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## The history of Finmeccanica

**Origins.** The Finmeccanica company (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 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.

**Reconstruction.** Just few numbers help us understand the scale of the problem faced by the developing Finmeccanica. After the conflict, employment in mechanical industries had risen to 100,000 due to the war-time requirements, while in the meantime all the key markets had largely disappeared. Finmeccanica's first annual report commented, in respect of shipbuilding, "no significant order has been received from the Italian merchant navy for new construction since 1945". Attention focused on sectors such as shipbuilding - which was split up in 1959 to join the newly-created Fincantieri - car manufacturing, the railways and industrial machinery.

**Aeritalia.** However, its portfolio was highly diversified, and in the 1960s the Group decided to focus on specific key sectors, by acquiring electro-mechanics companies and selling its rail and electronics companies. In the early 1970s, Finmeccanica changed its make-up, reducing the number of industrial businesses to Alfa Romeo, Ansaldo and Aeritalia. Aeritalia was created in 1969, when Fiat and Finmeccanica poured their best resources into a company that would for many years be the biggest aerospace company in Italy. Finmeccanica launched a series of acquisitions in the thermo-electro-mechanics sector, revolving around the historic company established in 1853 by Giovanni Ansaldo, thereby creating a major growth pole in the production of plant and machinery for energy and transport.

**The challenge of internationalisation.** The 1973 energy crisis forced Finmeccanica to change its strategic horizons, turning its attention to sectors with better growth prospects. Alfa Romeo's future was guaranteed when it transferred to Fiat, while Ansaldo focused its attention on the international market and on improving its other activities such as the railways and industrial machinery businesses. Lastly, following Aeritalia's divestment of Fiat, Finmeccanica adopted a clear international strategy for this young company, taking part in major civil and military programmes such as Spacelab, which set the Group on its path towards leadership positions in the space sector.

**The move into electronics.** At the end of the 1980s, the time was ripe to stop restructuring the company and concentrate on international development. The opening of the markets meant that companies could no longer making delay acquisitions and partnerships which, in the space of a decade, would transform entire industrial sectors. Finmeccanica decided to focus on electronics and re-acquired Selenia and Elsag. The merger between Aeritalia and Selenia led to the creation of Alenia, an industrial company with a wide-ranging and advanced technology base operating in aerospace and electronic systems. At the same time, Ansaldo expanded overseas with acquisitions in the rail signalling sector, while the energy business found its definitive form, after several corporate reorganisations, in Ansaldo Energia.

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**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.

**Finmeccanica on the stock market.** The route to internationalisation was mapped out: 40% of its revenues came from exports. But new global changes ushered in other uncertainties and challenges for the group. The end of the Cold War, the air transport crisis and the liberalisation of the energy markets had serious repercussions on defence orders and energy prices, but Finmeccanica continued to pursue its key strategies, at the same time undertaking measures that would improve profitability, until 1992 when, through its merger with subsidiary SIFA, Finmeccanica made its entry on the stock market as Finmeccanica SpA.

**The defence “pole”.** Shortly afterwards, the defence companies that were part of EFIM made their entry into the holding company. This meant that over 70% of Italian aerospace and defence industrial capacity was part of Finmeccanica. The companies that joined the group - Agusta, Officine Galileo, Breda Meccanica Bresciana, Breda Costruzioni Ferroviarie, which also controlled BredaMenarinibus, Oto Melara, all had a significant industrial history. WASS was then created, combining the underwater activities of Fiat and Finmeccanica, while the merger of Ansaldo Trasporti and Breda Costruzioni Ferroviarie created a rail group whose position in the top rankings of the international market was established. The creation of Ansaldo Signal brought the rail signalling sector into the group's structure while, some year later, Ansaldo Trasporti Sistemi Ferroviari regrouped the activities in railway systems.

**The core business.** However, only the truly competitive players could meet the challenge of globalisation, and Finmeccanica was still excessively diversified, albeit with a technological asset base of undisputed excellence. The next challenge was to focus directly on its core business and only compete in sectors with the best growth prospects. The time was ripe for joint ventures with major European players, such as AgustaWestland, Alenia Marconi Systems, MBDA and ATR.

**From financial holding to industrial holding.** In 2000, IRI sold nearly all of its stake in Finmeccanica for over EUR 5 billion, thereby reducing public ownership of Finmeccanica's capital. Soon after Finmeccanica started the transformation from a financial holding company into an integrated industrial group. Activities were structured into operating companies, which in many cases adopted the names of former, illustrious brands, while Finmeccanica retained the functions of management and control. Elsag, Alenia Spazio, Agusta, Galileo Avionica, Oto Melara, Alenia Aeronautica and AnsaldoBreda were to be the key players in a new season of success.

**“Targeted growth”.** 2002 signalled the launch of an expansion policy in the aerospace, defence and security sectors, without losing sight of energy and transport, with strategies aimed at exploiting its spheres of excellence. These strategic decisions shaped the Finmeccanica of today, a group solidly based in Italy but with a high profile on the world stage. The acquisitions campaign brought into the group Marconi Mobile, OTE and Marconi Mobile Access, which became Selenia Communications. Soon after, Aermacchi, Fiat Avio, Telespazio, Datamat and Vega. Lastly, the group's most significant “coup” was the acquisition of 100% of AgustaWestland, which gained Finmeccanica a foothold in the US market.

**Finmeccanica worldwide.** 2005 was an extremely successful year, which saw Finmeccanica achieve a position in the top ten global companies. AgustaWestland secured the White House order for the US presidential helicopter fleet with its US101 model. The British Ministry of Defence selected AgustaWestland to fit out the armed forces of the United Kingdom, which became another domestic market for Finmeccanica. With the Eurosystem agreement Finmeccanica acquires some important assets of BAE System: SELEX family is created which re-shapes the entire defence electronics business, catapulting Finmeccanica into second place in Europe and into the select circle of international players; Alenia Aeronautica formed a partnership with Boeing for the 787 Dreamliner, in 2007 won the contract for the US Joint Cargo Aircraft (JCA) programme with the C-27J and signed an agreement with Russian company Sukhoi to carry out the SuperJet 100 project, in the sector of regional aircraft. Meantime, thanks to the Space Alliance, Finmeccanica in partnership first with Alcatel and then with Thales, became European leader in the space sector, guaranteeing itself a leading position in the most important European programmes from Galileo to COSMO-SkyMed.

**Ansaldo STS flotation.** The focus on its core business was accompanied by a strategy to optimise also the activities of the civil sectors. 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. Lastly, the recent agreement with Bombardier in the vehicles business opens up attractive growth prospects for AnsaldoBreda in the high-speed segment.

### **The 60th Anniversary**

In 2008 Finmeccanica celebrates 60 years of activity continuing - in the words of Chairman and Chief Executive Officer, Pier Francesco Guarguaglini - "to embrace both past achievements and new opportunities that arise for a group that wants to play a leading role on the international markets". As confirmation of this strategy, the Group gains two important results. In October 2008 Finmeccanica acquires DRS Technologies, the leading US defence electronics company. It is the largest acquisition ever made by a European group in the US defence industry and Finmeccanica's crowning achievement in its lengthy progress in the US, enabling the Group to enter directly into the US defence market, the most difficult and lucrative market in the world. In March 2009, Finmeccanica wins the tender in United Arab Emirates for 48 M-346, the advanced lead-in fighter trainer aircraft manufactured by Alenia Aermacchi. A huge success for the Italian high-tech industry and an endorsement of considerable strategic value for Finmeccanica, which paves the way for further successes in the global markets.

### **Finmeccanica today**

Today Finmeccanica is an integrated group built on three strategic pillars: aeronautics, helicopters and defence electronics and security; sectors in which it registers 65% of revenues and boasts state-of-the-art technology at global level, and where it can put its long-term investments in research to good use. Finmeccanica is a truly international group, with more than 240 locations overseas, of which more than 40% are production facilities. Five years ago only 20% of orders originated outside the domestic market, which was then represented solely by Italy. Today, 50% of orders come from outside its domestic market, which now includes the UK and the US, as well as Italy. In 2008 Finmeccanica registered 15 billion euros of revenues. It has more than 73,000 employees, 41% of which are based abroad. Technological innovation is a solid base of its competitiveness and a cornerstone of its international successes. For this reason each year Finmeccanica invests a consistent share of revenues in Research and Development (1.8 billion euros in 2008). To maintain the excellence achieved in the high technologies sectors puts a strong emphasis on its human resources: some 13,200 employees work on design and development, while Group company laboratories employ around 5,100 highly specialised researchers.