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“BAE Systems and Finmeccanica achieve an important milestone in the Eurosystems transaction”

BAE Systems and Finmeccanica are pleased to announce that they have achieved an important milestone in the Eurosystems transaction.

The EuroSystems partnership - initially announced with the signing of the preliminary MoU on July 3, 2003 - represents the common aspiration of Finmeccanica and BAE Systems to reinforce their strategic cooperation, through an extension to other business activities. To this aim, the two companies will be forming a Strategic Steering Council to coordinate activities in all areas of common interest, identifying opportunities either within the existing joint ventures or in other businesses.

The companies have agreed the businesses to be included in the transaction and their respective valuations.

The companies will form two entities each under the clear operational control of one of the parents:

- A Systems Integration business, to be majority owned by BAE Systems, with capabilities in C4ISR systems and sub-systems, combat management systems, land and naval radars.
- An Avionics business, to be majority owned by Finmeccanica, with capabilities in sensor systems, airborne radars, mission systems, electro-optics and electronic warfare systems.

Recognising the relative sizes of the companies' communications businesses, it has been agreed that Finmeccanica, through Marconi Selenia Communications, will acquire the relevant BAE Systems communication activities in the UK. These activities will considerably expand the capability of Marconi Selenia Communications in the UK.

It has also been agreed that Finmeccanica will acquire the Air Traffic Management activities of Alenia Marconi Systems. The companies believe that these activities will be more fully developed through closer alignment with the related Finmeccanica activities in this area, such as those carried out in the Space sector.

The overall turnover of the activities involved in the transaction is around €3.7 bn.

Sir Richard Evans and Pier Francesco Guarguaglini, the Chairmen of the respective parent companies, said in a joint statement today: “Achieving this milestone is further evidence of the developing strategic relationships between our two groups. Thanks to EuroSystems, leading global players will be established that can deliver advanced system and sensor solutions to their customers. The agreement announced today represents the major decision point to progress to complete this transaction by mid-year.”

The next step is for the companies to conduct due diligence and to prepare the contractual documentation.