

# FACE THE FACTS WITH... GIORGIO ZAPPA

Italy's aerospace and defence champion Finmeccanica (chalet A373-374) has become a major global player – thanks to acquisitions and a strategy focused on penetrating key overseas markets including the USA and UK with an industrial presence. Chief operating officer Giorgio Zappa explains why the Paris air show matters for the business

**Q At a time of unprecedented challenges for the industry, how important is a show like Paris, and what is the main thrust of your presence here this year?**

We are following the aerospace sector crisis closely as it is particularly affecting the civil segment, mainly in terms of giving airlines difficulties with cash-flow. But we are confident, as this is not the first negative cycle in the aerospace sector and the fact that Finmeccanica offers a balanced mix of civil and military activities gives us an advantage.

The Paris air show continues to be the most important international aerospace showcase and it is an event that we have to be at. The M-346 Master advanced jet trainer will be a main focus for us, as will the Sukhoi Superjet 100. This regional jet is jointly marketed by Sukhoi and Finmeccanica and it will perform its first international flying display this week. We think its prospects in the market are good.

Our other main focus is on the unmanned air systems sector, with the Sky-Y and Falco, and we are also concentrating on homeland security and our large systems capabilities.

**Q How is Finmeccanica responding to the downturn generally and are you confident of still meeting your financial targets?**

Finmeccanica's strategy is based on geographic diversification, with the aim of making the USA our third domestic market [after Italy and the UK] and to create a significant footprint in those countries where defence budgets maintain a positive trend.

The Italian defence budget is stable enough, but we are enlarging our presence in the Far and Middle East and North Africa – specifically in Morocco, Libya and Egypt – and we are looking with particular interest to Russia, India and Malaysia. Significant investments in research and development will allow us to exploit the opportunities as soon as the economy restarts.

**Q By the end of 2008, your major US acquisition DRS Technologies had been consolidated in Finmeccanica. How do you plan to further reinforce your position in the US market?**

With the DRS acquisition completed in late 2008, we now have the competencies and the means to compete at international level in the defence electronics sector, working further to integrate our businesses optimally, both at single company and group level. We consider

the strategic US market as our third domestic one, although there are some concerns over our programmes.

We are confident we can win a significant share of US defence budget, particularly over the next three years. The upgrading and support of US armed forces equipment, as requested by defence secretary Robert Gates, are areas in which DRS can compete.

We believe DRS could further increase its order backlog over the next three years, confirming the effectiveness of our acquisition.

**Q The southern Mediterranean and Middle East are also interesting markets for you. How are you increasing Finmeccanica's presence there and will it mainly be through acquisitions or partnerships?**

The Mediterranean and Middle East markets are very interesting for us, especially because of the ambitious modernisation programmes being carried out in these areas. In the North Africa region, Algeria is historically our traditional market, in particular for air traffic control, helicopters and homeland security systems.

In Libya, Selex Sistemi Integrati, AgustaWestland and ATR have won contracts in the maritime and ground border surveillance system sectors. AgustaWestland is involved in the Li-tec joint venture with our Libyan partner for training and technology supply. The Libyan market is also attractive for fixed (C-27J) and rotary-wing (AW139, AW119 and AW101) platforms.

In Saudi Arabia we have established important local partnerships, the most promising of which are between Selex Sistemi Integrati and Sirti Saudi to tender for the oil facilities protection system, and with Enaer to provide an integrated communication network for King Abdullah Economic City, the first of six new cities to be constructed in Saudi Arabia.

In the UAE, the M-346 Master was selected by the air force, which ordered 48 advanced training and light attack aircraft. We also established two important co-operation programmes: with Mubadala for a composite material aerostructures production facility and our AgustaWestland-Abu Dhabi Aviation, a joint venture assembly and maintenance centre.

**Q You have also said that Russia and Turkey are key markets for Finmeccanica. What is happening there in terms of sales campaigns and possible industrial participation?**



**“Finmeccanica's strategy is based on geographic diversification. Our aim is to make the USA our third domestic market, and create a footprint in countries where defence budgets are positive”**

Finmeccanica is considering Russia and Turkey not only as key markets, but also as partners to establish long-term co-operation and investments. We are well placed in Turkey, having provided all air traffic control infrastructures, and we are co-operating for their upgrades. AgustaWestland, in partnership with TAI, has won the contest to provide 50 T129 combat helicopters.

Future prospects are focused on Alenia Aeronautica leading a Eurofighter sales campaign, where we are proposing new technologies access to local companies.

We have established an important co-operation programme between Europe and Russia – Sukhoi Civil Aircraft – for the design, development and production of the Sukhoi Superjet 100 regional jet. Alenia's participation in the programme is 25% plus one share, and it owns 51% of Superjet International, the joint venture for worldwide marketing and support with Sukhoi, which holds 49%.

AgustaWestland has a large-scale co-operation agreement with Oboronprom, which ranges from local sales and support to joint local production. Further local joint ventures have been established to provide security systems for infrastructures and events such as the forthcoming Winter Olympics.

**Q In India and the Far East it generally takes longer to establish a market presence and the situation can vary greatly from country to country. How are prospects in Asia?**

India has ambitious and technologically advanced plans for its defence sector, including the 126 multi-role combat aircraft tender in which Eurofighter is participating, and homeland security. Finmeccanica has opened a New Delhi office with the aim of expanding its footprint in the country, while AgustaWestland and Tata signed this year a joint venture memorandum of understanding for local assembly of the AW119 helicopter, possibly beginning in 2011.

In Malaysia we have aeronautics and defence electronics products, and two joint ventures to manage ATC and naval combat systems. We are exploring opportunities offered by the EEZ (Exclusive Economic Zone) protection with ATR 72ASW aircraft and maritime traffic management systems.

In Japan we have fixed- and rotary-wing proprietary products, and Finmeccanica is expected to enlarge its footprint with the new local moves to-

wards opening the door to Japanese defence exports. The most interesting opportunity is the Eurofighter proposal for an air defence aircraft, with BAE Systems and Alenia Aeronautica jointly leading the sales campaign.

**Q In Europe, Finmeccanica is further expanding its footprint. Which partnership or co-operation opportunities are you looking at?**

Alenia Aeronautica is participating in an innovative co-operation initiative – which sees industry pairing with the research and university worlds – based on the ambitious European Commission's Clean Sky joint technology initiative. In this, Alenia is responsible for the green regional aircraft, while AgustaWestland, together with Eurocopter, is leading the green rotorcraft research project.

In addition, Aermacchi is proposing the M-346 as the best market solution for the Eurotraining [joint European military pilot training] programme, while Finmeccanica is contributing to the [Dassault-led] Neuron combat unmanned air vehicle programme, which we consider will provide a significant contribution to maintain essential technology capabilities in Europe.