the warrants, which will be issued in registered form, to be admitted to the Official List. It is intended that definitive warrant certificates will be despatched on 28th February, 1986 and that their listing will become effective on 3rd March, 1986. Following the exercise of subscription rights under the warrants the Board intends to make application to the Council of The Stock Exchange for the new A Ordinary Shares resulting therefrom to be admitted to the Official List. The new A Ordinary Shares will, when issued, rank pari passu with the then existing A Ordinary Shares of such A Ordinary Shares, save for dividends and other distributions made or paid with a reference date prior to the issue of such A Ordinary Shares.

The receipt of the warrants will not give rise to a disposal of Existing Ordinary Shares for the purposes of United Kingdom taxation of capital gains and the warrants will be regarded as part of each shareholder's total holding. For the purposes of calculating gains or losses on any subsequent disposals of either shares or warrants the original cost will be allocated between the shares and warrants by reference to their respective quoted values on 3rd March, 1986.

Full details of the warrants will be sent to shareholders in due course.

3. Guarantees of Work

Under the Original Proposals, UTC formally committed to provide not less than 1 million man hours of work for Westland over a three year period. UTC's revised commitment, which is independent of market conditions and subject only to necessary Government approvals and reasonable terms, conditions and prices, provides for a total of 2 million man hours over a five year period. It is intended that this work will include approximately 1.2 million engineering man hours and approximately 0.8 million manufacturing man hours, the former being of a technological and engineering nature related to the newer models currently being designed, developed and produced by Sikorsky.

4. Purchase of A Preference Shares

UTC and Fiat have agreed to purchase, and the Banks have agreed to sell, 5 million A Preference Shares at par subject to such shares being allotted.

In all other respects, in particular in relation to the rights issue, the conversion of bank debt, the reduction of capital and the taking of a Black Hawk licence, the Improved Proposals from UTC and Fiat are identical with the Original Proposals set out in the circular dated 21st December, 1985.

APPENDIX II

COMPARISON OF IMPROVED UTC/FIAT PROPOSALS WITH CONSORTIUM PROPOSALS

A summary comparison between the Improved Proposals from UTC and Fiat and the proposals from the Consortium is set out below:

Financial	UTC/Fiat £m	Consortium £m
New ordinary share capital subscribed by existing shareholders	14.2	13.0
New ordinary share capital subscribed by potential partners	23.1	23.1
New preference share capital to be subscribed or purchased by potential partners*	13.7	14.0
Conversion of bank debt into preference share capital, net of sales*	23.0	23.0
	-----	-----
Total reconstruction package	74.0	73.1
	-----	-----

*UTC and Fiat have agreed to purchase 5 million A Preference Shares from the Banks at par

Other Features

Subscription price of rights issue shares	60p	55p
Subscription price per ordinary share by potential partners	65p	65p
Coupon on preference share capital - non-convertible	10%	8%
convertible	7.5%	7.5%
Number of warrants to be issued to all existing shareholders	up to 23.7m	-
Number of warrants to be issued to existing shareholders who take up their rights	-	up to 23.7m

Work commitment

Guaranteed man-hours	2.0m*	1.8m†
----------------------	-------	-------

* over 5 years

† over 3 years

Fully diluted shareholdings*

Existing shareholders	64%	63%
Potential partners	21%	21%
The Banks	15%	16%

* Following full conversion and exercise of warrants

APPENDIX III

ADDITIONAL INFORMATION

1. Responsibility for Supplementary Listing Particulars

UTC and Fiat have responsibility for the information contained in this document regarding the UTC group and the Fiat group respectively. The Directors of Westland, whose names appear in paragraph 1 of Part I of the Appendix to the Listing Particulars, are the persons responsible for all other information contained in this document. To the best of the knowledge and belief of the Directors of Westland (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. UTC, Fiat and the Directors of Westland accept responsibility accordingly.

2. Material contract

In addition to those contracts disclosed in the Listing Particulars, the following contract, not being a contract entered into in the ordinary course of business, and which is, or may be, material, has been entered into by the Westland group within the two years immediately preceding the date of this document:

A letter agreement dated 5th January, 1986 between the Company (1) and UTC (2) pursuant to which UTC confirmed, for itself and on behalf of Fiat, that UTC and/or Fiat and/or a related company of UTC and/or Fiat will subscribe for a total of 35,500,000 Preferred Ordinary Shares at a price of 65p per share (and not at a price of 60p per share as provided for in the Subscription Agreement described in paragraph 6 of Part IV of the Appendix to the Listing Particulars).

3. Miscellaneous

(a) Lazard Brothers has given and not withdrawn its written consent to the issue of this document with the inclusion therein of the statement attributed to it and references to its name in the form and context in which they appear.

(b) As referred to in the Chairman's letter and Appendix I of this document, under the Improved Proposals UTC has given up its option to subscribe for additional shares in Westland.

Accordingly, the confirmation given by the Panel on Take-overs and Mergers referred to in paragraph 13 of the Chairman's letter contained in the Listing Particulars is no longer appropriate and will cease to apply.

(c) In relation to the proposed purchase of 21 Westland 30 helicopters by the Oil and Natural Gas Commission of India referred to on pages 5 and 6 of the Listing Particulars, since 21st December, 1985, the date of the Listing Particulars, it has been announced by the Indian Government that such a contract has been awarded to Westland; however, legal documentation has yet to be concluded.

(d) The gross amount payable to the Company in respect of the equity securities to be allotted pursuant to Resolution number 3 set out in the Notice of Extraordinary General Meeting contained in the Listing Particulars (as referred to in paragraph 7(k)(ii) of Part IV of the Appendix to the Listing Particulars) is £58,306,392.

(e) UTC have been advised by Morgan Grenfell & Co. Limited in relation to the Reconstruction and the Improved Proposals.

(f) The definitions contained in the circular to shareholders dated 21st December, 1985 apply for the purposes of this document.

4. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB, until 4th February, 1986:

- (a) the documents listed as available for inspection in paragraph 10 of Part IV of the Appendix to the Listing Particulars;
- (b) the material contract referred to in paragraph 2 of this Appendix III;
- (c) the letter from the Chairman of Westland to shareholders of Westland dated 2nd January, 1986;
- (d) the Listing Particulars; and
- (e) the consent letter referred to in paragraph 3(a) above.

APPENDIX IV

GOVERNMENT ASSURANCES

1. The following is the text of a letter sent by the Chairman to the Prime Minister on 30th December, 1985:

"Dear Prime Minister,

In view of the response you made to a question in the House of Commons on the 19th December that major procurement decisions are a matter for the Government as a whole, it would greatly help my Board to know if Westland would no longer be considered a European company by the Government if a minority shareholding in the company were held by a major international group from a NATO country outside Europe.

This question is of fundamental importance in view of the statement in a letter from the Procurement Executive, Ministry of Defence to Lloyds Merchant Bank dated 24th December that only by joining the so called European consortium would Westland be in a position to take responsibility for the British share of European helicopter collaborative projects.

Yours sincerely,

John Cuckney"

2. The following is the text of the Prime Minister's reply to the above letter, dated 1st January, 1986:

"Dear Sir John,

Thank you for your letter of 30 December.

It has naturally been the Government's concern that a British helicopter design, development and manufacturing capability should if possible be maintained, despite the present difficulties of your company. I understand that both the proposals Westland now have under consideration are intended to achieve that objective. As long as Westland continues to carry on business in the UK, the Government will of course continue to regard it as a British and therefore European company, and will support it in pursuing British interests in Europe.

Government policy will remain that the United Kingdom should procure its helicopters from the most cost-effective source. Against this background, the Government would wish to see Westland play a full part in existing and future European collaborative projects. Some of these are still at a very early stage and all of them require the agreement of the companies and governments - including HMG - concerned. In this connection you should be aware of indications from European governments and companies that they currently take the view that a number of projects in which Westland are expecting to participate in cooperation with other European companies may be lost to Westland if the United Technologies/Fiat proposals are accepted.

It is for you to assess the significance of these indications. But of course British participation is itself an important element in the viability of European collaborative projects. And I can assure you that, whichever of the two proposals currently under consideration the company choose to accept, the Government would continue to support Westland's wish to participate in these projects and would resist to the best of

its ability attempts by others to discriminate against Westland.

I have not dealt with the question of the possible consequences for Westland's present relationship with Sikorsky of a decision to accept the European consortium's proposals. You will no doubt have made your own assessment of these.

Yours sincerely,

Margaret Thatcher"

6th January, 1986

END

Enquiries to:

Westland plc

Sir John Cuckney

01-588-2721
after 8 pm 01-630-1949

Lazard Brothers & Co., Limited

Michael Baughan

01-588-2721

Marcus Agius

01-588-2721

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about this document you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold all your shares in Westland plc, please hand this document and the accompanying form of proxy to the purchaser or to the stockbroker, bank or other agent through whom the sale was effected, for transmission to the purchaser.

A copy of this document, which comprises Supplementary Listing Particulars relating to Westland plc required by The Stock Exchange (Listing) Regulations 1984, has been delivered for registration to the Registrar of Companies as required by those Regulations. These Supplementary Listing Particulars should be read in conjunction with the Listing Particulars ("the Listing Particulars") dated 21st December, 1985 of Westland plc.

WESTLAND plc

IMPROVED

PROPOSALS FROM UTC AND FIAT

and

YOUR BOARD'S UNANIMOUS

RECOMMENDATION OF THEM

**URGENT: YOUR PROXY MUST
BE RECEIVED THIS WEEK**

A LETTER FROM YOUR CHAIRMAN

6th January, 1986

Dear Shareholder,

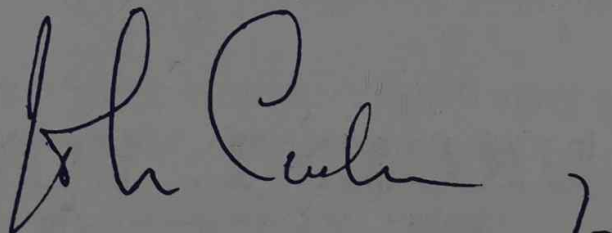
I am writing to you again about Westland's future. In view of the extensive media coverage and the confusing, and in some cases contradictory, statements made, I wish to explain why your Board has decided, unanimously and strongly, to recommend the improved proposals from UTC and Fiat. These proposals are set out in this circular, which also contains the Board's appraisal and clear recommendations.

The key issues to be considered are:

- ★ UTC and Fiat are strong and profitable private sector companies; UTC's Sikorsky division is the world's leading helicopter manufacturer. They will make excellent partners for Westland. We are not in favour of linking with five separate parties which make up the Consortium, some members of which are competitors and state-owned and therefore subject to political pressure.
- ★ The work offered by UTC and Fiat is more broadly based and will make Westland a much more viable company. It will greatly benefit Westland's non-helicopter, as well as its helicopter, activities. Westland is not just a helicopter company.
- ★ This is **not** an American takeover. The Prime Minister has confirmed that HM Government will continue to regard Westland as British. UTC and Fiat are both based in NATO countries and, as minority shareholders, will not alter Westland's status as an independent British company.
- ★ The Directors' duty is to act in the best interests of shareholders and employees. The Directors have no hesitation in concluding that these interests will be better served by a partnership with UTC and Fiat.

**DELAY COULD BE EXTREMELY DAMAGING TO WESTLAND.
IT IS VITAL THAT YOU SEND YOUR PROXY IN FAVOUR OF
THE RESOLUTIONS TO ARRIVE BY THIS WEEKEND.**

Yours faithfully,



Chairman

WESTLAND plc

(Registered in England No. 302632)

Directors:

Sir John Cuckney
Sir John Treacher, K.C.B.
H. P. Stewart
The Rt. Hon. Lord Fanshawe, K.C.M.G.
W. T. C. Miller, O.B.E.
Sir Maldwyn Thomas
C. D. Verrall

Registered Office:
Westland Works,
Yeovil,
Somerset BA20 2YB

6th January, 1986

To the shareholders and, for information only, to the holders of the Company's debenture stocks and participants in the Company's share option schemes

Dear Shareholders,

I wrote to you on 21st December, 1985 recommending a proposed association between Westland, UTC and Fiat as part of a reconstruction of Westland (the "Original Proposals"). In that letter I referred to alternative proposals which had been received from a group of European industrial companies (the "Consortium"). Since then there have been further developments. First, the Consortium revised its proposals, and full details of these were sent to you on 2nd January, 1986. Secondly, UTC and Fiat have now improved their Original Proposals and these are set out in Appendix I (the "Improved Proposals").

Against this background, your Board has evaluated the two proposals with the utmost thoroughness. It has had to weigh up not only the immediate financial benefits of the proposals for the Company and its shareholders but also their longer term potential. In this connection, the Board has consistently maintained that the Company's future lies in an association with a substantial international business. Even if the two financial proposals had not been broadly similar, the respective commercial merits of the proposals would have been of major significance.

Your Board is firmly convinced that the qualitative nature of the work offered by UTC and Fiat and an association with two major private sector companies will be of greater benefit to the Company and offers better prospects for it to regain its former pre-eminence in the European military helicopter market. Although the situation has not been without its wider political overtones, your Board is, of course, required to act solely in the best interests of Westland's shareholders and employees.

The Directors, after the most careful consideration, unanimously and strongly recommend you to support the Improved Proposals from UTC and Fiat.

Both proposals are summarised in Appendix II to this letter. In financial terms they are broadly similar, although the Improved Proposals from UTC and Fiat raise more money for the Company. An important element of the Improved Proposals is that UTC will give up its ten year option to subscribe for additional shares at 85p per share. Instead, at the time of the Annual General Meeting (expected to be held next month), shareholders will be asked to approve an issue of warrants to subscribe for new A Ordinary Shares, to be granted to all holders of Existing Ordinary Shares, as described in paragraph 2 of Appendix I.

Why your Board recommends the UTC and Fiat proposals

In your Board's opinion the key difference between the two proposals is that the commercial viability of Westland will be altogether better assured with UTC and Fiat. Westland has had almost forty years of increasingly successful working relationships with Sikorsky. Your Board is confident that the strengthened association now proposed will

represent a true partnership which will bring long term benefits to Westland. UTC, Fiat and Westland are all based in countries which are members of NATO, the cornerstone of British and European defence.

To meet HM Government's wish that a British helicopter design, development and manufacturing capability should, if possible, be maintained, it is vital for Westland to retain the ability to design, manufacture and develop complete helicopters. Under the Consortium's proposals, notwithstanding the guarantees of work over the next few years, it is the Board's considered view that Westland's role as a helicopter manufacturer would steadily be reduced to that of a manufacturer of parts only. For a company, one of whose principal assets is the engineering and technical skills of its workforce, this is a most unappealing prospect. Under the Improved Proposals from UTC and Fiat, not only is the quality of the workload superior to that offered by the Consortium, but the licence to market and manufacture the Black Hawk secures an important addition to the Company's helicopter product range.

A further benefit is the association of the technologies and aerospace activities of the Fiat group with those of Westland. The Fiat group is a very large and profitable international group with a broad spectrum of industrial interests in aviation, space and materials technology. Many of its interests dovetail with Westland's and this will result in opportunities for strengthening Westland's technological capability and for opening up new markets to it. The Fiat group and Westland, moreover, are two of Europe's leading helicopter transmission manufacturers.

Westland is altogether more likely to improve its efficiency and to prosper as part of a partnership with two such substantial international private sector companies as UTC and Fiat than it would in association with an *ad hoc* grouping of companies, some of which are state-owned and competitors both of ourselves and each other. The Directors believe that, given the existing capacity and manning level problems in the European helicopter industry, the Consortium's reaction to UTC's and Fiat's initiatives was influenced in part by defensive considerations. By contrast, UTC's and Fiat's proposed investment is forward looking and constructive.

Westland's future in Europe—the Prime Minister's letter

The Prime Minister stated in a letter of 1st January, 1986 (the full text of which is set out in Appendix IV) that "as long as Westland continues to carry on business in the UK, the Government will of course continue to regard it as a British and therefore European company, and will support it in pursuing British interests in Europe".

Westland holds a firm contract for the development of the Anglo-Italian EH101 helicopter. In addition, the Company is involved on behalf of HM Government on the NATO naval and military light support helicopter (NH90), and is advising HM Government on the light attack helicopter (LAH). The Prime Minister has further assured your Board that "the Government would continue to support Westland's wish to participate in these projects and would resist to the best of its ability attempts by others to discriminate against Westland". UTC and Fiat have reaffirmed that they too will fully support Westland in all the European collaborative projects in which it is currently or may in the future be involved.

The Board takes considerable comfort from these assurances. Given the importance of the United Kingdom market for helicopters and the technical contribution which a strong Westland can make to European collaborative projects, the Board is confident that the Company will continue to benefit from such arrangements.

UTC and Fiat have made it clear that their participation in Westland is not conditional upon orders from the Ministry of Defence for the Black Hawk helicopter. Whilst the Ministry of Defence at present states that it has no intention of procuring the Black Hawk helicopter, HM Government has made it clear that its "policy will remain that the United Kingdom should procure its helicopters from the most cost-effective source".

Westland's bankers

The Board of Westland is very appreciative of the support which it has received from its principal bankers in this difficult period, in particular for their participation in the proposed reconstruction of the Company. The Banks have been kept informed by the Company of its position, including the two latest proposals.

The Banks have agreed, in line with their original commitment, to accept the Improved Proposals from UTC and Fiat, subject to those proposals being acceptable to shareholders.

Immediate action to be taken

In order to effect the proposed Reconstruction, it is necessary to pass certain resolutions at the Extraordinary General Meeting on Tuesday, 14th January, 1986. Two of the resolutions are Special Resolutions which require a three-quarters majority. In order to support your Board's recommendation, it is essential that you complete and return the proxy card which was enclosed with my letter to you of 21st December, 1985. In case you have mislaid the original proxy card, I enclose another (blue) proxy card with this letter. **TO BE VALID, PROXIES MUST BE RECEIVED NO LATER THAN 10.30 A.M. ON SUNDAY, 12th JANUARY, 1986. TO ENSURE THAT YOUR PROXY IS RECEIVED IN TIME YOU ARE STRONGLY URGED (IF YOU HAVE NOT ALREADY DONE SO) TO COMPLETE AND POST YOUR PROXY CARD NOW.**

If you have any difficulty in completing and/or returning your proxy card in time, please ring 01-583 1398 between 10 a.m. and 8 p.m. daily.

Recommendation

Your Directors and their financial advisers, Lazard Brothers, consider that the Improved Proposals from UTC and Fiat are in the best interests of the Company and its shareholders. Your Directors unanimously recommend you to vote in favour of the resolutions to be put before shareholders at the Extraordinary General Meeting, as they intend to do in respect of their own holdings of Existing Ordinary Shares.

Westland has operated in circumstances of extreme uncertainty for some eight months. It is therefore imperative that certainty and stability are restored without any further delay and that the Board is allowed to give its undivided attention to the Company's business and to rebuilding its prosperity. Shareholders now have before them Improved Proposals from UTC and Fiat which the Board and its advisers have considered with the utmost care and which will give effect both to a capital reconstruction and an association which the Board believes will not only achieve stability but will also provide the potential for the Company's future growth. You are therefore urged to express your confidence in the Board by voting in favour of the Resolutions on 14th January. Any delay in effecting the proposed Reconstruction could be seriously damaging for your Company.

Yours faithfully,
JOHN CUCKNEY
Chairman

APPENDIX I

IMPROVED PROPOSALS FROM UTC AND FIAT

The variations to the Original Proposals set out in the circular dated 21st December, 1985 are as follows:

1. Increased subscription by UTC and Fiat

It is proposed that UTC and Fiat will continue to subscribe for the same number of Preferred Ordinary Shares and B Preference Shares as earlier described, except that they will subscribe for the Preferred Ordinary Shares at a price of 65p per share rather than, as formerly indicated, 60p per share. It should be noted that the additional premium of 5p per share represented by the increased subscription price will not be repayable in a winding-up to the holders of Preferred Ordinary Shares in priority to any payment to the holders of the Ordinary Shares.

2. Warrants for Westland shareholders

Under the Improved Proposals, UTC will give up its ten year option to subscribe for additional shares at 85p per share. Instead, an issue of warrants will be made to holders of Existing Ordinary Shares on the register at the close of business on 7th January, 1986 (the Record Date for the proposed rights issue) on a 2 for 5 basis, fractional entitlements being ignored. No payment will be required in respect of the warrants unless and until subscription rights in relation to the warrants are exercised. Full exercise of these warrants would result in the issue of up to 23,718,986 A Ordinary Shares. The right to subscribe for A Ordinary Shares pursuant to the warrants will be exercisable on 31st July and 28th February in each year at 85p per share. The first subscription date will be 31st July, 1986 and the last, 28th February, 1996. It is proposed to convene an Annual General Meeting for 28th February, 1986 and an appropriate resolution in relation to the issue of the warrants will be proposed at that Meeting.

Application will be made to the Council of The Stock Exchange for the warrants, which will be issued in registered form, to be admitted to the Official List. It is intended that definitive warrant certificates will be despatched on 28th February, 1986 and that their listing will become effective on 3rd March, 1986. Following the exercise of subscription rights under the warrants the Board intends to make application to the Council of The Stock Exchange for the new A Ordinary Shares resulting therefrom to be admitted to the Official List. The new A Ordinary Shares will, when issued, rank *pari passu* with the then existing A Ordinary Shares save for dividends and other distribution made or paid with a reference date prior to the issue of such A Ordinary Shares.

The receipt of the warrants will not give rise to a disposal of Existing Ordinary Shares for the purposes of United Kingdom taxation of capital gains and the warrants will be regarded as part of each shareholder's total holding. For the purposes of calculating gains or losses on any subsequent disposals of either shares or warrants the original cost will be allocated between the shares and warrants by reference to their respective quoted values on 3rd March, 1986.

Full details of the warrants will be sent to shareholders in due course.

3. Guarantees of Work

Under the Original Proposals, UTC formally committed to provide not less than 1 million man hours of work for Westland over a three year period. UTC's revised commitment, which is independent of market conditions and subject only to necessary government approvals and reasonable terms, conditions and prices, provides for a total of 2 million man hours over a five year period. It is intended that this work will include approximately 1.2 million engineering man hours and approximately 0.8 million manufacturing man hours, the former being of a technological and engineering nature related to the newer models currently being designed, developed and produced by Sikorsky.

4. Purchase of A Preference Shares

UTC and Fiat have agreed to purchase, and the Banks have agreed to sell, 5 million A Preference Shares at par subject to such shares being allotted.

In all other respects, in particular in relation to the rights issue, the conversion of bank debt, the reduction of capital and the taking of a Black Hawk licence, the Improved Proposals from UTC and Fiat are identical with the original proposals set out in the circular dated 21st December, 1985.

APPENDIX II

COMPARISON OF IMPROVED UTC/FIAT PROPOSALS WITH CONSORTIUM PROPOSALS

A summary comparison between the Improved Proposals from UTC and Fiat and the proposals from the Consortium is set out below:

	UTC/Fiat £m	Consortium £m
Financial		
New ordinary share capital subscribed by existing shareholders	14.2	13.0
New ordinary share capital subscribed by potential partners	23.1	23.1
New preference share capital to be subscribed or purchased by potential partners*	13.7	14.0
Conversion of bank debt into preference share capital, net of sales*	23.0	23.0
Total reconstruction package	<u>74.0</u>	<u>73.1</u>
*UTC and Fiat have agreed to purchase 5 million A Preference Shares from the Banks at par		
Other features		
Subscription price of rights issue shares	60p	55p
Subscription price per ordinary share by potential partners	65p	65p
Coupon on preference share capital — non-convertible	10%	8%
convertible	7.5%	7.5%
Number of warrants to be issued to all existing shareholders	up to 23.7m	—
Number of warrants to be issued to existing shareholders who take up their rights	—	up to 23.7m
Work commitment		
Guaranteed man-hours	2.0m*	1.8m†
* over 5 years		
† over 3 years		
Fully diluted shareholdings*		
Existing shareholders	64%	63%
Potential partners	21%	21%
The Banks	15%	16%

*Following full conversion and exercise of warrants

APPENDIX III

ADDITIONAL INFORMATION

1. Responsibility for Supplementary Listing Particulars

UTC and Fiat have responsibility for the information contained in this document regarding the UTC group and the Fiat group respectively. The Directors of Westland, whose names appear in paragraph 1 of Part 1 of the Appendix to the Listing Particulars, are the persons responsible for all other information contained in this document. To the best of the knowledge and belief of the Directors of Westland (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. UTC, Fiat and the Directors of Westland accept responsibility accordingly.

2. Material contract

In addition to those contracts disclosed in the Listing Particulars, the following contract, not being a contract entered into in the ordinary course of business, and which is, or may be, material, has been entered into by the Westland Group within the two years immediately preceding the date of this document:

A letter agreement dated 5th January, 1986 between the Company (1) and UTC (2) pursuant to which UTC confirmed, for itself and on behalf of Fiat, that UTC and/or Fiat and/or a related company of UTC and/or Fiat will subscribe for a total of 35,500,000 Preferred Ordinary Shares at a price of 65p per share (and not at a price of 60p per share as provided for in the Subscription Agreement described in paragraph 6 of Part IV of the Appendix to the Listing Particulars).

3. Miscellaneous

(a) Lazard Brothers has given and not withdrawn its written consent to the issue of this document with the inclusion therein of the statement attributed to it and references to its name in the form and context in which they appear.

(b) As referred to in the Chairman's letter and Appendix I of this document, under the Improved Proposals UTC has given up its option to subscribe for additional shares in Westland. Accordingly, the confirmation given by the Panel on Take-overs and Mergers referred to in paragraph 13 of the Chairman's letter contained in the Listing Particulars is no longer appropriate and will cease to apply.

(c) In relation to the proposed purchase of 21 Westland 30 helicopters by the Oil and Natural Gas Commission of India referred to on pages 5 and 6 of the Listing Particulars, since 21st December, 1985, the date of the Listing Particulars, it has been announced by the Indian Government that such a contract has been awarded to Westland; however, legal documentation has yet to be concluded.

(d) The gross amount payable to the Company in respect of the equity securities to be allotted pursuant to Resolution number 3 set out in the Notice of Extraordinary General Meeting contained in the Listing Particulars (as referred to in paragraph 7(k) (ii) of Part IV of the Appendix to the Listing Particulars) is £58,306,392.

(e) UTC have been advised by Morgan Grenfell & Co. Limited in relation to the Reconstruction and the Improved Proposals.

(f) The definitions set out on page 2 of the circular to shareholders dated 21st December, 1985 apply for the purposes of this document.

4. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB, until 4th February, 1986:

- (a) the documents listed as available for inspection in paragraph 10 of Part IV of the Appendix to the Listing Particulars;
- (b) the material contract referred to in paragraph 2 of this Appendix III;
- (c) the letter from the Chairman of Westland to shareholders of Westland dated 2nd January, 1986;
- (d) the Listing Particulars; and
- (e) the consent letter referred to in paragraph 3(a) above.

APPENDIX IV

GOVERNMENT ASSURANCES

1. The following is the text of a letter sent by the Chairman to the Prime Minister on 30th December, 1985:

“Dear Prime Minister,

In view of the response you made to a question in the House of Commons on the 19th December that major procurement decisions are a matter for the Government as a whole, it would greatly help my Board to know if Westland would no longer be considered a European company by the Government if a minority shareholding in the company were held by a major international group from a NATO country outside Europe.

This question is of fundamental importance in view of the statement in a letter from the Procurement Executive, Ministry of Defence to Lloyds Merchant Bank dated 24th December that only by joining the so called European consortium would Westland be in a position to take responsibility for the British share of European helicopter collaborative projects.

Yours sincerely,
John Cuckney”

2. The following is the text of the Prime Minister's reply to the above letter, dated 1st January, 1986:

“Dear Sir John,

Thank you for your letter of 30 December.

It has naturally been the Government's concern that a British helicopter design, development and manufacturing capability should if possible be maintained, despite the present difficulties of your company. I understand that both the proposals Westland now have under consideration are intended to achieve that objective. As long as Westland continues to carry on business in the UK, the Government will of course continue to regard it as a British and therefore European company, and will support it in pursuing British interests in Europe.

Government policy will remain that the United Kingdom should procure its helicopters from the most cost-effective source. Against this background, the Government would wish to see Westland play a full part in existing and future European collaborative projects. Some of these are still at a very early stage and all of them require the agreement of the companies and governments—including HMG—concerned. In this connection you should be aware of indications from European governments and companies that they currently take the view that a number of projects in which Westland are expecting to participate in cooperation with other European companies may be lost to Westland if the United Technologies/Fiat proposals are accepted.

It is for you to assess the significance of these indications. But of course British participation is itself an important element in the viability of European collaborative projects. And I can assure you that, whichever of the two proposals currently under consideration the company choose to accept, the Government would continue to support Westland's wish to participate in these projects and would resist to the best of its ability attempts by others to discriminate against Westland.

I have not dealt with the question of the possible consequences for Westland's present relationship with Sikorsky of a decision to accept the European consortium's proposals. You will no doubt have made your own assessment of these.

Yours sincerely,
Margaret Thatcher”

BE RECEIVED THIS WEEK
URGENT: YOUR PROXY MUST