



*Translation from: Il Sole 24 Ore- 29 May 2009*

## **GUARGUAGLINI (FINMECCANICA)**

**“The file on President Obama’s helicopter is not closed”**

**Industry:** Pierfrancesco Guarguaglini, CEO of Finmeccanica: new agreements in the pipeline

**“The US is our market. The crisis won’t stop the group”**

The manager: the case for President Obama's helicopter is still open

### **A LONG CAREER IN INDUSTRY**

#### **The CV**

PierFrancesco Guarguaglini (in picture), 72, has been CEO and Chairman of Finmeccanica since 2002. He has held many managerial positions: General Manager of Officine Galileo (1984-1994), CEO of OTO Melara and Breda Meccanica Bresciana (1994-1996), Head of Defence at Finmeccanica (1996-1999), Chairman of Alenia Marconi Systems (1998-2000) and CEO of Fincantieri (1999-2002). He has been Chairman and CEO of Finmeccanica since 2002, and was re-appointed to this role for the fourth time by this year’s shareholders’ meeting. His mandate will run until 2011. Finmeccanica closed out the first quarter with a net profit of EUR 108 million and revenues of EUR 3.911 billion. It estimates a turnover of between EUR 17.1 and EUR 17.7 billion for 2009, and an EBIT margin (adjusted EBITDA) of 9.1%. In 2010, revenues are forecast to be between EUR 17.4 billion and EUR 18.6 billion. In 2008, revenues grew by 12% to EUR 15.037 billion and net profit was up 19% to EUR 621 million.

By Mara Monti

“The game is not over for the US presidential helicopter and anyway we will continue to fight”. Finmeccanica CEO and Chairman PierFrancesco Guarguaglini cannot hide his Livorno manner, as he determinedly talks about pushing ahead to the end despite the Obama administration's decision to halt the VH-71 programme to replace the old Sikorsky helicopters currently in use to transport the US President. An industrial matter that is now assuming a political dimension when yesterday the Italian defence minister Ignazio La Russa sent a letter to his US counterpart Robert Gates, asking him not to cancel the programme of US company Lockheed Martin and Agusta Westland as it would “negatively impact jobs”.

The decision is now in the hands of Congress which has up to October to approve the defence budget. “I’m not sure what will happen with the order”, said Mr Guarguaglini, “but what is

certain is that the Americans must replace the current helicopters and ours are the best on the market”.

**The Obama administration has reshaped defence expenditure in order to reduce costs, which has led to certain expenditure programmes being cut, such as the presidential helicopter, or reduced, such as Alenia Aeronautica’s C-27J military transport aircraft and the L-3. What impact do these decisions have on the group?**

You have to consider that the budget for 2010 has risen by 4% to USD 534 billion from USD 527 billion dollars in 2009, a budget that excludes spending for the war. Despite the cancellation of a number of programmes, there is expected to be a substantial increase in spending on equipment of around 3% on average for each year until 2013. This is the situation confronting DRS Technologies, which relies on the Pentagon for nearly 90% of its sales: there are existing programmes to be updated and the army equipment to be maintained in efficient working order. One example is the recent order worth USD 217 million obtained by DRS from the US Army. I’m certain that following the good results we achieved in the first quarter, our subsidiary will improve on this performance and we forecast revenues of USD 2.5 billion by the end of the year. I remain optimistic despite the latest cancellations as the US is a strategic market that represents 50% of global defence spending and 21% of Finmeccanica’s sales.

**But DRS is not the only company in the US. Finmeccanica has other important partnership agreements in place and some under discussion. How far have they got?**

By June we should have a reply from Northrop Grumman, which is interested in working with us on the C-27J programme alongside Alenia Aeronautica and the L-3. We are expecting the programme to go ahead despite the reduction in the number of aircraft required by the US armed forces from 78 to 38. There are currently 13 aircraft in production to be delivered by 2011, followed by the other 25 in subsequent years. There is also the National Guard, which has declared its interest in buying around 70 – testimony to the huge potential of the aircraft. Our relations with Boeing have been strengthened through the partnership for the B-787, which has to date racked up over 800 orders, of which 300 are for us, while with Lockheed we are working on the F-35 fighter plane programme. But it’s not only aeronautics programmes in the US: we are increasing the presence of Ansaldo STS and OTO Melara, while Eltag Datamat’s car number plate reader systems have been adopted by the police in 50 US states.

**After the meeting with investors in New York at the Investor Day, analysts assessed your guidance for 2009 as prudential (revenues between EUR 17.1 and 17.7 billion and EBIT margin of 9.1%). Doesn’t the current economic crisis and government defence budget cuts worry you?**

It all depends on how long the crisis lasts: if it doesn’t go on too long, the impact might be limited as we have an order backlog covering production for the next two and half years. So as soon as the recovery begins, we will be ready to seize every opportunity. As regards defence expenditure, though, the situation is stable, as shown by the fact that we’ve got the go-ahead for the third tranche of the Eurofighter, the European fighter plane. In the US, defence expenditure is increasing, albeit slightly, in Italy it’s stable and in France it’s rising. In times of crisis, governments invest in infrastructure, and Finmeccanica’s diversified range of operations - encompassing trains, energy and space - can offset any critical areas.

**As, for example, the civil helicopters business...**

In this area, we expect a slowdown in demand, due mainly to the fall in revenues experienced by the oil companies that use helicopters to reach oil platforms; we could also see a decline in demand in the corporate segment. However, the low cost of fuel hits demand for turboprop aircraft compared to regional jets as evidenced by the drop-off in orders expected for ATR.

**The share price continues to be disappointing: it has lost 8.91% since the beginning of the year compared to the S&P Mib index, which fell by 3.55%.**

It's underestimated, but as I said earlier, if the crisis passes quickly, there will certainly be opportunities as we are highly diversified both in terms of products and our international presence. In Russia, for example, there are excellent opportunities for us in the aeronautics sector where we have created the SCAC joint venture between Alenia Aeronautica and Russian company Sukhoi to build the new regional aircraft, Superjet, which we are due to unveil at the next Paris Air Show. There are also growth opportunities in the transport, satellites, security and energy sectors. We are also increasing our presence in Libya, where we should have built the new Agusta Westland helicopter assembly plant by the end of the year. We also have Morocco, Egypt, Turkey and the United Arab Emirates in our sights. In India, the terrible attacks in Mumbai last November highlighted the need to invest in the defence of the country and its borders. It's clear that Finmeccanica's presence in the major international markets is the result of the efforts of the whole group, which can also rely on the timely, concrete and substantial support of the government. An example of this is the letter from defence minister La Russa to his US counterpart Gates, which strongly emphasises the quality of the VH-71 helicopter.

**At Finmeccanica's last shareholders' meeting, you announced that you wanted to raise between EUR 500 million and EUR 1 billion through the sale of assets to reduce debt. Where have you got to on that?**

That will depend on the financial market situation: I'm not going to undertake any operations that would penalise the group. For example, we were all ready to list Ansaldo Energia, but then we all know what happened to the market. We will not even take a decision to sell a stake in it if it will penalise the group, given that the condition is to maintain control of the company.