

## **CONQUERING AMERICA**

(Interview with Pier Francesco Guarguaglini)

**With the acquisition of DRS Technologies, a leading US defence electronics company, the Rome-based group led by Pier Francesco Guarguaglini – which has a strong presence in Lazio – is further strengthening its business on the US and global markets. And in the first quarter of 2008, it continued to churn out profit: EUR 126 million**

by Claudia Grisanti

Finmeccanica is sixty years old, but it doesn't show it. Italy's high-tech giant is looking to the future with optimism, and is celebrating its anniversary with a prestigious acquisition, that of defence electronics company DRS Technologies. This is a fundamental step for growth on the US market, strengthening the group's global role. Financial reports continue to paint a rosy picture: in the first quarter of the year alone, net profit jumped to EUR 126 million, an increase of 563% compared to the same period of 2007. Finmeccanica chairman and CEO Pier Francesco Guarguaglini takes stock of the situation.

**Finmeccanica is an example of Italian excellence, exporting technology all over the world. What were the key stages through which it got to this point?**

It's true, Finmeccanica is a byword for excellence, worldwide. It boasts technological assets and a skills base that make it a leader and one of the growth drivers of our country. Its history, which began 60 years ago, is packed with events, including the launch of historic brands and numerous acquisitions. Every step has been fundamental in making the group leader in the aerospace, defence and security sectors. Our latest move, which has allowed us to further strengthen our primary global role, is the acquisition of 100% of DRS Technologies, an important US company operating in the integrated services and defence electronics products sector. This operation will make us even more competitive and will allow us to grow, particular on the American market. It also represents the natural continuation of our investment and expansion strategy in the UK and the US.

**The group has managed to export “product Italy”, associating it with high technology, and not just fashion, food and art.**

Attaining a position of leadership in high-tech markets has not been easy, but we have been able to do so by investing heavily in research and development and by capitalising on our expertise and Italian know-how. A very important step in attaining strong results is also having a clear company strategy that is always ready to respond swiftly to changes in the current situation and carefully studying both business development trends and competitors' strengths and weaknesses. By doing so, we can identify the

best opportunities on world markets and create new ones, even where there does not appear to be any.

**For 2007, you set the objective of cementing Finmeccanica's position on the international market. Are you satisfied?**

How could I not be, we have achieved excellent results. In a very short period of time, we have gone from a secondary role to leaders on the international stage. The business objectives set have been reached, and have even exceeded our expectations: orders for 2007 improved by around 14% compared to 2006. There is however still a lot of work to do and new markets to conquer, so Finmeccanica tomorrow will be even better than it is today.

**What is your target for 2008?**

The first among the objectives set for 2008 is to continue to grow, particularly on international markets. As regards sectors for investment, we will mainly aim to grow in defence. With the acquisition of DRS, we are convinced we can raise our targets even further thanks to the contribution of the new assets and the synergies that will be created. Finmeccanica got the year off to a good start, with a first-quarter net profit of EUR 126 million, up by a hefty 563% compared to the EUR 19 million figure of the same period in 2007, partly due to a capital gain of around EUR 54 million from the sale of a stake in STM.

**There is talk of a future partnership with France, specifically Thales. Can you tell us something about that?**

Thales is a very interesting industrial group with which Finmeccanica already has important partnerships both in the space sector, through the creation of the Space Alliance formed by two joint ventures Thales Alenia Space and Telespazio, and in underwater defence systems. Other co-operation agreements may be possible in the future, but there is nothing definite yet.

**How would you define Finmeccanica's business philosophy?**

Our business philosophy is geared towards internationalisation. Group growth is focused particularly on the overseas market, although we do not forget the domestic market. We can say that we have Italian roots, our home is Europe and our market is the whole world.

**Finmeccanica is partly state-owned. Is this still an efficient operating model?**

Finmeccanica deals in particular with defence and security, so I would describe it as a real state civil servant, which operates both in the public and private sectors. I believe the importance of the government's shareholding in our group is unquestionable, given that the group's business lies in sectors that are sensitive and strategic for the whole country.

**The group is also implementing an intense training programme. How is that going?**

Finmeccanica has been able to be competitive on the market thanks to its continued focus on value represented by human resources. For this reason, it invests in an international and integrated system of training geared towards all staff. We are convinced that the future will be built on capitalising on and constantly feeding minds, expertise, talent and experience, within a life-long learning framework. One of

our challenges is to ensure that our competitive advantage remains sustainable over time, and we do this by paying constant attention to the intellectual assets and human resources of the group not just in Italy, but in our locations overseas. Because Finmeccanica operates all over the world, we believe it is fundamental to unify the group by capitalising on specific attributes while building a common and multicultural identity.

**Returning to what you called its roots, what impact has the presence of a group the size of Finmeccanica had on Lazio?**

Many of Finmeccanica's group companies, all with strong technological credentials, have locations in Lazio. I believe that the contribution that these companies make to the region's economy and employment, and the skills base they create are undisputable. Among the most important projects promoted by the Region of Lazio and the Finmeccanica group is Tecnopolo Tiburtino, a space complex consisting of operational structures in a high-tech district. Undoubtedly, this initiative is an excellent driver to rationalise and optimise the various industrial groups and institutional bodies of the Lazio region, both at large company and SME level.

**Will the recovery of our economy continue to be driven by large industrial groups?**

All Italian companies, from the smallest to the largest, are fundamental for the country's economy, albeit in a different way, and each must play a role in the growth process.