



Tarantelli Award

Pier Francesco Guarguaglini

Chairman and CEO of Finmeccanica, Rome - 7

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First of all, on behalf of all staff at Finmeccanica, I would like to **thank** the 'Club dell'Economia' [Economics Club] for the prestigious Ezio Tarantelli award that I have received today.

I say "on behalf of all staff at Finmeccanica" because as stated in the **reason** for the award, this is a recognition of the group's ability to reposition itself in the high-tech arena and, jointly with the government, to promote Italian industry in the aerospace, defence and security sectors, which are extremely competitive environments, not only from an industrial point of view but also politically and financially.

In the space of only a few years, Finmeccanica has undergone a **comprehensive reorganisation**, which has enabled the company to become global leader in several strategic sectors and to take on a leading role for itself in Europe and the world.

The **key** to its success lies in the **clear and bold strategic decisions** taken by Finmeccanica once it had precisely defined its objectives and obtained the necessary support from the government.

AgustaWestland is one of the best examples of this.

In the early 2000s, **the helicopter market was one of the most promising** in the aerospace and defence sector, and Finmeccanica was ideally positioned, owning 50% of AgustaWestland, one of the leading companies worldwide.

AgustaWestland had excellent products, including the EH-101 helicopter, for example, which was to play a key role in strategy development.

With the tender for the supply of the US presidential fleet in its sights, the group, in agreement with Amedeo Caporaletti, CEO of AgustaWestland, decided to **open negotiations with GKN** to buy out the other half of the company.

We were certain that winning the **presidential contract** would have a much greater effect on the company's future than the value of the contract alone, and therefore decided to pay a slightly higher price than necessary to acquire 100% of AgustaWestland.

It was a **risky strategy**, as winning a tender of that magnitude required considerable effort in many areas.

First we needed to create a **consortium with US companies** to comply with the "**buy American**" rules that require at least 65% of a product to be manufactured in the US.

In addition, we had to **involve small and medium-sized companies** in many American states in order to obtain the support of local governments.

Lastly, we had to earmark **significant investment**, as a large part of the production process had to take place in the US.

Throughout the operation **the practical support** of both the **Italian and British**

government lobbies was a **determining factor**, as they backed us resolutely at every step of the way.

In the end, the gamble paid off and the results are clear for everyone to see.

Another winning move was the decision to aim clearly at the **defence electronics** sector.

Following lengthy and involved negotiations with BAE, we decided to dismantle our newly-formed **complex partnership** and commit to significant investment, but in so doing, we obtained a **complete portfolio of assets** and total **operating and strategic autonomy**.

Our policy of having the courage to make targeted decisions, to give up on one thing in order to improve in another area, and to take risks in order to arrive at a stronger position, has really paid off.

The **technological repositioning** of the group, achieved through new expertise acquired overseas and through a strong commitment to research and innovation in Italy, has enabled it to refocus its **position on the market**.

AgustaWestland's helicopters have been adopted not only by the US president, but also by the **UK's Royal Squadron**, and are in demand all over the world.

With **orders coming in from increasingly far-flung destinations** over the next few years, there is no doubt that Finmeccanica has achieved a truly international dimension.

The **UK** is now a **domestic market** for Finmeccanica, which has established itself as the British MoD's second-largest supplier.

In this vein, I would like to point out that Finmeccanica can benefit from the services of the **Defence Export Services Organisation**, the MoD's central unit whose specific objective is "through export success, to make the maximum contribution to defence objectives".

DESO provides assistance to company-led **marketing campaigns**, helps them with applications for export licences and ensures that government policy on defence exports is reflected in the MoD's acquisition policies and activities, and vice versa.

A **similar unit in Italy's defence ministry** could in future help defence companies expand abroad in a more structured and efficient way.

Today, Finmeccanica can talk to other European companies on an **equal footing** and lay claim to a widely-respected role for itself and Italy. It can also put itself forward as a partner of choice for the big US systems players and successfully compete on the main international markets.

Finmeccanica now has the perhaps even more difficult task of cementing its new position. There is only one way to do this, and that is to continue to make courageous decisions.