

Finmeccanica today: key programmes and next challenges.

The strategic investments of recent years have clearly shaped the company: it is a large industrial group whose strength is its technology, and which is resolutely set on the internationalisation route. Finmeccanica today is a company that focuses on its core businesses of aerospace, defence and security, where it generates nearly 80% of its revenues. The group is the number one high-tech company in Italy and third in Europe among companies operating in these sectors. It is world leader in helicopters, European leader in space and second in Europe in defence electronics. It has revenues of over EUR 12 billion, more than 58,000 employees, and a huge productive asset base abroad, especially in the UK, France and the US. Finmeccanica's current size has enabled it to operate successfully at international level and finally to become the equal of other European companies. It can compare itself to the major US giants, either as a partner or in some cases as a competitor. Finmeccanica has demonstrated that it can win a significant and ever-increasing share of the two largest, most advanced defence markets in the world: the US and the UK. The latter now represents a real domestic market for the group.

Helicopters. AgustaWestland obtained two important agreements in 2007. The first took the form of a memorandum of understanding signed with Boeing for the joint production of the next generation of Chinook logistical transport helicopters for the Italian army.

Then, together with the Turkish Aviation Industry, negotiations were initiated with the Turkish government for the ATAK programme for the Turkish armed forces. The value of this programme, based on a requirement for 51 A129 helicopters, is estimated at over EUR 1.2 billion.

Defence electronics. The integration of companies in the sector continued. In March 2007, Finmeccanica completed the purchase of the outstanding 25% of Selex Sensors and Airborne Systems from BAE Systems. On 1 January 2008, Selex Sensors & Airborne Systems and Galileo Avionica began to operate on the market as a single company called SELEX Galileo.

Lastly, summer 2007 saw the conclusion of the integration process that led to the creation of Elsag Datamat. The new structure strengthens Finmeccanica's positioning, technological competence and products in the whole sector, especially in avionics systems, where it has acquired advanced capabilities in the latest-generation radar and optoelectronic sensors.

The latest big success in the sector came in January 2008. Selex Sistemi Integrati, in its role as prime contractor, signed a EUR 230 million contract with the Algerian national Gendarmerie to build a large security system. The agreement is one of the biggest achieved so far by a Finmeccanica company in large homeland security systems.

Aeronautics. The biggest success in the sector was achieved in June 2007 by the C-27J. In partnership with L-3 and Boeing, Alenia Aeronautica won the contract to modernise the fleet of transport aircraft for the US army and air force, under the Joint Cargo Aircraft programme. An initial USD 2.04 billion contract was awarded to supply 78 aircraft in a programme worth USD 6 billion overall. The C-27J has also made significant inroads in Europe, with orders from Greece, Lithuania, Bulgaria, Romania and Italy.

Work is continuing on the B787 Dreamliner, the most advanced programme in civil aviation, and the result of a collaboration with Boeing dating back to 2003. Alenia Aeronautica installed an innovative automated production line for the manufacture and assembly of two sections of the B787 fuselage at the new plant at Grottaglie, near Taranto, and in October 2006, a new plant was opened in Charleston, South Carolina, where, in collaboration with Vought Aircraft Industries, the fuselage sections are assembled and integrated. In July 2007, the first prototype of the B787 was rolled out at the Boeing plant in Everett, US.

In September 2007, Alenia Aeronautica and Sukhoi unveiled the first prototype of the Superjet 100 regional jet, the product of the biggest programme of collaboration between Russia and western Europe in the high technology sector.

These agreements are in addition to the now 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.

In the trainer aircraft business, Alenia Aermacchi signed an agreement with Hellenic Aerospace Industry (HAI) for an industrial partnership in the development programme for the new-generation M-346 trainer aircraft. The establishment of highly prestigious partnerships such as this represents a significant step in the expansion of the M-346 project at international level.

Space. The group's two space agencies (affiliates of Galileo Industries) play a key role in the Galileo project, the major European satellite navigation programme in the civil sector. In January 2006, Galileo Industries signed a contract worth around EUR 1 billion in Berlin with the European Space Agency for the development and construction of the first four satellites of the Galileo system and related ground infrastructure. 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%).

Defence systems. The end of 2007 saw the development of a big European-level player in underwater defence systems. Finmeccanica, DCNS and Thales reached agreement on setting up three joint ventures for the design, development, marketing and sales of torpedoes and sonar systems.

MBDA's global leadership position in the missiles field was strengthened through the acquisition of LFK GmbH, the main German manufacturer of missile systems. The merger of the two companies will expand MBDA's international partnerships and will be another step forward in the rationalisation of European supply in the sector.

Energy and Transport. In recent years, service activities for the power generation market, which is in a strongly expansionary phase throughout the world, have received a huge boost. It was against this backdrop that in 2006 Finmeccanica acquired Swiss company Energy Service Group Ltd, operating in plant maintenance and on-site repairs, and Dutch company Thomassen Turbine Systems BV, a specialist company in gas turbine servicing. These operations gave Ansaldo Energia new opportunities to exploit commercial synergies in Italy and abroad, helping to increase its value and visibility internationally.

The final successes in 2007 were achieved by Ansaldo Energia: two contracts in Algeria to supply power generation plants worth EUR 350 million and EUR 340 million respectively, and two in Russia to supply gas turbines worth EUR 45 million and EUR 70 million respectively.

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