



**FINMECCANICA**

**Case Studies and Opportunities in  
Target Growth Countries**

**Giorgio Zappa**  
**Chief Operating Officer**

London Investor Day, 17 November 2010

- The cases of Libya, Brazil and India represent some examples of the best practice of our ongoing commercial strategy.
- If we believe in our ability of combining a various high tech products portfolio with a proactive approach to our costumer, to their needs and possibilities, we now move to present and detail our activities in these countries where we have worked for many years and where we hope to strengthen our position:
  - ✓ In Brazil we have Commercial Offers for a value of approximately 1 €/BN excluding Fremm Programme
  - ✓ In Libya we have Commercial Offers for a value of approximately 1.6 €/BLN.
  - ✓ In India we have Commercial Offers for a value of approximately 8.6 €/BLN.  
Which is the future scenario if the Consortium will win the bid for 126 Eurofighter aircraft to be produced with the involvement of local industries ?



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**Brazil: Building on a Special  
Relationship**

**Paolo Pozzessere**

**SVP Marketing**

- ***Brazil is committed to radically upgrading infrastructures and defence modernisation.***
  - *Emphasis moving away from a reliance on US technology and forging its own commercial and technological international alliances*
- ***Economic and Geopolitical powerhouse: Brazil's GDP is more than a third of South America's GDP***
  - *2° largest market in the world for private aerospace and helicopters;*
  - *3° largest producer of commercial aircraft and main world producer of regional aircraft;*
  - *Substantial investments in infrastructure worth approx. \$13Bn*
  - *Open market, with modern infrastructure and a globalised legal framework, including state-of-the-art foreign investment laws*
- ***Defence and Security Market: highly “institutionalised”***
  - *Considerable Spending in Defence and Security*
  - *Key Defence and Security programmes awarded via G-to-G agreements*
  - *Italy and Brazil have a G-to-G agreement in place*

***Finmeccanica is a privileged partner because of long-standing established relationships***

# Brazil: The Story So Far

- ***Finmeccanica already established in country with***
  - *Helicopters, Radars, ATC, Military Communications, Missiles, Land Systems*
- ***In 2010 the Group secured contracts in the following businesses:***
  - *Satellite Systems*
  - *Car plate reader*
  - *Civil Helicopters*
  - *Naval Services*
  - *Signalling systems*
- ***Industrial partnership***
  - *Joint development of military aircraft AMX with Embraer in 1981*

***2010 total value of €200m***

## Programmes already planned

Signed G to G Agreements

•	<u>Border Control</u>	2011 - 2013	8,000mln € approx
•	<u>Frigates (FNM share)</u>	2010 - 2011	2,500mln € approx.
•	<u>Land Defence Systems</u>	2011 - 2012	300 mln €
•	<u>Railway Signalling Systems</u>	2011 - 2013	150 mln €
•	<u>IT, Automation &amp; Comms</u>	2011 - 2014	160mln € approx.

## More on the horizon

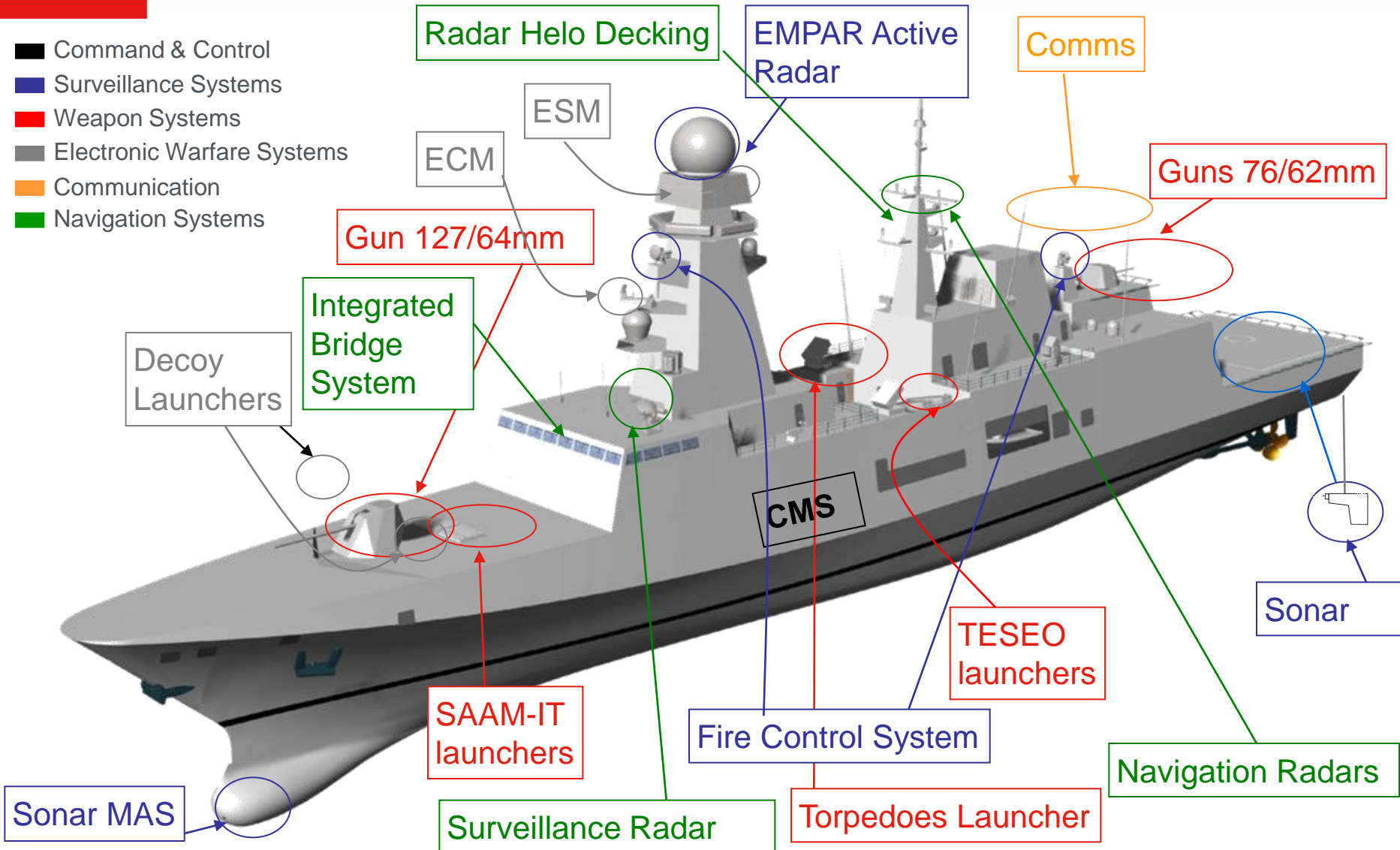
•	<u>Security Systems (e.g. Olympics and World Cup)</u>	2011 - 2014
•	<u>Security Systems for Off-Shore Oil platforms</u>	2012 - 2013
•	<u>Air Force Systems and Solutions</u>	2011 - 2013
•	<u>UAV (Air Force and Army)</u>	2012 - 2013
•	<u>Helicopters (various opportunities)</u>	2011 - 2013
•	<u>Satellite Services</u>	2012

- The Governments of Italy and Brazil signed a strategic partnership in April 2010
- Within this framework, the Ministries of Defence and the Navy Commanders of the two countries signed two additional agreements
- The purpose of the agreements is to jointly develop various initiatives, many of which already discussed

In particular, Finmeccanica is involved (Prime Contractor Fincantieri) in negotiations for the development and production of various naval units, including defence systems, navigation systems, electronic warfare and support for a total of approx. €5,2bn

# Frigate - Combat System Overview (top view)

- Command & Control
- Surveillance Systems
- Weapon Systems
- Electronic Warfare Systems
- Communication
- Navigation Systems





***Finmeccanica twofold strategy in a market with vast opportunities***

Consolidation of  
established  
positioning

Brazil's partner of  
choice for new  
initiatives

*Strategic Levers*

**Investments** in the country  
**Collaborations and partnerships** with local companies  
**Transfer of technology and know-how**

# Case Study: Panama Contract Signed for €180m



*The protection of resources and territory of the Republic of Panama, and specifically the need to ensuring complete sovereignty over the coastal waters included within the Economie Exclusive Zone, has required a complex "system of systems" capable of integrating resources, assets, organisations, information, and allowing effective and unique management of the maritime scenario .*

## Ability to Address Customer Needs

- Monitor the waters of interest
- Supporting the safety of navigation & SAR Operations
- Prevention of accidents or environmental disasters
- Protection of ports, waterways, pipelines, coastal infrastructures from terrorist attack, sabotage, robbery
- Combating illicit trafficking



## Proposed Coastal Surveillance System

- Remote sites equipped with surveillance or radar, electro-optical sensors, and radio equipment
- Local/Regional C4I Centers performing sensor data collection and processing
- National Coordination Center performing supervision and strategic planning
- Communications among Centers, Sites and external platforms ,
- Patrolling Helicopters & Ships
- Digital Cartography & Remote sensing satellite services

**The suggested solution is based on state-of-the-art combination of technologies totally owned by Finmeccanica.**



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**Libya: Strong Foothold in Africa**

**Amedeo Caporaletti**

**Chairman AgustaWestland**

# Libya – Some Facts and Figures

## Geography and Population



- Geography
  - Libya is the 4<sup>th</sup> largest country in Africa (1,76 million sq. km)
  - Long coastline: 1.770 km.
  - Only 2% of land is suitable for agriculture, rainfall is scant (less than 400 mm rain annually)
  - The country imports 80% of agriculture products.
- Population
  - 6.5 millions and growing at rate of 2.5% per year.
  - Libya is one of the world least densely populated countries: avg. 3 people x sq. km.
  - Some 90% of citizens live along the coast.
- Natural Resources
  - Africa's largest oil reserves and the world's 8<sup>th</sup> largest, amounting 43,7 billion barrels of crude oil.
  - Natural gas is an emerging area of growth.
  - Only 1/3 of the country is covered by exploration licences.
  - The oil industry accounts for 70% of GDP, 95% of exporting earning and 60% of wages in the public sector.

# Libya – Some Facts and Figures

## GDP - Infrastructure & Defence Spending



- GDP: (Purchasing power parity & Growth)

<i>Purchasing Power Parity</i>	<i>Growth</i>	<i>World Rank</i>
2007 \$ 83.82 billion	2007: 6.10%	68
2008 \$ 88.77 billion	2008: 5.80%	91
2009 \$ 92.32 billion	2009: 6.30%	52
2010 \$ 97 billion (est.)	2010: 4 % (est.)	39

Data are in 2009 US\$

- Infrastructure and Defence Spending

Between 25÷30 billions USD per year in the last 2 years (2008÷2009).

More than 70% of spending is accounted for new infrastructure programs and improvements on the oldest infrastructure.

Defence spending is accounted for average of 5-6 billions USD per year (average of the last 2 years - Est.).

These figures include also the Defence Operating Costs.

- Legacy in Libya dates back to 1970s.
- SIAI Marchetti for Flight Trainers, Aeritalia for Transport Aircraft, Augusta for Helicopters, Oto Melara for Weapon Systems, Selenia for radars and many others developed business relationships in Libya. By late 1990s all were part of Finmeccanica Group.
- The end of International embargo in the 1999 opened prospects of new economic growth and in 2000 Finmeccanica resumed the industrial and contractual relationships.
- In 2004 Finmeccanica / Agusta established 50/50 joint venture called Libyan Italian Advanced Technology Co. (LIATEC) to be used as a incubator of almost all the technical needs of the Country.

- The aeronautical industry was considered one of the fundamental sector of technological development in the country due to its strong content of innovation.

To grow gradually the basic conditions for developing in Libya a modern aeronautical industry, it was decided to build a new Aeronautical Center in Abou-Aisha, not far from Tripoli International Airport, dedicated to maintenance, upgrading and assembly of helicopters, basic trainers and turboprops.

- On an area of 150,000 sq m, the creation of the new facility is a major undertaking in terms of construction and capacity improvement. This is the only new aeronautical plant built in Africa in the last 30 years.
- At the same time LIATEC assumed the role of technical and marketing vehicle to satisfy the requirements of Libyan Authorities in the aeronautics and defence sectors.

# LIATEC Facilities IN Abou-Aisha (Tripoli)

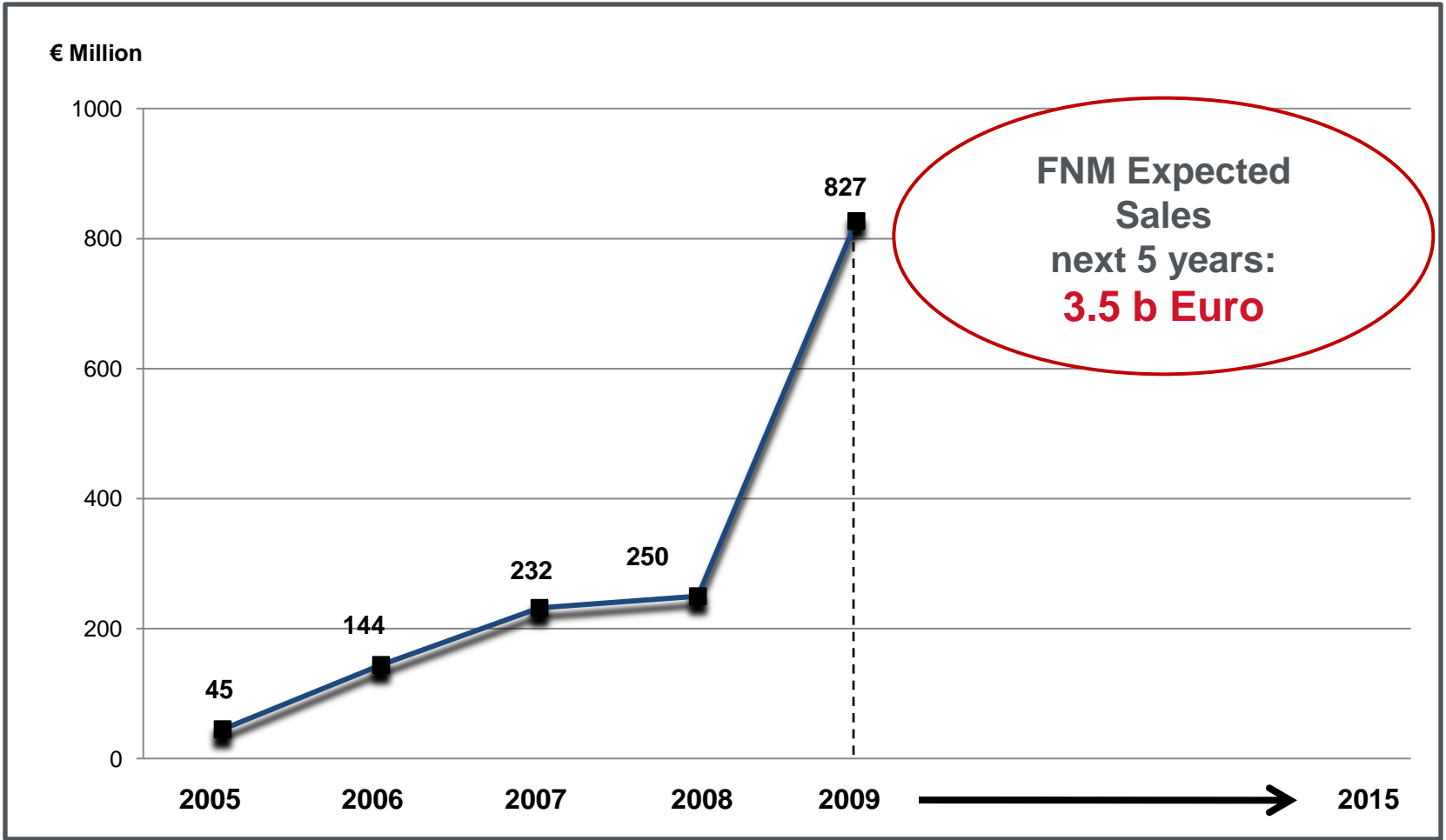
## 20m Euro Investment by Finmeccanica





- The Abou-Aisha plant is assembling the AW 119 and the AW 139 at the initial rate of 4 per year.
- Work is underway on a new Training Centre, to provide comprehensive capabilities for helicopters and fixed-wing pilots training, as well as platform and systems maintenance engineers training.
- A composite material small parts Production Centre is scheduled to start operations at the end of next year.
- Most of LIATEC personnel are hired locally and the Company is committed to hire young Lybian-educated Engineers and Specialists.

# Libya: Finmeccanica Companies Orders' Acquisitions Last 5 years Consolidated / Next 5 Years Prospects



# Libya: Finmeccanica a Key Orders 2005 – 2009



- Helicopters (AW 109/119 Helicopters & Support, CH 47 Helicopters Upgrading, AW139 SAR TT & EMS) ca. €299
- Aeronautics (ATR 42 MP) ca €32mln
- Defence Systems (Palmaria) ca. €28mln
- Signalling and communication systems ca. €550mln
- Border control ca. €153mln

- Impacted Finmeccanica areas of business in the next five years:
  - Aeronautics (fixed wing and helicopters)
  - Homeland security and borders control
  - Electronics and communication systems
  - Railways
  - Defence systems
  - Power generation systems
- 2010-2011 main projects:
  - Establishment of a new J.V. based on LIATEC model, aimed at covering all applications in homeland security and communications fields.
  - Competition on Libyan Railways.
  - Fixed-wing basic trainers assembly opportunity

- Finmeccanica plans to use LIATEC and the investment in Abou-Aisha to develop business elsewhere in the African continent, especially with the countries which enjoy long standing and good relationship with Libya.

In fact, we have already delivered the first two helicopters produced in Abou-Aisha to Guinea Bissau and Lesotho.

- Libyan Authorities today are convinced that investing in aeronautics and defence electronic systems would provide a major contribution to the growth of the continent.

**We believe Libya represents a strong foothold on the continent for Finmeccanica, which we intend to leverage fully in the future.**



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**India**

**Paolo Girasole**

**Vice President Finmeccanica India**

## *India is a priority market for Finmeccanica*

Democracy, sustainable economical growth, large industrial base, well educated people and competitive costs encourage long-term investments

### Ministry of Defence

US \$ B	2009	2010	2011	2012	2013	2014
<b>Defence Budget</b>	30.8	32.0	33.6	35.5	38.5	41.7
Revenue Expenditure	18.9	18.9	19.2	19.6	21.0	22.5
Capital Expenditure	11.9	13.1	14.4	15.9	17.5	19.2

10.5 B\$ is the accessible defence budget in 2010

### Ministry of Home Affairs – Homeland Security

US \$ M	2009	2010	2011	2012	2013	2014	2015	2016
HS Modern.	1050	1300	1350	1450	1550	1600	1660	1700

**Ministry of Power** 1.2 B US\$ for 15000 MW Power Capacity to be built in 5 years

**Ministry of Railways** 8.2 B US\$ for modernisation in 2010

**Ministry of Urban Development** 55 B US\$ between 2010-2018 for infrastructures

# Finmeccanica in India



**Finmeccanica and its subsidiaries are present in India with more than 400 employees**



Sea King



IPN10 Godavari



76 mm Naval Guns



Countermeasures for submarines



Valuthur Phase II 95 MW CCPP



TETRATAC



Civil Helicopters




AW101 VVIP

1971



A244 lightweight torpedoes

1980



PAR

1991




Communication systems

1998



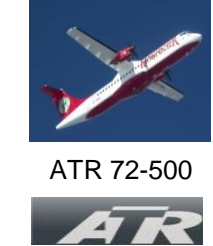
SRE

2005



ATC Systems

2006



ATR 72-500

2007



Train Protection System

2009



A244 modernization

2010



WASS



WASS



SELEX GALILEO  
A Finmeccanica Company



SELEX Communications



SELEX Sistemi Integrati



SELEX Sistemi Integrati



ATR



AnsaldoSTS



WASS



**Orders Intake 2005-2009** average 250 M€

**Revenues 2005-2009** average 200 M€

**Orders Intake for 2010 expected in excess of 700 M€**

- Agusta Westland 12 AW 101 VVIP 556 M€
- WASS A244 Upgrade 82 M€

**Finmeccanica orders intake for 2010- 2014 foreseen at 500 M€ average per year**

**Current Finmeccanica offers in India total more than 8.5 B€**

## Key Drivers

- To consolidate our position in the competitive market for capital acquisitions
- To facilitate Government to Government Agreements
- To exploit DRDO and other R&D opportunities
- To enlarge Finmeccanica industrial presence



## Helicopters

*Military Market* 600 helicopters in 10-15 years worth in excess of 10 B€

- **MRH** 16 helicopters for the Indian Navy (AW proposing NH90)
- **NUH** 50 Naval Utility helicopters (AW 109)
- **Sea King MLU** Upgrading of 17+6 helicopters for the Navy
- **Indian Coast Guard** 16 +14 ship and land based helicopters (AW 139)
- **KAMOV 28 Upgrade** Upgrading of 11 helicopters of the Indian Navy  
SelexGalileo provides the Mission System to Rosoboronexport
- **Commercial Market** existing fleet existimated to double over next 5 years. 70% of helicopters acquired in the last 5 years are from AW



## Aeronautics

- **MMRCA – Eurofighter** 126 combat aircrafts
- **C27J** Requirements for the Indian Air Force and Paramilitary Forces. Potential market for MTA exceeding 100 in 10 -15 years
- **MRMR** Navy requirement for aircrafts in the class of ATR 72 MP
- **UAV** market is large both for military and paramilitary (micro to HALE) for platforms, payloads and technologies
- **Regional Transport** growing market. Opportunities for ATR and Superjet



## **Naval & Maritime**

- **Naval Guns** requirements for all caliber guns. Opportunities for the 127/64 LW with Vulcano long range ammunition
- **Heavy Weight Torpedoes** Indian market estimated 600 HWT in 10 years. Black Shark well positioned
- **Countermeasures** WASS C 303 in service. Opportunities for submarines and surface vessels
- **Radar, CMS and Communications**, for many key navy projects like IAC, P17A frigates
- **Coastal Surveillance and EEZ protection** are also areas of opportunities



## **Land & Battlespace digitisation**

- **Armoured Vehicles & Tanks** projects for many tracked and wheeled applications. Potential market exceeds 3000 vehicle
- **Battle Management System (BMS) & Battle Surveillance System (BSS)** DRS, SelexSI and Selex Comms participating in their own area of expertise
- **Tactical Communication Systems (TCS)** The Indian army requires the Tactical communications system. Selex Comms is participation with an Indian prime
- **F-INSAS** Selex Comms, SelexGalileo and DRS active in this project for the future soldiers

## ***Homeland Security***

Finmeccanica is focussing its efforts on addressing various Indian Security initiatives. All Group Defence & Security Electronics companies involved

- ***Border Security*** Paramilitary Forces requirements for comms, mobile surveillance vehicles, unattended sensors, CCO Centres and check points to secure all hot borders of the country
- ***Airport and Sea Port Security*** US \$10 B for 35 non-metro airports. Opportunities for ATMS and Security. Port capacity to double in 6 years. Scope for VTMS, screeners, intelligent surveillance, biometrics
- ***Mass Transport*** Railway Protection Force (RPF) intends to purchase surveillance equipment for 170 railway stations
- ***Police Modernisation*** US \$481 M in 2010 for modernisation. Plate Readers, biometric solutions, CCTV, C&C centres, e-governance, Intelligent Traffic Systems are key areas of investment

## ***Energy & Transportation***

- ***Transportation*** Ansaldo STS India own 90% of railway signalling & control market. Aim to enter in the Metro market as well. Opportunities in the rolling stock material sector
- ***Energy*** Ansaldo Energia is successfully repositioning in the Indian market mainly in the field services. It also pursuing new units opportunities



# Main Industrial Collaborations



**Industrial presence in India is essential to be part of the on going Indian indigenisation process as well as to fulfill offset and ToT obligations**



AW is pursuing a broad alliance with HAL. Discussion to support HAL in its development of a 4 tons helicopter for the IAF and IA. Production under licence of HF equipment (SC). Opportunities in aeronautics



In September 2010 **INDIAN ROTORCRAFT** Ltd (74% TATA and 26% AW) was incorporated to assemble the AW119Ke for Indian and worldwide. Production expected to start in December 2011



Collaboration on military ATC radar with Selex Sistemi Integrati. TETRATAC will be produced under licence from Selex Comms



BHEL produces under licence OtoMelara 76/62 SR naval gun. Opportunities to enlarge the collaboration to different calibre gun



Collaboration with WASS for production of C 303 countermeasures for submarines, recently enlarged to the A244 LWT modernisation

- **India is a high priority market for us because of its economic and industrial growth and future potential**
- **2010 sees quantum increase in orders intake growth and 5 year outlook remains strong**
- **Our industrial presence is being consolidated and expanded through our robust collaborations with Indian partners**
- **We are exploiting new areas of opportunity with much more potential still to come**

