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The history of Finmeccanica

Origins. The Finmeccanica company (Società Finanziaria Meccanica) was created on 18 March 1948 by the Italian Institute for Industrial Reconstruction (IRI) to manage all the holdings in the mechanical and shipbuilding industries acquired in its first fifteen years of existence. At the end of the Second World War, Italian industry in general and IRI in particular, was in a critical state: plants had been destroyed by bombing, and factories – which up to then had manufactured war munitions – were in no position to rapidly convert to civil manufacturing. As the transformation process got under way, industrial policy decisions left those activities that, for reasons of technology, plant structure or the market, offered less certain or poor prospects to IRI – and hence Finmeccanica.

Companies allocated to Finmeccanica in 1948	
1.	Ansaldo (Genoa)
2.	OTO - Odero-Terni-Orlando (Genoa)
3.	San Giorgio Soc. Industriale (Genoa Sestri)
4.	Alfa Romeo (Milan)
5.	Filotecnica Salmoiraghi (Milan)
6.	Motomeccanica (Milan)
7.	Stabilimenti S. Eustacchio (Brescia)
8.	Arsenale Triestino (Trieste)
9.	Cantieri Riuniti dell'Adriatico (Trieste)
10.	Fa.Ma. Fabbrica Macchine (Naples)
11.	Industria Meccanica Napoletana (Baia – Naples)
12.	Metalmeccanica Meridionale (Naples)
13.	Navalmeccanica (Naples)
14.	Stabilimenti Meccanici di Pozzuoli (Pozzuoli – Naples)

The reorganisation of the war industry. Just few numbers are enough to help us understand the scale of the problem faced by Finmeccanica. In 1938, IRI's mechanical industries had 70,000 employees. Owing to the requirements of wars, this figure had risen to 100,000 by the end of the conflict, while in the meantime all the key markets had largely disappeared. Finmeccanica's first balance sheet stated, in respect of shipbuilding, which accounted for 70% of the group's employment, "no significant order has been received from the Italian merchant navy for new construction since 1945". The directors at that time had to find new outlets for companies with an illustrious past that bore names which would remain at the heart of the Italian economy for the next 50 years: Ansaldo, Alfa Romeo, San Giorgio, Sant'Eustachio, Navalmeccanica and

Finmeccanica plays a leading role in the global aerospace and defence industry, and participates in some of the sector's biggest international programmes through its group companies and well-established alliances with European and USA partners. A leader in the design and manufacture of helicopters, defence and security electronics, civil and military aircraft, aerostructures, satellites, space infrastructure and defence systems, Finmeccanica is Italy's leading high-tech company. It also boasts significant manufacturing assets and skills in the transport and energy sectors; it is listed on the Milan stock market and operates via a number of group companies and joint ventures. It has around 73,000 employees, with more than 12,600 working in the USA, about 10,100 in the UK and over 3,600 in France. As part of its drive to maintain and build on its technological excellence, Finmeccanica spends 12% of its revenues on Research and Development.

Cantieri Navali dell'Adriatico. Attention focused on sectors such as shipbuilding, car manufacturing, the railways and industrial machinery, with an eye on the emerging electronics industry.

The shipbuilding industry. The most comprehensive reorganisation took place in the shipbuilding industry. In 1959, IRI created Fincantieri, a group that would encompass all its shipbuilding companies. With 37,000 employees and a turnover of over ITL 100 billion, these companies formed the basis of a significant development programme. In early 1960, Finmeccanica became more uniform and streamlined with 30,000 employees and a turnover of ITL 124 billion. Car manufacturing accounted for 50% of these volumes, followed by electro-mechanics and electronics (10%), the railways (5%) and industrial machinery (5%), while a solid presence in other businesses remained. Meanwhile, Finmeccanica launched new industrial initiatives to boost employment ranging from semi-conductors (ATES, 1959) to radar systems (Selenia, 1960), rolling stock (OMECA, 1961) and machinery for the production of synthetic fibres (SMT, 1961). Selenia was created in 1960 by merging Sindel and Microlambda, the only company in Italy to produce high-tech radar under licence from Raytheon. At the time, this was the most advanced radar technology in the world. Selenia very soon became a global centre of excellence for the production of satellites, radar equipment and telecommunications, defence and air traffic control systems.

The exit from electronics. However, the 1964 recession was on its way, bringing in its wake higher labour costs, lower productivity and profit margins, declining investment and slowing domestic demand. In such a precarious situation, it became imperative for Finmeccanica to rethink its strategies and review the sectors in which it was present: this confirmed the need to expand in order to maintain its competitiveness, and to specialise more narrowly and concentrate its resources in key businesses only. Finmeccanica therefore sold its rail companies to EFIM and its electronics firms to STET, acquired some electro-mechanics companies and sold off a few other marginal industrial assets.

Companies sold from 1950 to 1973		
<i>Year</i>	<i>Company sold</i>	<i>Acquired by</i>
1958	Aghi Zebra San Giorgio	Torrington
1960	OMSSA	SOFIS
1961	Fotomeccanica	Private buyers
1963	ATES	STET
1968	Avis	EFIM
1968	OMECA	EFIM
1968	AERFER Pozzuoli	EFIM
1968	OMFP	EFIM
1968	Wayne Italiana	Private buyers
1969	SBE	Cogne
1969	Delta	SMI
1970	Sant'Eustachio	FINSIDER
1970	Elsag	STET
1970	Selenia	STET
1971	Nuova San Giorgio	SIMATES
1971	SOFER	EFIM
1973	NUI	Cogne
1973	OTO Melara	EFIM

In the early 1970s, Finmeccanica completely changed its make-up: the company now contained a reduced number of industrial businesses: car manufacturing (with Alfa Romeo), thermo-electro-mechanics (with

Ansaldo) and aerospace (with Aeritalia), in which sectors the group had ploughed huge financial and human resources and grown to a significant size.

- **Aeritalia** was the most recently-created group company, although its roots dated back to the dawn of aviation. At the end of the 1960s, the Italian government decided to launch an ambitious project: the creation of a large company that would drive the aeronautics sector, with a high technology content and significant growth potential. To put this plan into operation, in 1969 FIAT and Finmeccanica joined forces, combining their best resources in the sector to create a large industrial entity (9,000 people), although it was still small compared to the huge international operators, and too closely associated with the military sector (which at that time accounted for 90% of its turnover). The company was formed from the merger of AERFER (a public company that had been operating since 1955 in aeronautical and rail construction), Società Italiana Aviazione (SIA), created by FIAT in 1914, and Salmoiraghi, a Finmeccanica company active since 1864 in precision instruments and subsequently avionics. Aeritalia, which for many years was considered the largest Italian aerospace company, was involved in the design and manufacture of civil and military aircraft, unmanned aircraft, aeronautical engines, electronics systems and satellites and other space exploration projects.
- **Ansaldo.** A historic company founded by Giovanni Ansaldo in 1853, it was responsible for Genoa's supremacy in Italian industrial history with its production of engines, machine tools for steam engines, ships' boilers and turbines. After its incorporation into the group in 1948, Finmeccanica made a series of acquisitions in the thermo-electro-mechanics sector, thereby becoming the leading company in the production of plant and machinery for energy, industry and electrified transport.
- **Alfa Romeo.** This company became part of IRI in 1933, and by the end of the Second World War was in a parlous state. Having abandoned its main production activity of that time – aircraft engines – it started up in car manufacturing on a modest scale. The success of the *Berlina 1900* in 1950, and especially the *Giulietta* in 1955, kickstarted a steady growth in production capacity which, in 1973, reached over 300,000 vehicles a year in the two large plants at Arese and Pomigliano d'Arco.

The 1973 crisis. In 1973, an energy crisis exploded onto the scene, triggering a recession and inflation that would affect the entire global economy for many years to come. Higher borrowing costs and the crisis that affected its main sectors of activity forced Finmeccanica into a thorough review of the industrial policy it had pursued until then. Finmeccanica incorporated the main principles of a new strategy in its 1976 strategic plan: restructuring, internationalisation and a competitive dimension. Achieving these objectives involved decisions that were not always painless, but involved the whole group in a number of changes, from which the current company took shape.

- **The sale of Alfa Romeo.** The car manufacturing industry was the most rapidly invested sector after the crisis. Alfa Romeo's design capacity was undisputed, but the competitive framework had changed enormously: a global situation was forming in which only large companies or adept niche manufacturers could survive. The future of Alfa Romeo could only be assured if a global agreement was made with another, stronger car manufacturer. In 1986, Alfa Romeo's manufacturing assets were transferred to FIAT. A few months later, the Alfa 164 – designed by Pininfarina – was launched on the market. This was the last significant vehicle to be designed and manufactured within the Finmeccanica group.
- **The relaunch of Ansaldo.** The crisis also drastically altered Ansaldo's prospects, and the company decided to focus on a more organic presence on the international market, thereby managing to compensate for the lack of Italian orders and overcoming the difficult economic situation. And yet it was clear that the energy sector – which accounted for over 80% of turnover – could no longer sustain its role as growth driver. Finmeccanica then focused on improving its other activities, such as the railways business, with the creation, in 1980, of Ansaldo Trasporti, and industrial machinery, with the establishment of Ansaldo Sistemi Industriali. Ansaldo Trasporti was listed on the Milan stock market in 1986.

- **The conquest of space.** The aerospace sector was also affected by after-shocks from the 1973 crisis, which disrupted its growth prospects and investment programmes in global airlines. In an environment dominated by uncertainty, FIAT divested itself of Aeritalia (of which it held a 50% stake) and Finmeccanica was faced with the problem of ensuring a viable future for this young company. The industrial expertise within Aeritalia enabled it to move from a role as supplier to one of partner in prestigious projects. It subsequently found international recognition with its participation in significant civil and military aircraft programmes. Aeritalia acquired a prominent role in the space sector, receiving a major boost from its involvement in the Spacelab project and in many other important space projects and very soon became the leading Italian space company and one of the European leaders.

The sell-off programme. Finmeccanica had also been involved up to that time in relaunching many businesses that did not form part of its industrial plan; but its objective to create companies that could equal any other on the international stage in sectors crucial for the economic development of the country meant that it also had to cease operating in fields unrelated to this strategic decision. To this end, between 1970 and 1985, Finmeccanica sold off a number of companies, mainly to the private sector, gradually narrowing its focus to the electro-mechanical and aerospace sectors.

Companies sold from 1974 to 1987		
<i>Year</i>	<i>Company sold</i>	<i>Bought by</i>
1974	Fil. Salmoiraghi	Dolland
1980	FMI MECFOND	FINSIDER
1981	Termomeccanica Italiana	EFIM
1981	WAGI	Private buyers
1982	SAFOG	SOFIN
1982	OMG	SOFIN
1982	San Giorgio Prà	SOFIN
1982	S. G. Elettrodomestici	SOFIN
1982	N. Fonderia Montorso	Private buyers
1982	IOR	SOFIN
1983	CBF/Umbria Cuscinetti	Private buyers
1984	SAIMP	STET
1984	Esacontrol	STET
1985	Ducati Meccanica	CAGIVA
1985	Ansaldo Motori	GEI Marelli
1986	Isotta Fraschini	Fincantieri
1987	Alfa Romeo Auto	FIAT

The “return” of Selenia and Elsag. 1987 marked a fundamental transition from the restructuring period to the next stage: international development. At the end of the 1980s, with the imminent opening of the markets, companies could no longer delay rationalising production at an international level, which they largely undertook through acquisitions or partnerships that would redefine entire industrial sectors in the space of a decade. To this end, and with the aim of creating industrial groups with the critical mass required to compete on the international markets, in 1989, IRI decided to return to Finmeccanica those companies chiefly involved in electronics technology that had been transferred to STET twenty years earlier: Selenia, SGS and Elettronica San Giorgio – Elsag, historical company established in Genoa in 1905 and then, from 1969, specialized in optic devices, electromechanic systems and precision instruments. First and foremost,

the importance of the operation centred around the creation of a strong, common technology base to support those market sectors that, though very diverse, were similar or complementary to Finmeccanica. This base consisted of electronics and systems capacities, and the market sectors in which Finmeccanica was making an entrance now included civil systems, automated plant, command and control systems, missiles, biomedical equipment, complete robotics and microelectronics components, alongside energy, transport, industrial plant and aerospace.

Alenia and international acquisitions. The other fundamental stage in its transition towards raising its international competitiveness was the merger of Aeritalia and Selenia in 1990, which led to the creation of Alenia, an industrial company with a wide-ranging and advanced technology base, operating in aerospace, electronic systems, missiles, air traffic control and defence. Under the common name of Alenia all the activities were regrouped in Divisions: Space, Aeronautics, Civil Systems and Defence Systems. Alenia soon became an important industrial group, which controlled over 20 companies, employed more than 30,000 people and had 42 plants in Italy and abroad. Meanwhile, Elsag acquired Bailey, expanding its already significant presence in the process and service automation sector at international level. In 1988, Ansaldo Trasporti acquired 100% of Union Switch & Signal, a US company set up by George Westinghouse in 1881, and one of the main operators in railway signalling. In 1989, Ansaldo Trasporti acquired 49% of French signalling company CSEE. At the end of the 1980s, Finmeccanica was an important high-tech company, at the forefront of many key sectors, with exports in 1987 of over ITL 3,000 billions. To respond to the consolidation process under way among its major global competitors, Finmeccanica had to pursue a path of rapid growth, which could only be achieved through acquisitions; at the same time it continued to develop its policy of international partnerships that led to 40% of its revenues coming from exports.

Main acquisitions from 1988 to 1990	
100% Wabco Westinghouse	100% Bailey Controls
49% Fata Automation	100% Selenia/Elsag
28% Fata European Group	50% SGS Thomson
100% Union Switch & Signal	100% Optimes
71% SIFA	78% FIAR
48% Tecnitalia	51% Ganz Ansaldo
49% CSEE Transport	47% Elettronica
100% Laben	100% Ferrari Italia
100% Elmer	60% Bailey Sereg
100% Ross Hill Controls	35% Magnaghi
100% Inmos	49% CSEE Defense

The 1990s. Meanwhile, Finmeccanica continued its restructuring programme, which had become essential if it was to better compete on the Italian and international markets. In the energy business, its agreement with ASEA Brown Boveri led to the creation of three new companies: Ansaldo maintained the majority stake in Ansaldo-ABB Componenti (turbines and boilers) and Ansaldo GIE (plant), while transferring control of its transformers business (ABB-Ansaldo Trasformatori) to ABB. But the agreement had a troubled existence and when it was renegotiated a year later, Ansaldo withdrew from the transformers business and acquired the remaining stakes in the two other companies. In 1991, the creation of Ansaldo Energia from Ansaldo GIE and Ansaldo Componenti, which in turn had been strengthened by the assets of Fabbrica Turbine and Caldaie Legnano, resulted in the final configuration of that division. The creation of Elsag Bailey Process Automation, which brought together the international assets in the industrial process automation sector, enabled Finmeccanica – partly through subsequent acquisitions – to become the second largest group in the sector worldwide.

The market crisis. Enormous changes taking place internationally at that time deeply affected the strategies of the Finmeccanica group, which saw its key global markets decline. The end of the Cold War brought cuts in defence expenditure budgets of 30% worldwide; the air transport crisis had severely affected the aeronautics sector since the early 1990s; the space sector recorded a significant drop in military and scientific orders; in the energy business, the Italian market for plants producing conventional energy shrank drastically, and lastly, the liberalisation of the sector brought independent producers into the frame, leading to increasingly competitive market conditions with prices falling because of excess production capacity throughout the western economy.

Finmeccanica on the stock market. In 1992, the economy was at its lowest point in nearly all the western industrialised countries, impacting heavily on production and employment. Despite the struggling global economy, the Finmeccanica group continued to pursue its key strategies, i.e. mergers and rationalisation of the group's production system and strengthening its position on the international market. 1992 marked a turning point for Finmeccanica. Through its merger with subsidiary SIFA, Finmeccanica made its entry on the stock market as Finmeccanica SpA. Meanwhile, to tackle the recession, Finmeccanica put in place a number of measures geared towards making the company profitable. In 1993 Eltag Bailey Process Automation and Union Switch & Signal, global leader in rail traffic automation and signalling, were listed on the US equity market.

The arrival of the defence companies. From 1994 to 1996 – after more than a year of “leased management” – the defence companies that were part of EFIM (now in liquidation) made their entry into the Finmeccanica group. This meant that over 70% of Italian aerospace and defence industrial capacity was part of Finmeccanica. The government's selection of Finmeccanica as the ideal group to represent Italy's aerospace and defence industry, was clearly due to its advanced technological know-how, its already significant presence in the sector and its track record in managing agreements with international partners. The companies that joined the group were imbued with history and tradition.

EFIM companies	Sector
Agusta	Helicopters
Agusta OMI	Avionics systems
Agusta Sistemi	Training systems and avionics
Breda Meccanica Bresciana	Naval and land-based artillery
Breda Costruzioni Ferroviarie	Rolling stocks
BredaMenarinibus	Buses
Officine Galileo	Electro-optics systems
OTO Melara	Naval and land-based armaments
SMA	Naval and land-based radar

Agusta's activities go back to the dawn of aviation history, when its founder, Giovanni Agusta, took off in his first aircraft in 1909; subsequently in 1952, following an agreement with US company Bell, Agusta started to manufacture helicopters under licence. Officine Galileo had been operational since 1909 in the manufacture of optical instruments and precision machinery, especially for the military market: at the time the company was created, scientist Guglielmo Marconi was one of its two vice-chairmen. Breda Meccanica Bresciana and Breda Costruzioni Ferroviarie both came from the parent company “Società Italiana Ernesto Breda per Costruzioni Meccaniche”, established in Milan at the end of nineteenth century. In 1989, as the 1980s drew to a close, Breda Costruzioni Ferroviarie acquired Menarini, an established bus manufacturer since 1919, when it was founded in Bologna under the name of Carrozzeria Menarini. Thus began the process of industrial mergers which would become a feature of the bus sector as was already the case with cars and industrial vehicles. BredaMenarinibus emerged as a trademark, featuring a little red horse which would

thereafter appear on every bus manufactured by the Bologna-based company. Oto Melara, based at La Spezia and Brescia, had inherited the activities of former Odero Terni Orlando, active from 1929 and, after the war, added to the name that of the La Spezia area (Melara) where its plants were based. Finally Segnalamento Marittimo e Aereo (SMA) was established in Florence in 1943 and operated in the civil and military signalling sector, building naval and land-based radar, lighting equipment for signalling devices, and environmental, meteorological and biomedical monitoring systems.

Another re-organization. In 1995, WASS was created from the merger of the underwater activities of Whitehead SpA (a historic company established in Fiume in 1864 by Robert Whitehead, the inventor of the first torpedo), acquired by FIAT, with Finmeccanica company Elsag Sistemi Navali. In 1996 Alenia were divided into two large areas: Alenia Difesa, which regrouped the Helicopters, Oto Breda and Avionic Systems Divisions and Alenia Aerospazio, which regrouped the Space and Aeronautics Divisions. In the same year Ansaldo Trasporti established Ansaldo Signal NV, a holding company under Dutch law, in which it concentrated all its signalling assets, including 100% of Union Switch & Signal. Ansaldo Signal was then immediately listed on the Nasdaq. Lastly, Ansaldo Trasporti acquired the remaining 51% of CSEE, which it transferred to Ansaldo Signal. In the process automation sector, too, the group was aiming to strengthen and expand its operations abroad: the acquisition of German company Hartmann & Braun supplemented the expertise of Elsag Bailey Process Automation, taking the Finmeccanica group into second place in the global market for automation of continuous industrial processes.

International situation and globalisation. The worldwide structural crisis that affected the sector in the 1990s forced the Finmeccanica group to undertake a far-ranging review of its structure and strategies in order to remain competitive at global level. Fiercer international competition and falling prices meant that the top priorities were now the pursuit of increasing levels of financial efficiency and technological excellence, and the strategic requirement to establish partnerships. For some years, the international aerospace industry had been undergoing a process of consolidation, which when complete, would leave only a few large operators on the global stage. This trend soon emerged in Europe, too, where large sector groups began forming partnerships and joint ventures to better compete with its peers on other continents. The situation was made even more complicated by the strategy adopted by all its major competitors based on specialisation and increased globalisation, to which the Finmeccanica group could no longer remain impervious.

1997: the recovery plan. Against this backdrop, despite having cutting-edge technology, Finmeccanica, unlike other international players, could not win a big enough market share to reflect this, as its business portfolio was too diversified. Moreover, in the general process of global consolidation under way in the sector, the company was at a disadvantage on account of its smaller national market and was decidedly smaller in size than other operators. Despite being present in all sectors, therefore, it risked being absorbed into bigger competitors, not having a say in its strategic direction and then disappearing from the international scene. This situation had negative repercussions on the company's accounts, which led Finmeccanica in 1997 to embark on a significant business and financial restructuring programme, increasing its focus on the core business and disposing of non-strategic businesses, with the aim of securing a more imposing competitive position in key industrial sectors. Many companies were sold such as Ansaldo Sistemi Industriali (industrial automation), Ganz Ansaldo (transformers), Ansaldo CSM (nuclear components), Elsag Bailey Process Automation (process automation). The financial recovery – confirmed by a return to profitability as early as 1999 – facilitated the launch of a policy of international agreements that enabled Finmeccanica to seize the best opportunities offered by the restructuring of the European aerospace industry, overcoming the difficult starting position and achieving a respected role in the international arena.

From financial holding to industrial holding. In 1998, Finmeccanica and GKN set up AgustaWestland, a 50-50 joint venture combining the two groups' helicopter businesses. One year later, Alenia Marconi Systems (AMS) was established as a joint venture bringing together the radar systems, land and naval command and control systems, and air traffic control systems of Finmeccanica and British company GEC-

Marconi. GEC Marconi - a division of GEC (General Electric Company) - boasted a 100-year history as the direct successor of Marconi's Wireless Telegraph Company, founded in London in 1897 by the great Italian scientist Guglielmo Marconi and acquired by GEC in 1968. A few months later, the Marconi division of GEC was taken over by BAE Systems, which thus became a partner in the joint venture with Finmeccanica. In 2001, a joint venture between Finmeccanica, EADS and BAE Systems resulted in the establishment of MBDA, active in the missiles sector, while in the aeronautics sector, the ATR Integrated consortium, operating in the aeronautics sector, was created, pooling the assets of Alenia Aeronautica and EADS ATR in the construction of turbo-propelled aircraft. At the same time, the group's activities that had previously been structured into divisions were organised into homogeneous and coherent operating companies, which in many cases adopted the names of former illustrious brands, each with its own international development strategies, thereby leaving Finmeccanica free to focus on strategic and industrial management and control. In 1998, Elsag was launched, which took over the business assets of the former Elettronica San Giorgio, specialising in Information & Communication Technology. In 2000, the Space Division became Alenia Spazio, and the Helicopters Division regained its historical name, Agusta. In 2001 it was the turn of Galileo Avionica created from the Avionics Systems Division, which in turn acquired a controlling stake in Meteor, manufacturer since 1947 of unmanned aircraft systems, target drones and flight and mission simulators, acquired by Aeritalia in 1981 and also merged into the Avionics Systems Division of Alenia Difesa. In 2001 it was also the turn of Oto Melara, which was created from the Oto Breda Division, while AnsaldoBreda was formed through the merger of the Vehicles Unit of Ansaldo Trasporti and Breda Costruzioni Ferroviarie. This operation created an integrated railway grouping benefiting from the electrical, electronic and mechanical expertise required to adequately compete with its biggest European rivals and firmly established in the top rankings on the international market. Lastly, Ansaldo Trasporti Sistemi Ferroviari was formed from the Systems Unit of Ansaldo Trasporti. In 2002, Alenia Aeronautica was created from the Aeronautics division and took control of Officine Aeronavali Venezia, which had been operating in the maintenance sector since 1981.

Privatisation and entry into microelectronics. Finmeccanica's entry into microelectronics was confirmed in 1999 through the merger with MEI – Microelettronica Italiana, the Italian company that owned (jointly with a French public partner) 22% of ST Microelectronics, global leader in semiconductors. In 2000, IRI sold nearly all of its stake in Finmeccanica for over EUR 5 billion, thereby reducing public ownership of Finmeccanica's capital. Today the Italian Finance Ministry owns 30.20% of its capital and the remainder is in private hands, split between individual investors and Italian – and to a greater extent – foreign, institutional investors.

The expansion strategy. 2002 marked the beginnings of an expansion policy, implemented through agreements and acquisitions, concentrating on the sectors in which Finmeccanica had focused its core businesses: aerospace, defence and security, but without losing sight of the civil sectors of energy and transport, with strategies aimed at exploiting its spheres of excellence. These strategic decisions have shaped the Finmeccanica of today, a group solidly based in Italy but with a high profile on the world stage, which leverages its technological excellence to achieve a greater presence on international markets.

- **Marconi Mobile and OTE.** In 2002, Marconi Mobile and OTE, leading companies in the defence communications and radio systems sector, were acquired and then merged to create Selenia Communications. Another important slice of the nation's industrial history was once again under the control of an Italian group. Marconi Mobile was the direct successor of Officine Radio Marconi, founded in Genoa in 1906 by Guglielmo Marconi to produce communications equipment for the Italian Army and the Italian subsidiary of Marconi Wireless in London. Thereafter, it followed the fate of its parent company, joining General Electric Company (GEC), which meantime had been renamed Marconi Corporation Plc. Besides being the main supplier of telecommunications systems to the Italian Armed Forces, Marconi Mobile was the largest supplier of radio broadcast transmitters to the national broadcasting corporation and subsequently, from the 1950s onwards, of TV transmitters for the new television networks. In the 1950s, moreover, the company began to expand into the field of multi-channel telephone transmission systems. In the 1970s, it embarked on a phase of accelerated growth and in 2002, when Finmeccanica took it over from Marconi Plc, it was Europe's second largest operator in military communications, and in turn had a controlling stake in

four companies operating in the communications and security sector, in addition to other companies in Germany, Turkey, Brazil and Romania. In the UK, which accounted for 20% of its turnover, it was headquartered in Chelmsford, occupying the historic building which saw the creation in 1897 of the Marconi Wireless company by Guglielmo Marconi and where the world's first wireless telegraphy system came into operation. OTE was in turn a subsidiary of Marconi Mobile, a company established in Florence in 1954 and specialising in professional mobile radio systems based on TETRA technology and air traffic control digital network infrastructure.

- **Telespazio.** Telespazio, a cutting-edge company in satellite systems and services, also joined the group at the same time. The company was established in 1961 by Italcable and RAI to test the fledgling satellite telecommunications technologies, for which it was granted an exclusive concession by the Italian post and communications ministry. In the space of a few decades, Telespazio became a leading global firm and produced complex management infrastructure with exceptional capabilities. As early as 1962, a test station was completed in the Fucino valley, in L'Aquila, which became the world's largest centre for telecommunications and space services.
- **Aeronautica Macchi.** The year ended with the outright acquisition of Aeronautica Macchi, world leader in trainer aircraft. Founded in 1913 by Giulio Macchi, this long-established firm had charted the entire development of aviation in Italy. From the fighter aircraft used by the Army in the Great War, to the seaplanes which fought the Austrian Navy for control of the Adriatic, through to the fighter aircraft used by the Italian Air Force on every front during the Second World War. Throughout the 1950s, the firm laid the foundations for its future development by devoting itself to the production of a jet trainer for the training of military pilots. Before long Aermacchi, which in the meantime had also acquired programmes belonging to SIAI Marchetti, another historic name in the Italian Aeronautics industry, won international acclaim for its trainers, establishing Aermacchi as a world leader in the sector.
- **Fiat Avio and Marconi Mobile Access.** In 2003 Finmeccanica acquired 30% of Fiat Avio, a company that had started operations in 1908, barely five years after the Wright brothers' undertaking, devoting itself to the design of aeronautical engines and later expanding into the space propulsion sector. That same year, Selenia Communications acquired MMA (Marconi Mobile Access), a centre of excellence for technological developments in mobile radio applications, controlled by the British company Marconi Corporation Plc.
- **AgustaWestland.** In 2004, Finmeccanica sold around 10% of the capital held in ST Microelectronics to Cassa Depositi e Prestiti for a purchase price of EUR 1.44 billion. The transaction ensured that Finmeccanica had the necessary funds to support its investment in AgustaWestland that year, when it acquired 100% of its shares, in pursuit of its strategy of selective growth in its core sectors. In May 2004, Finmeccanica acquired from GKN its 50% stake in the joint venture AgustaWestland: the world leader in helicopters thus became 100%-owned by Finmeccanica.

2005: a successful year. In 2005, the company began to reap the success of the expansion strategy it had launched three years previously. AgustaWestland secured the White House order for the US presidential helicopter fleet with its US101 model. Agreements between AgustaWestland and the British Ministry of Defence gained Finmeccanica a foothold in the UK market, which started to become a second domestic market for the company.

Meanwhile, thanks to the EuroSystems agreement with BAE Systems, Finmeccanica acquired important UK assets in the avionics, military and secure communications and air traffic control sectors, and re-shaped the entire European electronics defence business. The SELEX group of companies was set up: the acronym revived the historic name of Selenia, which 40 years previously had launched Finmeccanica's entry into the radar and defence electronics arena.

- **SELEX Sistemi Integrati** (100% Finmeccanica) returned to the full control of Finmeccanica the Italian assets of the former AMS joint venture (which was dissolved) in command and control systems and air traffic management. The new company included the air traffic management (ATM) and air traffic

control (ATC) operations acquired from BAE Systems in the UK, Gematronik in the UK and ASI in the US.

- **SELEX Sensors and Airborne Systems** (75% Finmeccanica and 25% BAE Systems) pooled the assets of Galileo Avionica and BAE Systems Avionics Ltd (BAE Systems' UK company), creating an integrated group that was global leader in the fields of avionics, electro-optics, airborne radar and electronic warfare.
- **SELEX Communications** (100% Finmeccanica) merged the activities of Selenia Communications with BAE Systems' military and secure communications arm.

To these were subsequently added SELEX Service Management, a company to manage security networks and supply security-related services and applications, and Seicos to supply, install, manage and maintain ground, wireless, satellite and radio communications networks and systems. The Eurosystems agreement catapulted Finmeccanica into second place in the European defence electronics sector and into the select circle of major international players, laying down the foundations for its subsequent expansion into the lucrative US market.

Meanwhile Alenia Aeronautica instigated partnerships with Boeing to work on the B787 Dreamliner, the most advanced programme under way in the civil aviation field, and with Russian company Sukhoi Civil Aircraft to develop the Superjet 100, a new regional aircraft family. These agreements are in addition to the established partnerships with Airbus (for the A380 and the future A350), with EADS in the ATR consortium, world leader in the regional aircraft business; with the Eurofighter consortium for the production of the new European fighter plane and with Lockheed Martin for the manufacture of the new-generation combat aircraft, the Joint Strike Fighter.

2005 was also the year of the Space Alliance, thanks to which Finmeccanica became European leader in the space sector. Finmeccanica and Alcatel set up two joint ventures: Alcatel Alenia Space (Alcatel 67% and Finmeccanica 33%) for manufacturing activities and Telespazio (Finmeccanica 67% and Alcatel 33%) for satellite services.

The Ansaldo STS flotation. Finmeccanica's focus on its core business does not mean that it pays less attention to the civil sectors, where it has implemented a strategy to optimise these activities. The Transport business was the first to undergo significant changes. In November 2005, Finmeccanica established Ansaldo STS, to which Ansaldo Signal's signalling activities and Ansaldo Trasporti Sistemi Ferroviari's systems business were transferred. Immediately afterwards 60% of the company was floated on the stock market. Ansaldo STS today is a large international group that employs people in 18 countries and is at the forefront of the design and production of integrated mass-transit and rail systems. In the vehicles business, the agreement between Finmeccanica and Bombardier to manufacture high-speed trains opened up attractive opportunities for AnsaldoBreda on the international markets. In November 2008, Finmeccanica signs a partnership agreement with Russian Railways in the railway sector on a multi-year programme concerning the installation of a high-technology system of signalling equipment, satellite remote sensing systems, TETRA Telecommunications systems and the use of Internet on board trains using a state-of-the-art technology developed by Telespazio. In turn, Ansaldo Energia is strengthening its international presence via targeted acquisitions in equipment and turbine services, without however relinquishing its production of power-generation turbines. It is also targeting alternative sources of energy including nuclear energy and fuel cell technology, with the creation of Ansaldo Nucleare and Ansaldo Fuel Cells respectively. Following the completion of agreements under licence with Siemens, Ansaldo Energia is now developing modifications to the gas turbines it manufactures. Today Ansaldo Energia is a leading company in the global market of power generation plants. It boasts state-of-the-art technology at international level and aims to become a worldwide service provider.

2006-2008. In recent years, Finmeccanica has been consolidating its position throughout the world and continuing the group's integration process. In March 2007, Finmeccanica completed the purchase of the outstanding 25% of Selex Sensors and Airborne Systems from BAE Systems. In 2007, Thales replaced Alcatel Lucent in the joint ventures created in 2005 with Finmeccanica. The joint venture Alcatel Alenia Space became Thales Alenia Space (Thales 67% and Finmeccanica 33%), while the name of Telespazio and the respective holdings of each remained unchanged (Finmeccanica 67% and Thales 33%). By the end of 2007, the plans to create a major European player in underwater defence systems came to fruition. Finmeccanica,

DCNS and Thales reached agreement on setting up three joint ventures for the design, development, marketing and sale of torpedoes and sonar systems. Lastly, Finmeccanica's leadership in the missile systems field was strengthened by the acquisition of German company LFK GmbH by MBDA. On 1 January 2008, Selex Sensors & Airborne Systems and Galileo Avionica began to operate under a single name: SELEX Galileo. At the same time, the defence electronics business was strengthened by the acquisition of Italian company Datamat, which became part of the new Eltag Datamat structure, and UK company Vega, whose operations would later be incorporated into SELEX Sistemi Integrati. Finmeccanica also acquired a stake of around 11% in the share capital of Eurotech, a company engaged in the research, development, production and marketing of miniaturised and high-performance computers.

Main acquisitions from 2002 to 2008		
2002	Marconi Mobile	100%
2002	Telespazio	100%
2002	Aeronautica Macchi	66.6%
2003	MMA - Marconi Mobile Access	100%
2003	Avio SpA	30%
2003	OTE	100%
2004	AgustaWestland	50%
EuroSystems Agreement		
2005	BAE Systems Avionics	100%
2005	BAE Systems – Military communications division	100%
2005	BAE Systems – ATC and ATM systems division	100%
2005	Gematronik – Meteorological radar systems (Germany)	100%
2005	ASI – Air navigation support (United States)	100%

2007	Datamat	100%
2008	Eurotech	11.1%
2008	Vega Group	100%
2008	DRS Technologies	100%

Sixtieth Anniversary Celebrations. 2008 was particularly important for Finmeccanica, marking at one and the same time an anniversary and the start of a "new era". In 2008, Finmeccanica celebrated 60 years in business, distinguished, in the words of Chairman and Chief Executive Officer Pierfrancesco Guarguaglini, "by the continuity between past achievements and new opportunities that arise for a group eager to play a leading role on international markets". This strategy is borne out by two important milestones. In October 2008, Finmeccanica acquired DRS Technologies, the US leader in defence electronics: it was the largest acquisition ever made by a European group in the US defence industry. This is Finmeccanica's crowning achievement in its lengthy inroads into the USA, and the beginning of a new change of direction for the Group as it enters the US defence market, the toughest and most lucrative market in the world, and one that from now on will open up new and unexplored avenues of growth for Finmeccanica. The first contract for 48 M-346 aircraft, the latest generation trainer manufactured by Alenia Aermacchi, was awarded in March 2009 by the United Arab Emirates, followed by the announcement in June, at the Le Bourget Air Show, of the agreement reached with Italy's defence ministry for the supply of a further six M-346 trainer aircraft. Two

enormous successes for the Italian high-tech industry that are of considerable strategic value for Finmeccanica, paving the way to further successes on world markets.

The UK market. Finmeccanica currently has offices in London, providing it with a permanent base in the UK, where it ranks as the second largest supplier to the British Ministry of Defence and top foreign investor in the key industries of helicopters, aeronautics and secure communications. This has now become a second domestic market and represents a gamble that has paid off thanks to the technological excellence of the Group's products. Through an organised and cohesive vanguard of companies, it supplies its UK customers with solutions applicable to all scenarios in which security is crucial, from the largest platforms to the most minute sensors, encompassing on-board avionic equipment, integrated communications networks and sophisticated control systems. From Edinburgh to Portsmouth, Finmeccanica has 16 main sites and 14 regional offices in coastal locations, with a workforce of over 10,000 staff, making the Italian Group the second largest employer in the UK and Britain's third biggest exporter, with total sales volumes of more than GBP 1.9 billion.

The US market. In the past two years, Finmeccanica has been resolutely pursuing its objective of strengthening its presence in the US market. Following its success with the US101 helicopter, the group scored another victory in the United States: in June 2007, Alenia Aeronautica, in partnership with L-3 and Boeing, won the contract, with the C-27J, to modernise the fleet of transport aircraft for the US Army and Air Force, under the Joint Cargo Aircraft Program. One year later, in September 2008, Alenia Aeronautica chalked up another success in the United States with the supply to the Air Force of 18 G.222 tactical transport aircraft, while Finmeccanica, through Alenia Aermacchi, signed a partnership agreement with Boeing on the trainer aircraft market. As part of its work on the B787 Dreamliner, a new plant was opened in October 2006 in Charleston, South Carolina, where, in collaboration with Boeing, the fuselage sections are assembled and integrated. AgustaWestland also opened a new plant in Philadelphia for the assembly of the AW139, one of its flagship products on the US market. The latest step taken by Finmeccanica on US soil was in October 2008, with the acquisition of DRS Technologies. This transaction grants Finmeccanica direct access to the US defence market, which is set to become another domestic market for the company. Finmeccanica is now present in the United States through all its companies, with a total workforce of around 12,600 employees and about one hundred facilities, comprising representative offices, management offices, administrative offices, marketing offices and production plants.

Finmeccanica today. Today Finmeccanica is a large, integrated and multi-domestic Group that focuses on three strategic cornerstones: helicopters, defence electronics and security and aeronautics, sectors in which it generates 65% of revenues, and boasts state-of-the-art technology at global level, bolstered by long-term investment in research. Finmeccanica is a truly international group, with more than 240 locations overseas, of which more than 40% are production facilities. And whereas five years ago only 20% of orders originated from outside the domestic market - which was only Italy at that time - this figure has since more than doubled: 50% of orders are placed from outside the domestic market which, besides Italy, includes the UK and the US. In 2008, Finmeccanica generated revenues of EUR 15 billion and employed some 73,000 staff, 41% of whom are based abroad, establishing technology and innovation as key to its competitiveness and the springboard to its international success. For this reason, it invests a considerable share of revenues (1.8 billion in 2008) each year in Research & Development and, to maintain its hard-won reputation for excellence, focuses strongly on the development of its human capital: 13,200 employees are engaged around the world in design and development activities, while 5,100 highly specialist researchers work in the Group's laboratories. It is on account of its deep commitment to Research & Development that Finmeccanica ranks among the top major Italian firms to invest in high technology and among the top 50 in the world according to the *International R&D Scoreboard 2008* produced by the UK's Department of Trade and Industry (DTI). Finmeccanica is third in the aerospace and defence industries in terms of total expenditures, just behind EADS and Boeing.