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## SPECIAL REPORT AEROSPACE

### **Finmeccanica**

### **Guarguaglini: what crisis? Business is taking off**

#### Global presence

Interview with Pier Francesco Guarguaglini. Finmeccanica grows by developing a network of international partnerships

By Pietro Romano

In around ten years, Finmeccanica has transformed itself from a technically bankrupt conglomerate into one of Italy's biggest success stories in the sectors of aerospace, defence, energy and transport. On the eve of the biggest trade fair in the sector, the Paris Air Show at Le Bourget, a historic airport a few miles outside Paris, the chairman and CEO of Finmeccanica, Pier Francesco Guarguaglini, talks to *Il Mondo* about the group's next moves, and suggests ways in which company directors can prevent even the biggest shocks to the economy from derailing Italian industry.

**Q. What will Finmeccanica be doing at Le Bourget this year, and what are your objectives?**

A. The company has come to Le Bourget with a clear and well-defined image: that of a large, integrated and truly multi-domestic group, offering technological solutions that are not only innovative but are also organised coherently into a system which can respond effectively to every possible requirement of the global market in the areas of defence, security, and environmental and personal safety. These characteristics of excellence place the group firmly among the global leaders in the aerospace and defence sector. At the Paris Air Show, Finmeccanica will be exhibiting a selection of high-tech products ranging from small, sophisticated sensors to more advanced platforms and large systems that put our entire range of solutions onto a network. At the same time, it will be giving a visible and innovative demonstration of how all these elements can be integrated to make complete systems that meet the security requirements of today and tomorrow. Security is

the word that best expresses the value and content of what Finmeccanica is showing at Le Bourget, while the main themes of the exhibition, where its products and services will be put forward for the judgment of the experts and the general public, are innovation, integration and interoperability. Our stand does not just show a group of products and systems, but also directly demonstrates how they interconnect with each other.

**Q. You obviously have plenty of projects in hand. But hasn't Finmeccanica been affected by the recession?**

A. Our group has a significant order backlog, the value of which reached an all-time high of around EUR 43 billion in the first quarter of 2009. The recession has affected us, but not very much. I also believe that at international level the bottom has been reached. That doesn't mean that we can just wait for better times to come along without doing anything. Investment is necessary, because, once the recovery arrives, companies that have continued to invest will be able to seize the competitive advantage built up during that time.

**Q. As we wait for the recovery, how hard is the recession hitting Italy in your view?**

A. We are losing competitiveness, and to avoid further declines we need to see concrete initiatives. Italian industry and leading groups like Finmeccanica, as well as the services sector and the public administration, must take action to relaunch the economy. They can do this by overcoming an overly local focus, for example in the energy and transport sectors, and by cutting out the red tape that holds back even the most innovative business initiatives in strategic sectors and the research arena.

**Q. Speaking of research and development, Finmeccanica invested over EUR 1.8 billion in this area in 2008. How much will you invest in 2009?**

A. We will certainly not be spending less than that, but will be selecting our investments more carefully. During a recession, reducing investment in prestigious projects is very dangerous for companies, since it can undermine their future.

**Q. This is a message aimed at politicians.**

A. It certainly is. The international situation demands huge efforts, and public resources must not be diverted away from productive and towards contingent investment, which would raise the risk of throwing away even excellent results and strangling new initiatives at birth. In our case, we also understand that people have to live: we provide employment for over 73,000 people, including more than 45,000 in Italy, and that's not counting the people who depend on the group indirectly. We need to take a medium- to long-term approach to our people too. Our strategy is and has been successful because we have always been able to look ahead, and we must continue to do so, with the help of the support the economy is expected to receive, as it is at present.

**Q. Yours is an unusual sector, which certainly does not benefit from short-term tactics**

A. Exactly. We must anticipate market requirements by planning extremely carefully. We can't afford to make mistakes. We therefore need strong analytical abilities, as well as strategic reports, in order to reach an operational synthesis. This is the logic adopted by counter-cyclical sectors, and so it's no surprise that the aerospace business is holding up well, even in Italy, and even in regions such as Campania, which at times has appeared close to collapse. In Piedmont, everyone is talking about the auto sector at the moment, but the aerospace business in this region employs around 10,000 qualified people directly, and at least another 3,000 indirectly, with 400 first-class companies – not just Finmeccanica subsidiaries – and revenues of around EUR 2.2 billion. The figures may be different, but the same goes for other regions too, especially Lazio, Puglia and Lombardy. The Varese area in this last region is a world leader in the field: it is home to, among other things, the Alenia Aermacchi M-346, the world's most advanced training aircraft, and the helicopters produced by AgustaWestland.

**Q. Finmeccanica is considered a counter-cyclical group par excellence. But analysts and investors are also betting on cyclical sectors such as transport to get us out of the crisis. Transport is a large part of Finmeccanica's civil business, which accounts for about 30% of total group turnover. How are you going to respond to market requirements?**

A. In the civil sector, air transport also plays a large part. Boeing has announced that the first flight of the 787 Dreamliner will take place by the end of June. We produce some 14% of this aircraft in Italy, but with our joint venture in the US, this rises to around 26% of the aerostructure. But air transport does not just consist of giant aircraft: an increasing share of the market is also taken up by regional jets. Finmeccanica has long played a leading role in this area too, firstly through ATR, the 50-50 joint venture with EADS specialising in turboprop aircraft, and recently through our partnership with the Russian company Sukhoi for the new Superjet 100, which will be presented to the international market at Le Bourget before delivery of the first aircraft by the end of the year. In addition, we are part of a regional aircraft programme with the Canadian company Bombardier for its C series jets.

**Q. And what about rail transport?**

A. We are well positioned in this area, and the stock market agrees. Since the start of the year, our subsidiary Ansaldo STS has put in one of the best performances of the FTSE MIB index, and rightly so, since the company is winning contracts not only in Italy and Europe but throughout the world, from the US to Hong Kong and the Gulf states. AnsaldoBreda too, which has had difficulties in the past, is now coming out of the tunnel thanks to the settlement of disputes over past orders and the acquisition of new ones, including for the Taiwan metro. Now the company is ready to seize the opportunities that are opening up in the US, following President Obama's statements on the need to plough huge investment into infrastructure and transport.

**Q. Not everything is going well in the US at the moment, though.**

A. I think we have already explained many times that if the programme is put on hold it will not affect Finmeccanica's results at this point, since we have already delivered the first nine helicopters under Increment 1 of the contract on schedule. But there are plenty of other opportunities in America.

**Q. What are they?**

A. In the defence sector, following the acquisition of DRS, which is already generating excellent results in terms of new orders, revenues and earnings, Finmeccanica is one of the few groups in the US that can respond to the new approach of the defence secretary Robert Gates, who wants to supply the American armed forces with the best technology on the market today and put an end to the huge, long-term projects so beloved of the Pentagon. Finmeccanica is certainly ready to step in with its own high-tech products.