

# J.P.Morgan Italian Conference 2018

## Leonardo Presentation

Milan, 28 September 2018





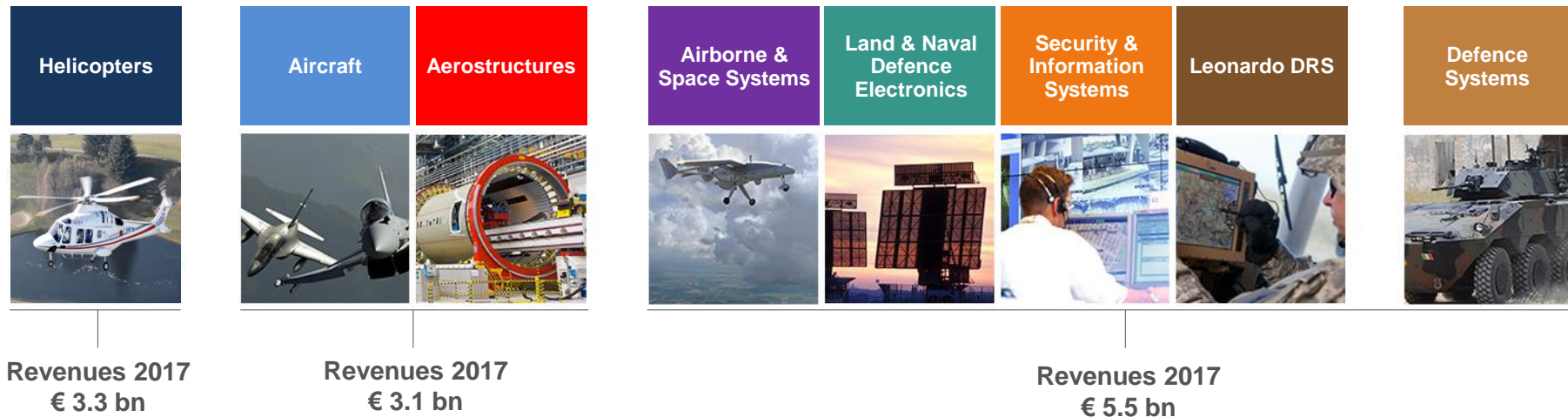
**Group Overview and Industrial Plan Achievements**

**1H2018 Results and Outlook**

**Sector Results**

**Appendix**

# Global player in High Tech Aerospace, Defence and Security business



## JOINT VENTURES AND SUBSIDIARIES



**Telespazio**  
(67% Leonardo)



**Thales Alenia Space**  
(33% Leonardo)



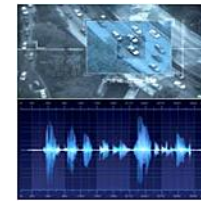
**AVIO**  
(26% Leonardo)



**MBDA**  
(25% Leonardo)



**ATR**  
(50% Leonardo)



**Elettronica**  
(31% Leonardo)

# Key messages

## We are a global player in High Tech Aerospace & Defence business

- Significant industrial presence worldwide
- 4 domestic markets
- Key dual-use technologies
- 3 core business

## We intend to execute an Industrial Plan to go back to long-term sustainable growth

- Attractive market improvement
- Taking actions to leverage off a new commercial strategy and a new customer centric approach
- Strong portfolio
- Selected investments for growth to enhance further core products and technologies

## 2018 Guidance revised upwards for Orders and FOCF

- Key contract signed with Qatar
- 2018 a consolidation year, laying the seeds for a new phase of sustainable growth

## Entering a new phase of solid and sustainable growth in the long term

- Top-line and profitability improvement
- Increasing cash-flow generation from 2020
- Disciplined financial strategy

*...with the key objective of creating value for all our stakeholders*

# Outstanding achievement signed in March and booked in August

- > € 3 bn helicopters deal for Qatar
- 28 NH90 (16 TTH for land operations and 12 NFH for naval missions) and a comprehensive support, maintenance training services package and associated infrastructure
- Leonardo will act as prime contractor
- Deliveries are expected to start from 2022 and to continue through to 2025
- International boost for our world class business



*...strongly committed to strengthen business approach*

# Back to sustainable profitable growth

- New 5 years Industrial Plan launched
- Confident about the opportunity for Leonardo
  - Well positioned for positive market outlook
  - Leveraging «One Company» model
  - Achieving steady top line and profitability growth
- We are going to set this business up to win
- Sustainable financial strategy
- Dividend payment: 14 €/cents per share

*...fully committed to execute this plan*

# Clear priorities set

*Doing the right things for the long-term*

*Return to top-line growth*

ca. **€70** bn

2018-2022  
cumulated orders

**5%-6%**

5 yr. Revenue  
CAGR

*Strict cost control,  
reinvested in growth*

ca. **€200** mln

Annualised savings  
identified

ca. **80%**

Reinvested in  
competitiveness &  
capability

*Sustainable improvement  
in profitability*

ca. **10%**

ROS by 2020

**8%-10%**

5 yr. EBITA CAGR

*Focus on cash and a  
stronger capital structure*

ca. **50%**

Avg. 2015-2018 CF Conversion;  
Accelerating FOCF from 2020

Investment  
grade

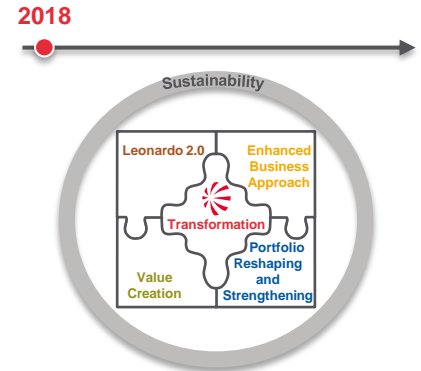
Credit rating

*...2018 planting the seeds for growth*

# Steps forward in the execution of the Industrial Plan

*Doing the right things for the long-term*

- Sharper commercial focus (Leonardo international and Customer, Support & Training)
- Solid backlog
- Making progress on NH90 Qatar contract
- Helicopters recovery plan on track and successfully executed
- DRS benefitting from strong US market backdrop
- Plan for early retirement signed with Italian Unions to update competence mix
- Focused on cost control and profitability



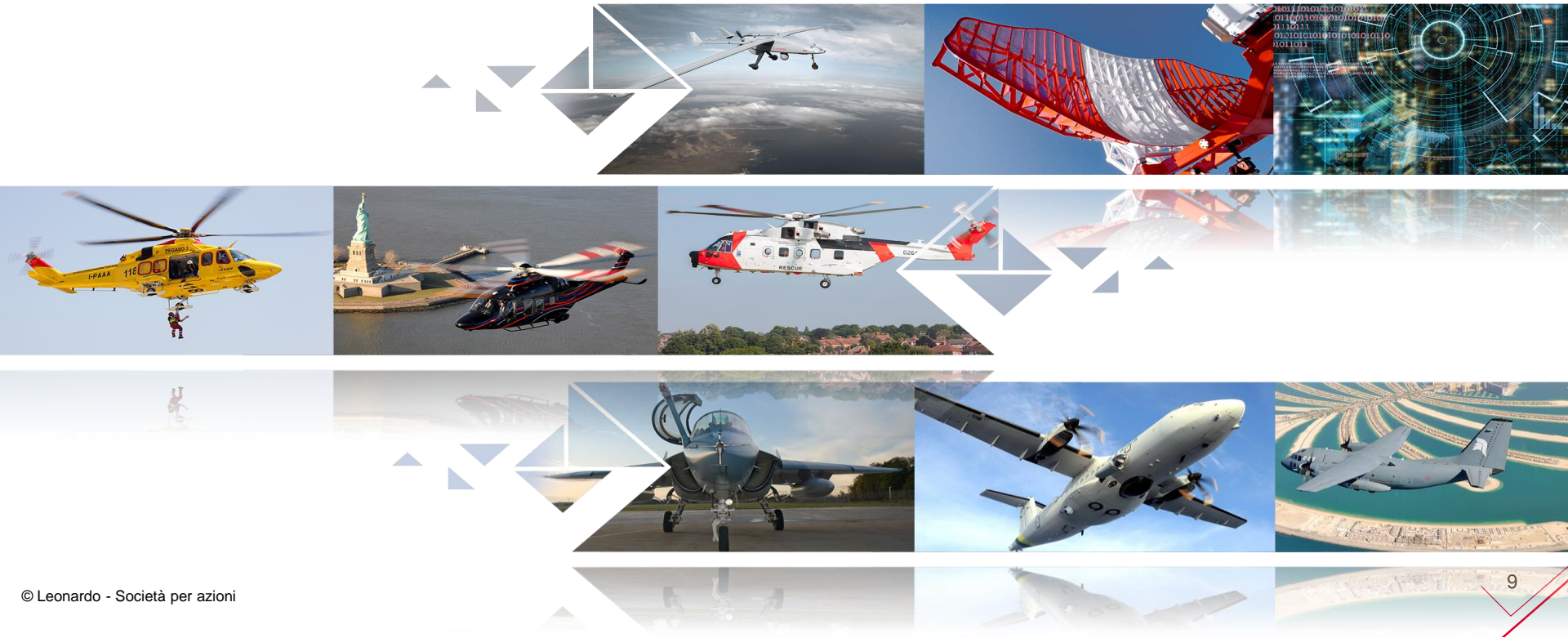


# Sharper commercial focus

*To be closer to customer needs*

- More export
- Focus on key strategic campaigns
- Customer Support, Service & Training

Product  
**LEADERSHIP**  
to win with our  
customers



# Strong backlog supporting revenue growth

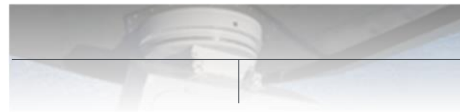
ORDER BACKLOG as at 30 June 2018 = ca. € 33 bn

## HELICOPTERS



ORDER BACKLOG € 9.3 bn  
28% of total

## ELECTRONICS, DEFENCE AND SECURITY SYSTEMS



ORDER BACKLOG € 11.8 bn  
35% of total

## AERONAUTICS



ORDER BACKLOG € 12.2 bn  
37% of total

## TOP LINE GROWTH DRIVEN BY

- Current Backlog covering almost 3 years of equivalent production
- Large orders providing long term visibility

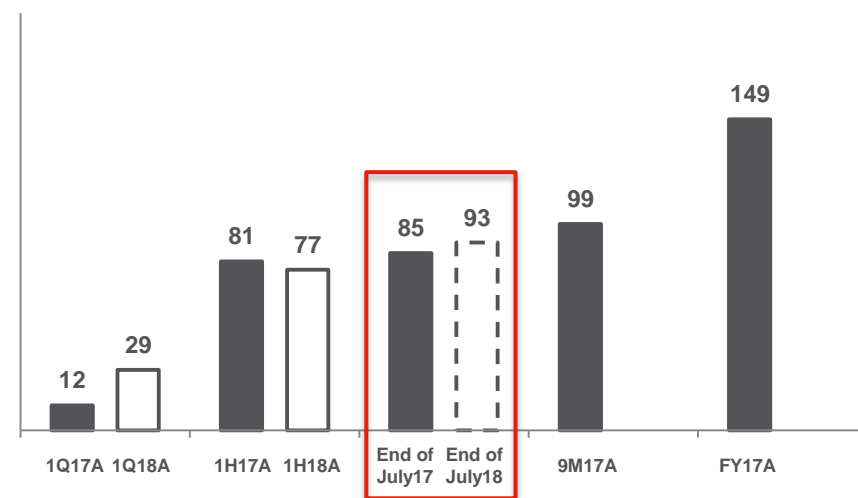
- DRS «soft backlog» not included
- Helicopter markets recovery

# Progress on Helicopters

- Positive market feedback
- On track to improve profitability
- FY2018 expected deliveries materially higher than FY2017

## JULY 2018 DELIVERIES OVERTAKING JULY 2017

*n° of delivered units*



# DRS top-line growth outpacing strong US market

	2Q			1H			FY2017 Restated
	2018	2017 Restated	% Change	2018	2017 Restated	% Change	
\$ mln							
Orders	826	529	56.1%	1,250	930	34.4%	2,016
Revenues	504	401	25.7%	959	796	20.5%	1,947
EBITA	25	26	-3.8%	46	51	-9.8%	146
RoS	5.0%	6.5%	-1.5 p.p.	4.8%	6.4%	-1.6 p.p.	7.5%
EBITA excluding TX costs	31	26	19.2%	57	51	11.8%	153
RoS excluding TX costs	6.2%	6.5%	-0.3 p.p.	5.9%	6.4%	-0.5 p.p.	7.9%



- Well positioned on key programmes supporting growth and higher margins
- Currently investing in development programmes expected to turn into production phase in coming years
- Improving underlying profitability, excluding TX campaign

- Strong «soft backlog» creating long term visibility
  - Including large programmes only partially funded and booked
  - 10 programmes generating ca. \$3 bn of «soft backlog»
  - Total opportunities up to 4-5x current funded backlog

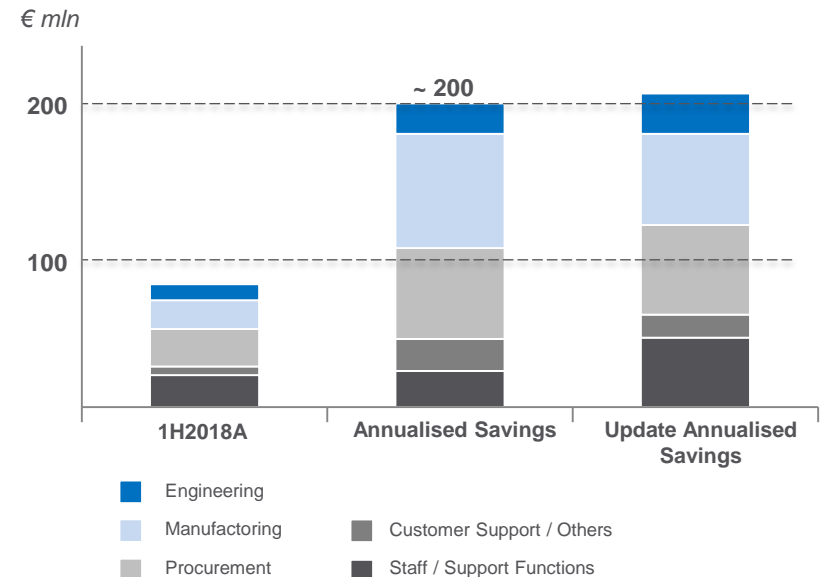
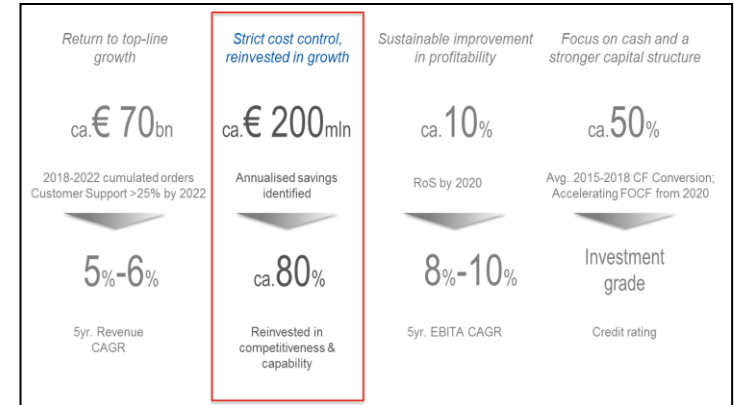
# Delivering results on cost control initiatives

■ 40% of annualised savings identified delivered in the 1H (ca. € 80 mln)

■ Potential upside driven by further actions being implemented

■ Key Initiatives:

- Efficiency increase in Manufacturing and Engineering
- Off-load optimisation
- Product Should Cost/Design to Cost
- Logistics and Supply Chain optimisation



# Strict cost control to support future growth: recent achievements

## ■ Early retirement plan signed with Italian Unions

- Up to 1,100 employees and 65 managers involved
- Ca. € 170 mln one-off provision taken in 1H 2018
- Positive Net Present Value
- No impact on 2018 FOCF



Supporting competence mix change to meet evolving requirements of the market

## ■ LEAP 2020 Programme launched



To optimise supply chain

# Prime contractor business supporting long term visibility and growth

*Lower margin pass-through but without capital invested*

- Large prime contractor business wins supporting long term visibility and better positioning in reference markets
  - Higher margin activities under our responsibility
  - Lower margin pass-through business but with no capital invested
  
- Rising level of pass-through activities due to large prime contractor wins
  - 2017 pass-through revenues > € 1 bn (ca. 9%)
  - 2017 profitability at 9.2%, up to 10.1% excluding pass-through

**Group Overview and Industrial Plan Achievements**

**1H2018 Results and Outlook**

**Sector Results**

**Appendix**



# 1H 2018 Highlights



Solid 1H 2018 performance driven by Helicopters & DRS top line growth

- Orders at € 4.6 bn
- Revenues at € 5.6 bn
- EBITA at € 470 mln, RoS at 8.4%
- FOCF at € (809) mln
- Net Debt at € 3.5 bn



FY 2018 Orders and FOCF Guidance revised upwards

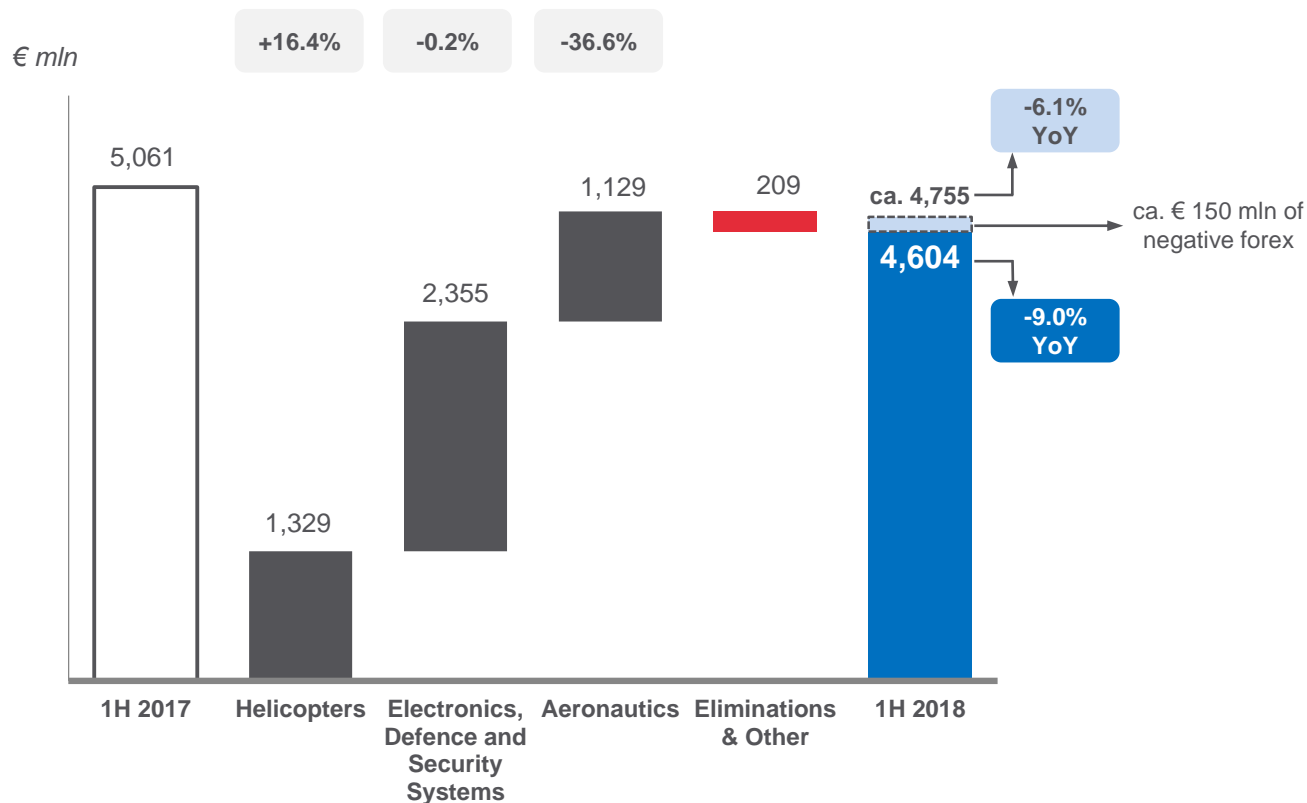


IFRS15 impact affecting quarterly results in Helicopters, as anticipated

# Order intake

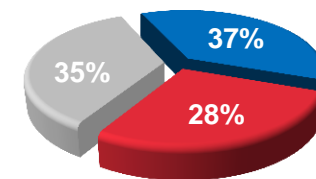
*Good performance mainly driven by Helicopters & DRS*

## NEW ORDERS



## ORDER BACKLOG

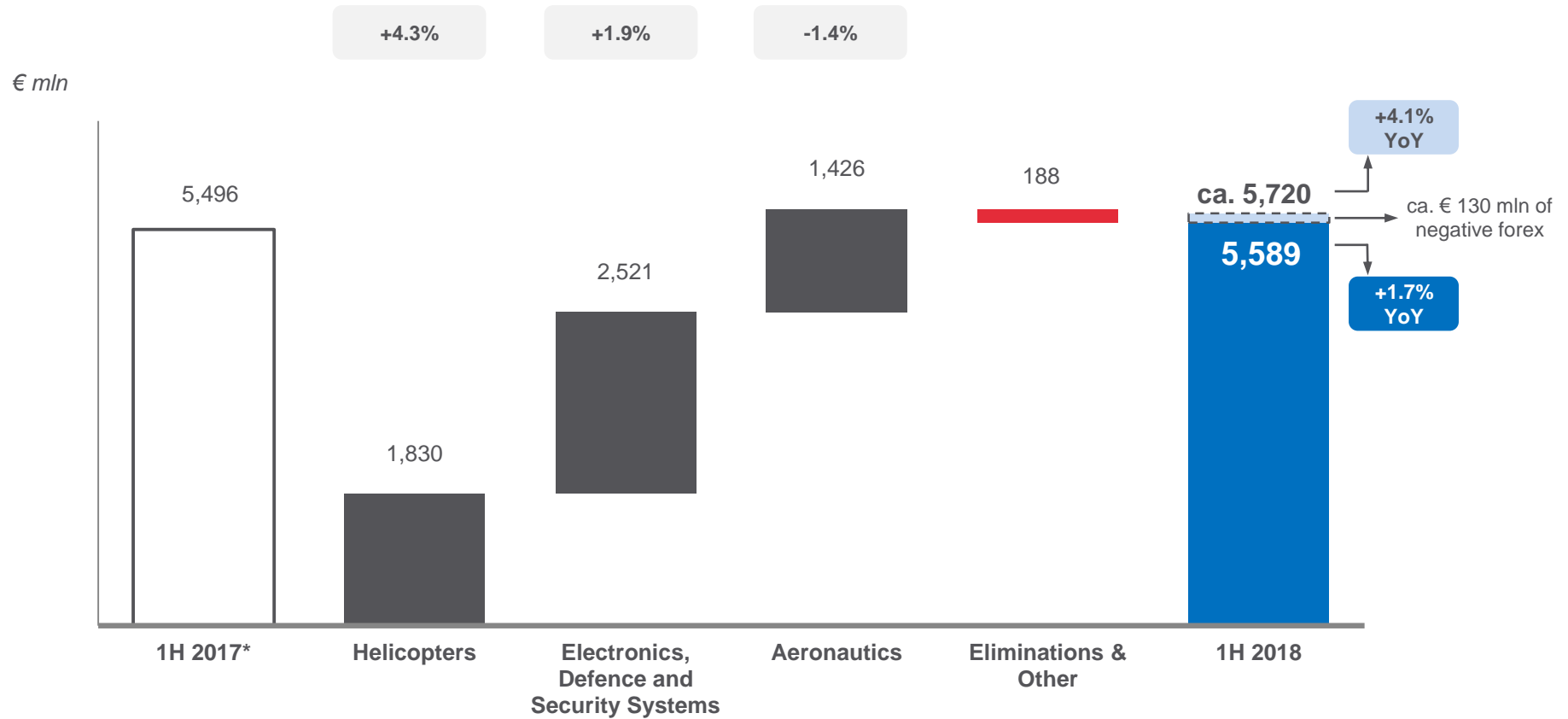
As at 30 June 2018  
ca. € 33 bn



- Helicopters
- Aeronautics
- Electronics, Defence and Security Systems

# Revenues

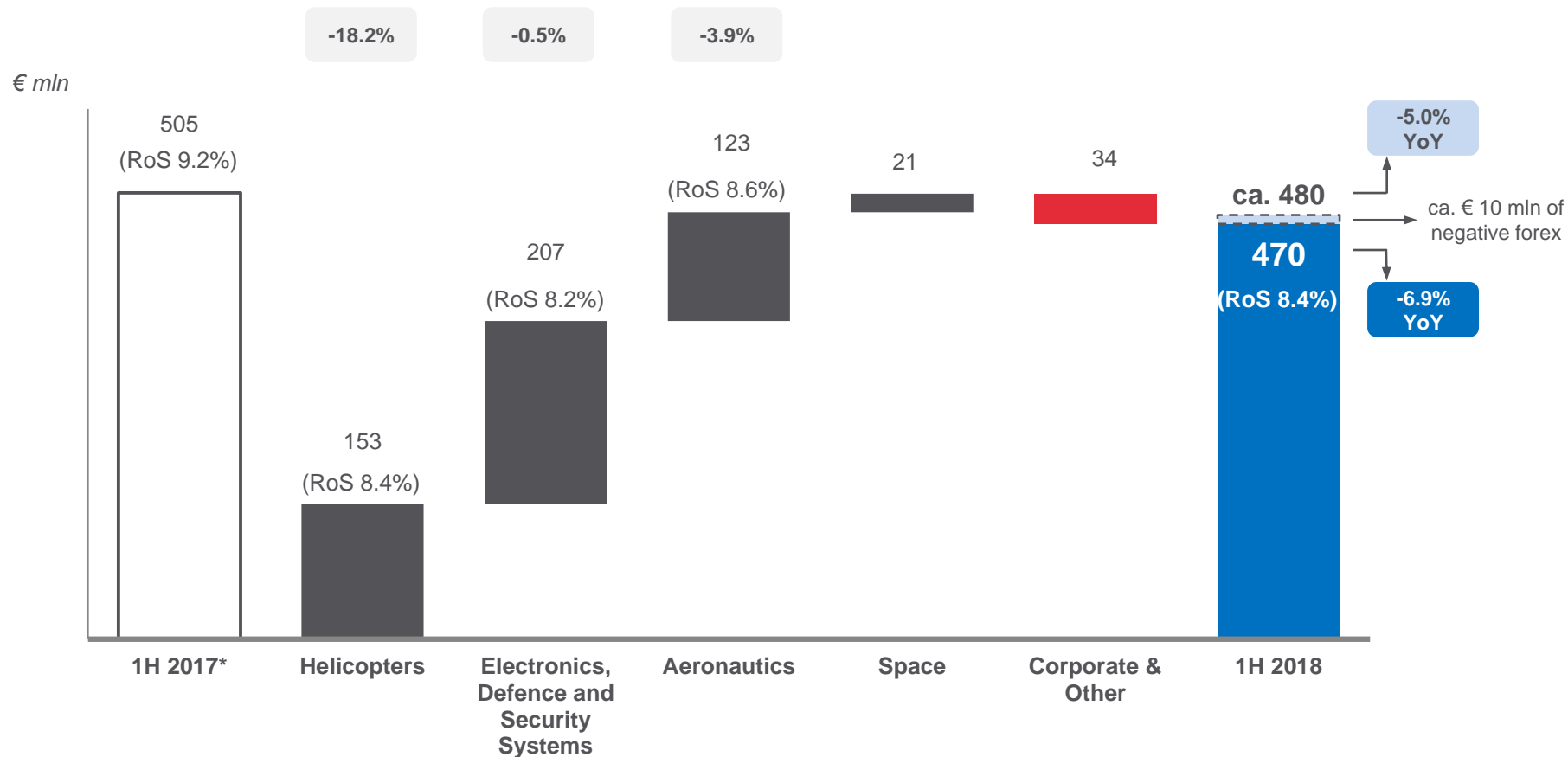
*Positive momentum in Helicopters & DRS*



\*1H 2017 IFRS15 restated

# EBITA and Profitability

*Steady recovery in Helicopters*



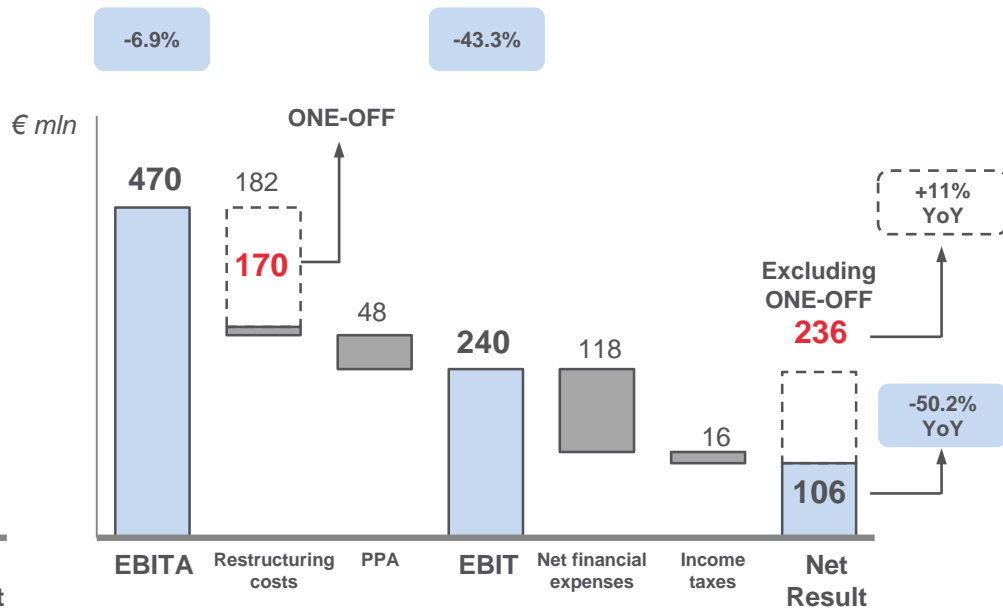
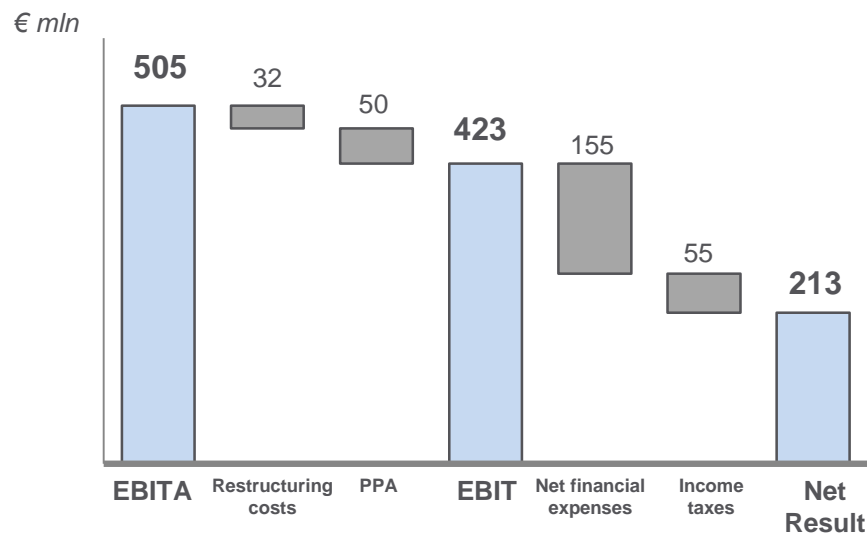
\*1H 2017 IFRS15 restated

# Net Result affected by € 170m one-off early retirement costs

To improve competence mix

1H2017\*

1H2018



\*1H 2017 IFRS15 restated

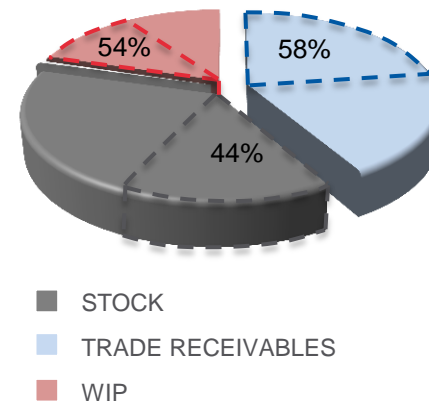
- EBIT and Net Result including € 170 mln of one-off early retirement costs to improve competence mix to meet evolving requirements of the market
- Lower financial charges, due to 2017 bond buyback

# Working Capital under control while supporting FOCF

- Actions to improve Working Capital Performance identified, launched and monitored through KPIs
- First half progress in line with expectations, delivering ~50% of 2018 targets
- FY targets confirmed



FY TARGET / % ACHIEVED TO DATE



## 2018 Guidance revised upwards for Orders and FOCF

		<i>FY2017A Restated</i>	<i>FY2018E at January '18</i>	<i>FY2018E at July '18</i>
<b>New orders</b>	€ bn	11.6	12.5 – 13.0	14.0 – 14.5
<b>Revenues</b>	€ bn	11.7	11.5 – 12.0	11.5 – 12.0
<b>EBITA</b>	€ bn	1.08	1.075 – 1.125	1.075 – 1.125
<b>FOCF</b>	€ mln	537	ca.100	300 – 350
<b>Group Net Debt</b>	€ bn	2.6	ca. 2.6	ca. 2.4

2018 exchange rate assumptions: €/USD 1.20 and €/GBP 0.90



# **SECTOR RESULTS**



# Helicopters

*Well positioned to capture growth opportunities*

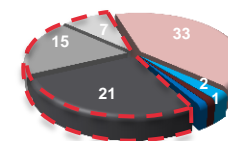
€ mln	2Q			1H			FY2017 Restated
	2018	2017 Restated	% Change	2018	2017 Restated	% Change	
Orders	718	683	5.1%	1,329	1,142	16.4%	3,153
Revenues	1,080	1,167	-7.5%	1,830	1,754	4.3%	3,438
EBITA	100	153	-34.6%	153	187	-18.2%	281
RoS	9.3%	13.1%	-3.8 p.p.	8.4%	10.7%	-2.3 p.p.	8.2%

## 2018 OUTLOOK

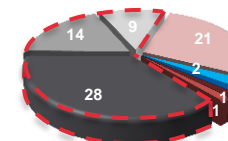
- Healthier market outlook driving higher volumes
- Well placed in most attractive segments, leveraging high quality product range
- Profitability gradually improving; back to double digit in 2020

## DELIVERIES BY PROGRAMME

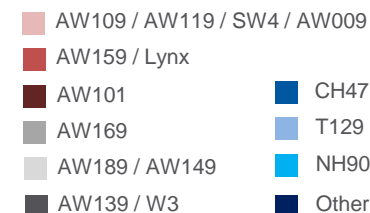
1H2017 = 81 new units



1H2018 = 77 new units



AW FAMILY



# Electronics, Defence & Security Systems

*Remains strong*

	2Q			1H			FY2017 Restated
	2018	2017 Restated	% Change	2018	2017 Restated	% Change	
€ mln							
Orders	1,390	1,321	5.2%	2,355	2,360	-0.2%	6,146
Revenues	1,372	1,318	4.1%	2,521	2,474	1.9%	5,550
EBITA	134	120	11.7%	207	208	-0.5%	537
RoS	9.8%	9.1%	+0.7 p.p.	8.2%	8.4%	-0.2 p.p.	9.7%

**Of which DRS:**

	2Q			1H			FY2017 Restated
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Avg. exchange rate €/€ @1.2108 in 1H2018

Avg. exchange rate €/€ @1.0825 in 1H2017

## 2018 OUTLOOK

- Revenues and profitability almost flat YoY
  - Upward trends in some business areas
  - Efficiency improvement
  - Higher contribution from development programmes
- DRS benefitting from positive market trend

# Aeronautics

*Aircrafts positive outlook offsetting lower ATR and Aerostructures*

	2Q			1H			FY2017 Restated
	2018	2017 Restated	% Change	2018	2017 Restated	% Change	
€ mln							
Orders	406	543	-25.2%	1,129	1,780	-36.6%	2,615
Revenues	787	788	-0.1%	1,426	1,444	-1.2%	3,093
EBITA	76	82	-7.3%	123	128	-3.9%	311
RoS	9.7%	10.4%	-0.7 p.p.	8.6%	8.9%	-0.3 p.p.	10.1%
EBITA excluding TX costs	80	82	-2.4%	127	128	-0.8%	311
RoS excluding TX costs	10.2%	10.4%	-0.2 p.p.	8.9%	8.9%	-	10.1%

## 2018 OUTLOOK

- Revenues expected almost flat YoY
    - Aircraft benefitting from EFA Kuwait and C-27J export
    - Aerostructures volumes expected to decline
  
  - Profitability in line with 2017
    - Efficiency improvement
    - Higher Aircraft performance
- Offsetting** →
- Expected lower ATR contribution
  - Unsatisfactory Aerostructures performance

# Space

*Stable outlook*

€ mln	2Q				1H				FY2017 Restated
	2018	2017 Restated	% Change	2017 Reported	2018	2017 Restated	% Change	2017 Reported	
EBITA	14	16	-12.5%	19	21	28	-25.0%	27	72

## 2018 OUTLOOK



Revenues and profitability expected almost in line with 2017



# **APPENDIX**

# 1H 2018 Results

## Group Performance

	2Q			1H			FY2017 Restated
	2018	2017 Restated	% Change	2018	2017 Restated	% Change	
€ mln							
New Orders	2,440	2,414	1.1%	4,604	5,061	-9.0%	11,595
Backlog				32,611	33,918	-3.9%	33,507
Revenues	3,138	3,135	0.1%	5,589	5,496	1.7%	11,734
EBITA	317	350	-9.4%	470	505	-6.9%	1,077
RoS	10.1%	11.2%	-1.1 p.p.	8.4%	9.2%	-0.8 p.p.	9.2%
EBIT	119	300	-60.3%	240	423	-43.3%	844
EBIT Margin	3.8%	9.6%	-5.8 p.p.	4.3%	7.7%	-3.4 p.p.	7.2%
Net result	56	164	-65.9%	106	213	-50.2%	279
EPS (€ cents)	0.098	0.286	-65.9%	0.185	0.371	-50.2%	0.482
FOCF	248	-104	338.5%	-809	-531	52.4%	537
Group Net Debt				3,474	3,577	-2.9%	2,579
Headcount				45,989	45,655	0.7%	45,134

Free Operating Cash-Flow (FOCF): this is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received

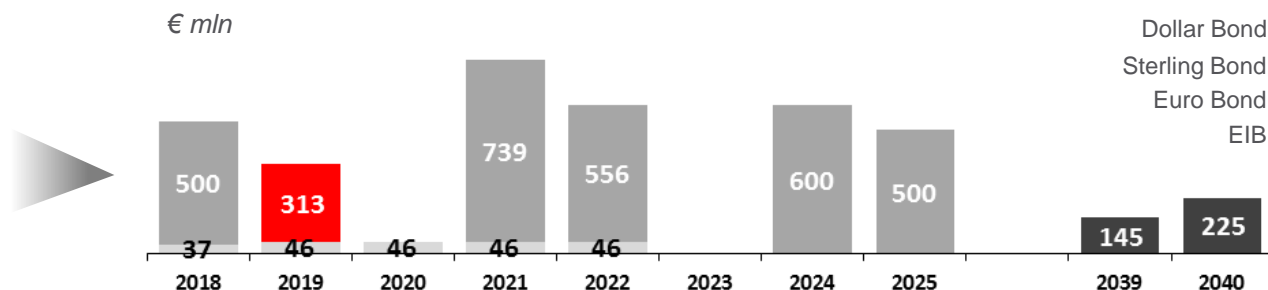
# No material impact from IFRS15

- Leonardo applies retrospectively IFRS15 in 2018
- FY2017 and 2017 quarters fully restated in accordance with IFRS15 when presenting the 2018 corresponding quarterly accounts
- Not material preliminary impacts on FY2017 KPI's (higher revenues by ca. 2% and higher EBITA by ca. 1%)
- Cumulative estimated catch-up adjustment to be recognised in equity; ca. 5% reduction of Group net equity as of 31 December 2017
- More exposed area of activity is civil helicopters

# Solid Financial Position as end of June 2018

## DEBT MATURITY

Average life: ≈ 5 years



## REVOLVING CREDIT FACILITY

Lower margin  
Longer life



RCF renegotiated lowering margin (from 100 bps to 75 bps) and amount (from € 2.0 bn to € 1.8 bn). The facility will expire in 2023

## CREDIT RATING

	As of today	Before last review	Date of review
<b>Moody's*</b>	Ba1 / <i>Positive Outlook</i>	Ba1 / <i>Stable Outlook</i>	May 2017
<b>S&amp;P</b>	BB+ / <i>Stable Outlook</i>	BB+ / <i>Negative Outlook</i>	April 2015
<b>Fitch</b>	BBB- / <i>Stable Outlook</i>	BB+ / <i>Positive Outlook</i>	October 2017

\*Confirmed on May 2018

*...fully committed to Investment Grade*

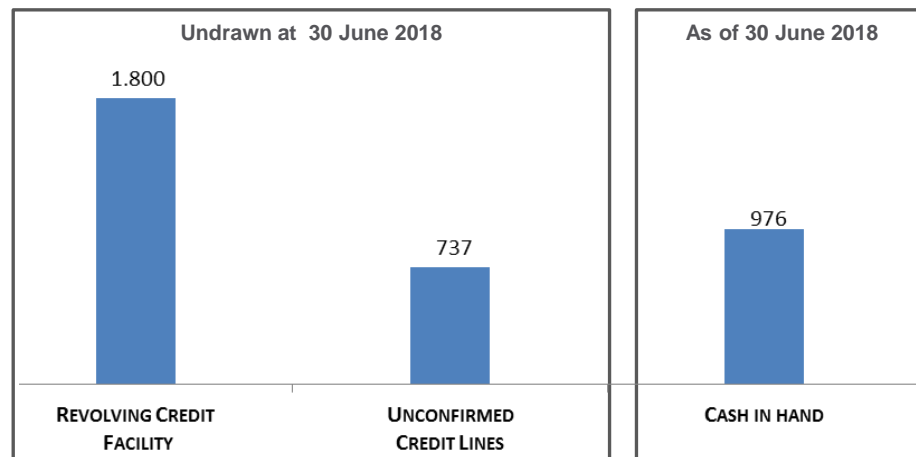


# Availability of adequate committed liquidity lines as end of June 2018

In order to cope with possible swings in financing needs, Leonardo can leverage:

- 30 June cash balance of € 976 mln
- Credit lines worth € 2.5 bn (confirmed and unconfirmed)
- Revolving Credit Facility renegotiated on 14 February 2018, lowering margin (from 100 bps to 75 bps) and amount (from € 2.0 bn to € 1.8 bn). The facility will expire in 2023
- Bank Bonding lines of ca. € 3.6 bn to support Leonardo's commercial activity

€ mln



Tenor	July 2023	18 months	
Margin	75 bps <sup>(1)</sup>	~15 bps <sup>(2)</sup>	

(1) Based on rating as of 30/06/2018

(2) Average. Expected to be renewed at maturity

# Development costs capitalised as intangible assets at 31 December 2017

<i>€ mln</i>	Self Funded National Security	Self Funded Other	Total
<b>01 January 2017 Opening Balance</b>	<b>1,472</b>	<b>490</b>	<b>1,962</b>
Gross R&D capitalised	195	43	238
Depreciation and write offs	-44	-68	-112
Disposals	0	0	0
Other Changes	9	-9	0
<b>Net R&amp;D capitalised</b>	<b>160</b>	<b>-34</b>	<b>126</b>
<b>31 December 2017</b>	<b>1,632</b>	<b>456</b>	<b>2,088</b>

# Confident about the opportunity for Leonardo

*We are entering a new phase: back to growth*

- Our target markets will grow by 6%
- High quality products
- Highly valued by our customers
- International footprint
- Balance of Civil and Military
- Leverage a broad product portfolio
- Positioned for market trends

## CONFIDENCE IN FUTURE GROWTH



*Leonardo addressable market growth*



*Leonardo revenues in markets with improving trends%<sup>1</sup>*

## High quality products valued by our customers



Note:

<sup>1</sup> Based on Leonardo estimates<sup>1</sup>

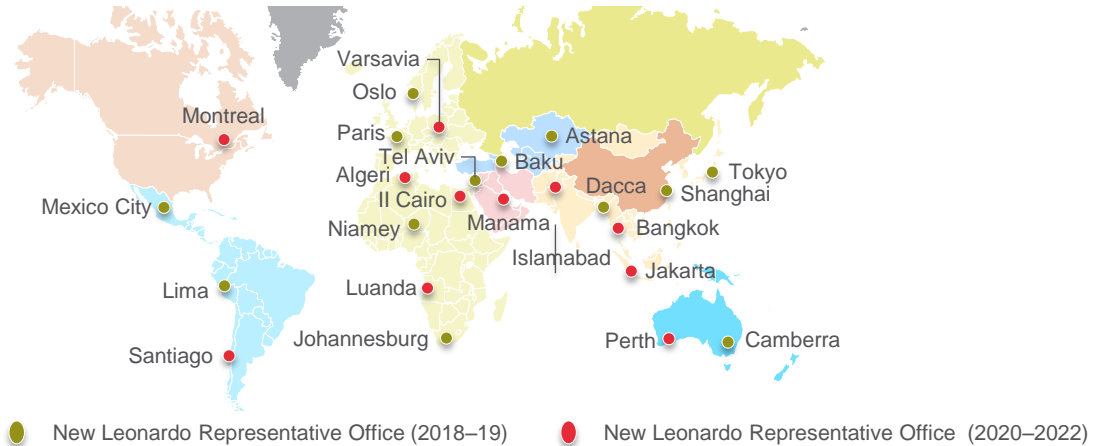
# We are going to set this business up to win

*We cannot cut our way to sustainable growth...*

## New commercial strategy

- New CCO organisation
- Increased presence in international markets
- Leverage «One Company»
- Increased Customer Support & Services

## Investing in an extended representative offices network 2018-2022



## Focused investment

- Sales organisations
- Product leadership
- Digitalisation

### New Orders expected



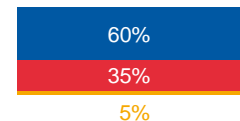
2018-2022 CUMULATED

### Customer Support & Services



GROUP ORDER INTAKE

### Increase in R&D activity 2018–2022



Total  
■ Upgrade Existing Products  
■ New Product Development

# How to achieve double digit profitability by 2020

## Helicopters



- ↑ **Increasing volumes**
- ↑ Maturity of AW169 and AW189
- ↑ Specific issues addressed

RoS: Significant step up

## Electronics, Defence & Security Systems



- ↑ **Increasing volumes**
- ↑ Strong backlog
- ↑ DRS momentum
- ↓ Mix of activities

RoS: Remain strong

## Aeronautics



- ↑ **Increasing volumes**
- ↑ Strong Aircraft performance
- ↓ Normalised ATR (strong 2016)
- ↓ Aerostructures

RoS: Stable

*...benefits of operating leverage and cost control across all businesses*

# Deeper dive on FOCF

*Short-term pressures; longer term improvement*

Avg. FOCF p.y. 2015 – 2018

**€400** mln

2015 – 2018 Avg. Cash Flow Conversion Rate\* ca. 50%

## KEY DRIVERS

**2018E – 2019E**

**2020E – 2022E**

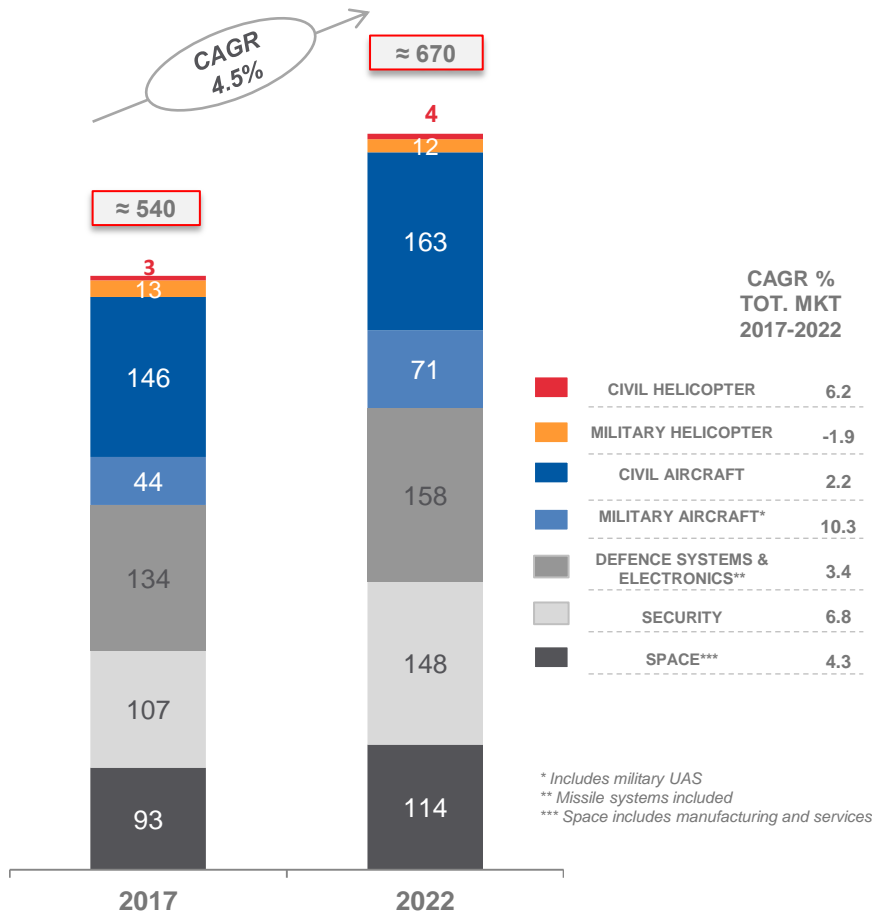
- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>▪ EFA Kuwait working capital build up</li> <li>▪ Higher investments</li> <li>▪ Customer advances winding down</li> <li>▪ Aerostructures underperformance</li> </ul> | <ul style="list-style-type: none"> <li>▪ Higher order intake</li> <li>▪ Higher volumes</li> <li>▪ Profitability improvement</li> <li>▪ Helicopters recovery</li> <li>▪ EFA Kuwait contribution</li> <li>▪ Lower financial charges</li> </ul> |
|--|--|

\*FOCF / EBITA after cash financial charges and cash taxes

# Improving markets provide a strong backdrop for our growth plan

*Our core categories are all expected to grow*

**TOTAL A&D MARKET- EVOLUTION BY BUSINESS - € bn**



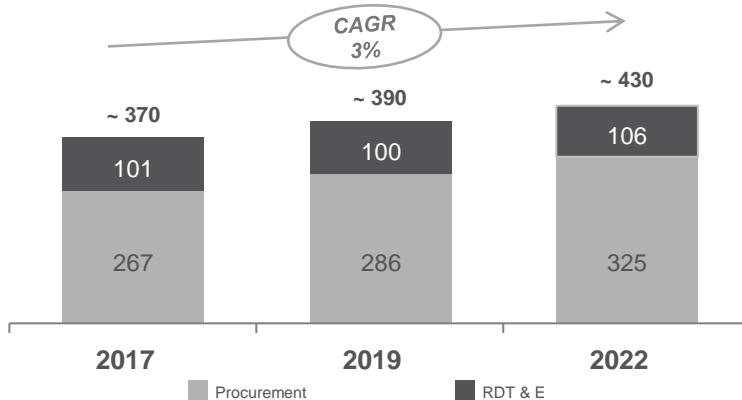
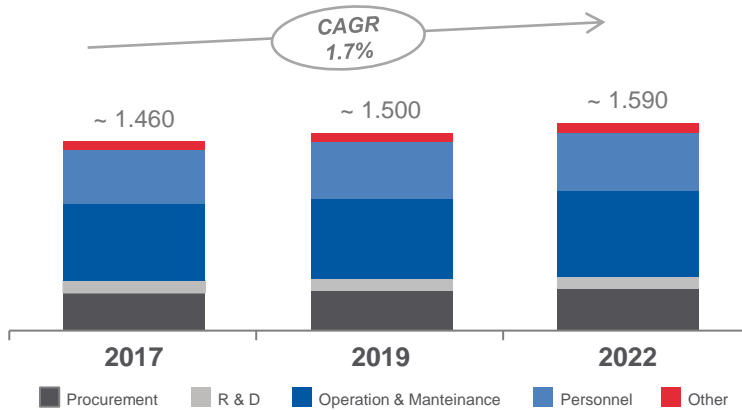
- Material recovery in Civil Helicopters
- Major key programmes in Military Aeronautics (Combat & Trainers)
- Defence Systems & Electronics sustained by international crisis threats
- Key opportunities in Space

Sources: Leonardo estimates on IHS Jane's, 2017 / Forecast International April 2017 / HSRC 2017 / SDI 2017

# Improving markets provide a strong backdrop for our growth plan

*Focus on Defence Budgets - Worldwide*

**WW DEFENCE BUDGET BY DESTINATION (2017 – 2022) - € bn**



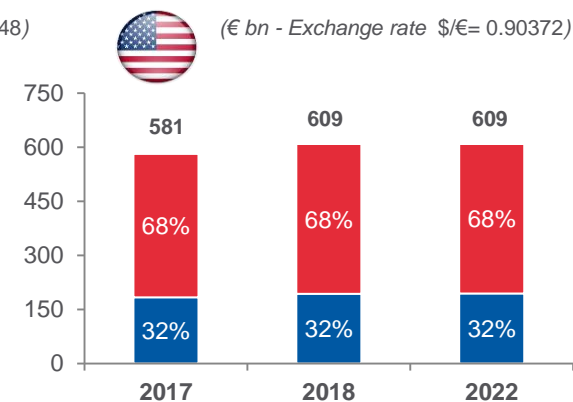
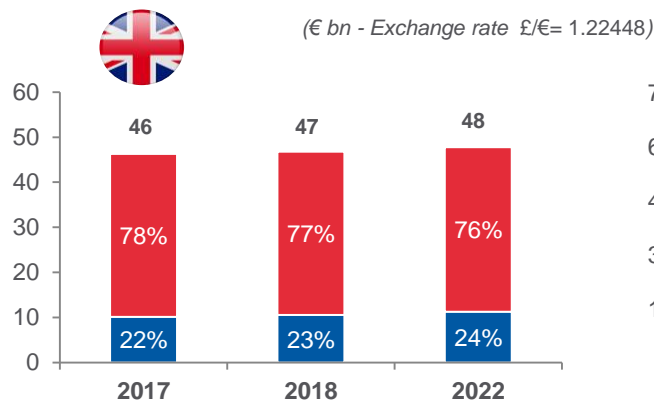
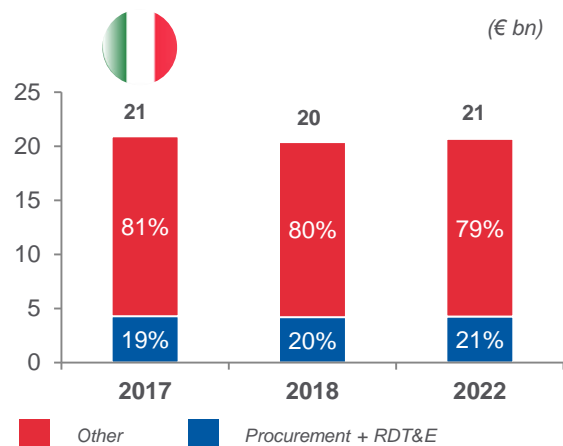
- 2017 Global Defence Budget continues the increasing trend started in 2014
- Growing procurement and R&D
- Improved economic conditions and strategic challenges
- Rebuilding the Military in US
- European efforts to increase budget to 2% GDP in NATO Countries
- Asia Pacific & Middle East most attractive EU markets

Sources: IHS Jane's Nov2017 and Leonardo estimates; Exchange rate \$/€= 0,90372; IHS Janes - Nov. 2017 RID 7/17



# Improving markets provide a strong backdrop for our growth plan

*Our domestic markets remain stable... with some opportunities*



- Substantially flat Defence Budget

- Possible additional funds in the next few years

- Italy is bucking the trend compared to other NATO Countries

- Procurement continue to receive a limited amount

- Moderate growth in the UK Defense Budget under pressure

- Confirmation of the Security initiatives outlined in the SDSR and funding

- Defence Equipment Plan in place

- Brexit uncertainties

- Increasing trend in US Defence Spending more than 3% of National GDP

- Procurement expected to grow

- Boosted Cyber Security funds (Cyberspace included)

- Some funds allocated to Foreign Military Financing

Sources: IHS Jane's Nov2017 and Leonardo estimates; Exchange rate £/€= 1.22448; IHS Janes - Nov. 2017 RID 7/17

# Improving markets provide a strong backdrop for our growth plan

Potential opportunities from European spending and 2% GDP NATO countries target

## EUROPEAN DEFENCE ACTION PLAN



The European Council adopted the «*implementation plan of the global strategies on matters of defence and security*» and the *European Defence Action Plan*

## EUROPEAN FUNDS

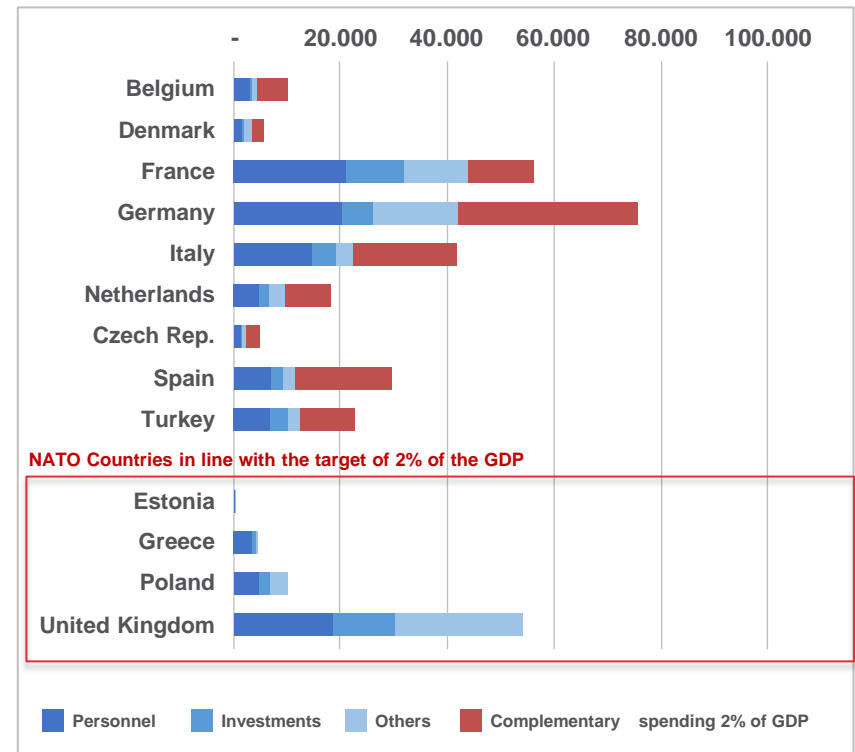
### Research Window»

- Preparatory Action - € 90 mln from 2017 to 2020
- EDRP (*European Defence Research Program*) - € 500 mln/year in the period 2021-2028, for a total of € 3.5 bn
- «*Capability window*»
- Financial instruments for the co-development of technologies and capabilities acquisition
- Defence Industrial Development Plan - DIDP - € 500 mln on 2019-2020
- DIDP 2 from 2021, € 1 bn from EC with 5x multiplier effect. Overall estimated volumes € 5 bn/year

## ACHIEVEMENTS

- Leonardo was awarded the European research tender (OCEAN2020) for naval surveillance technology, issued by the European Union under the 'Preparatory Action on Defence Research'

## NATO 2%GDP TARGETING - EUROPEAN COUNTRIES



Source: Leonardo elaboration on Budget NATO estimate, 2017

# Strong portfolio focused on 3 core divisions

## Helicopters

28% of 2017 Revenue



- Best in class business
- Outstanding product portfolio
- Leading margins

## Electronics, Defence & Security Systems

47% of 2017 Revenue



- Solid business built on long term contracts
- Healthy backlog
- Key export market exposure

## Aeronautics

25% of 2017 Revenue



- Key player in leading international programmes
- Strong backlog
- Attractive product portfolio (i.e. Family Trainer)

# World class Helicopter business



- Leadership position in key segments

- Right product strategy

- A family of Helicopters (AW139, AW169, and AW189) with the same design philosophy and safety standards

- High performing products

- Well positioned for military opportunities

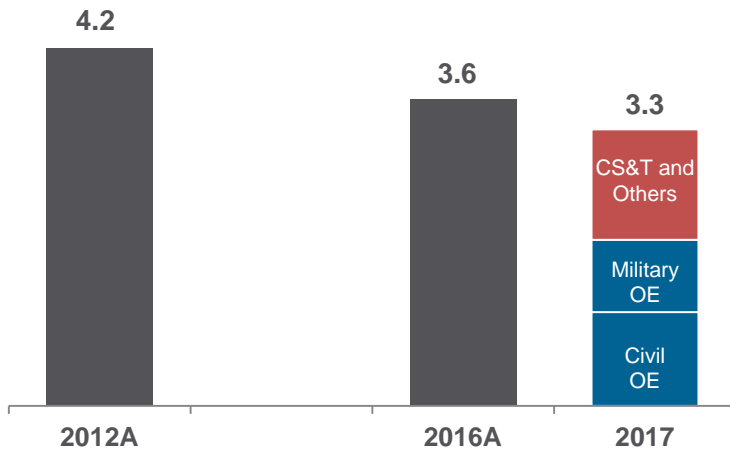
- Focus on customer support and Training programmes

- Leading innovation (AW609 tiltrotor and RUAV)

# We are clear why we didn't perform in 2017...

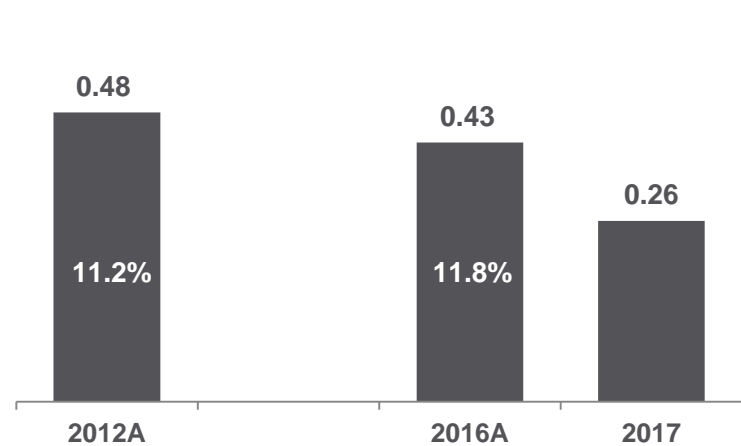
## Financial impacts

LEONARDO HELICOPTERS REVENUES € bn



- Lower revenues due to
  - Decline in the civil market
  - Mix effect
  - Reduced contribution from military programs in 2017

LEONARDO HELICOPTERS PROFITABILITY € bn

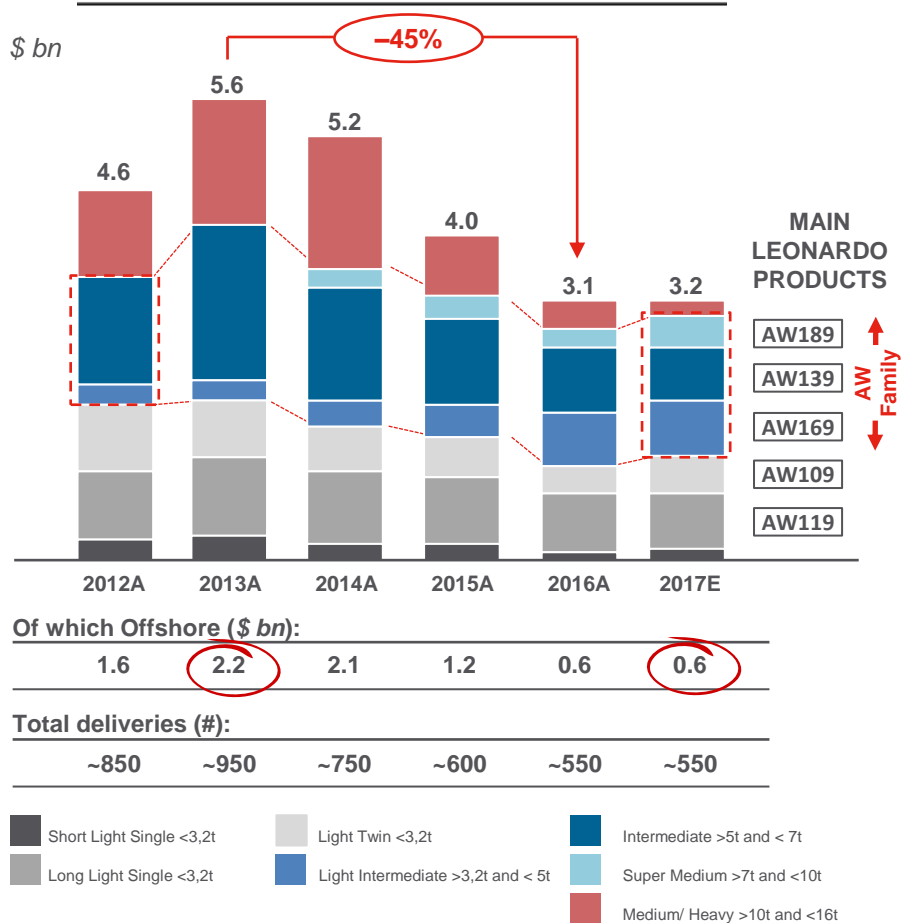


- Lower profitability due to
  - Lower volumes
  - Mix change
  - Reworks and inefficiencies
  - Issues on specific 2017 military contracts

# We are clear why we didn't perform in 2017...

*Strong External Factors in the Civil Market*

## SIGNIFICANT MARKET DECLINE



- Total market declined by 45% between 2013 and 2016
- We dominate "Intermediate" with mature AW139
- "Intermediate" class grew ...but splits into 3 different markets
- We meet market need with younger AW169 & AW189
- Our share of broader 'Intermediate' remains above 50%
- Profit impact from mix shift to younger / low margin product
- Focused presence in lighter classes, newly certified Trekker

Source: Internal analysis on Leonardo Helicopters reference civil market; Economic Condition 2017; third parties analysis

# Illustrating the mix shift in civil 3–10 tonnes range

Leonardo 3–10 tonnes classes revenues have grown between 2012 and 2017 – taking share, but mix impacted profitability

**LIGHT INTERMEDIATE**  
<3,2t

**CORE INTERMEDIATE**  
>3,2t and < 5t

**SUPER MEDIUM**  
>7t and <10t

**TOTAL**

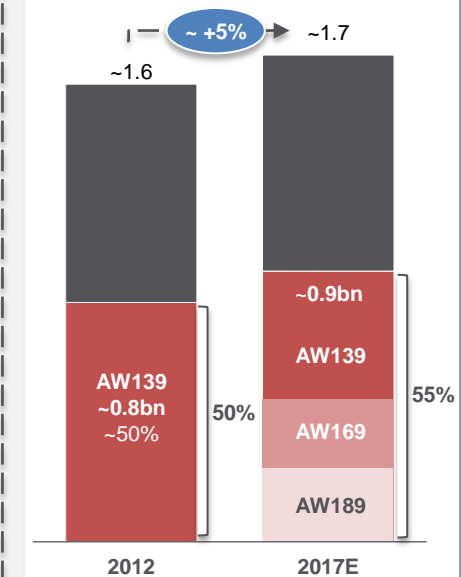
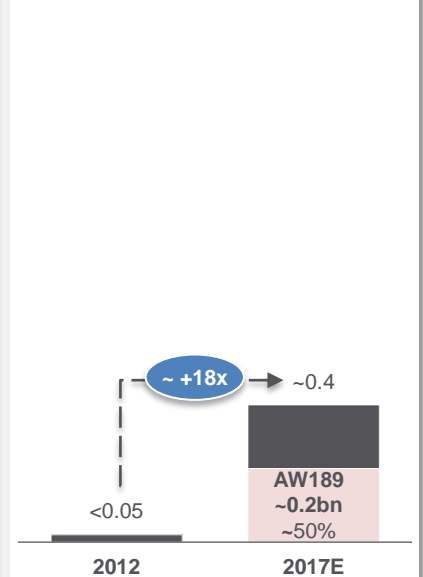
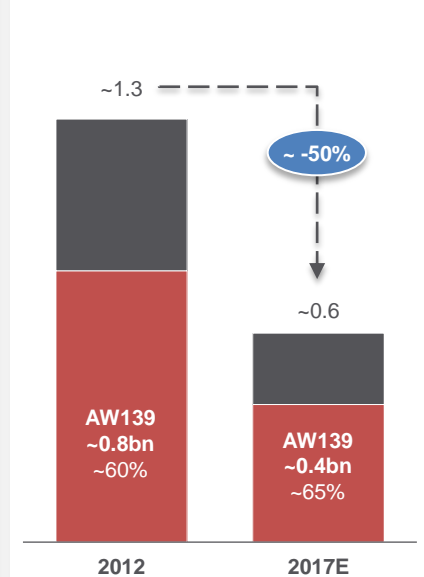
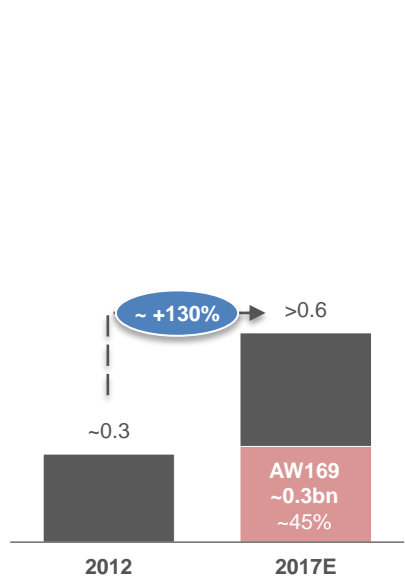
Split

**AW169**  
Driven all growth

**AW139**  
Maintained Share

**AW189**  
Market leader in new category

**AW169, AW139, AW189**  
Taken share



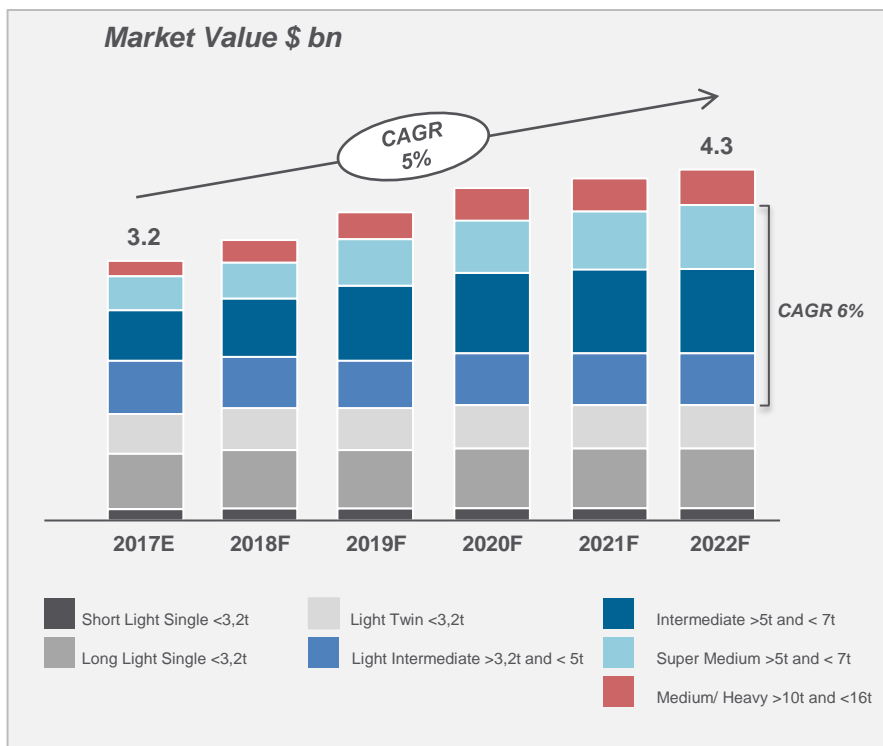
\$ bn    ■ Leonardo    ■ Other players

Source: Internal analysis on Leonardo Helicopters reference civil market; Economic Condition 2017; third parties analysis

# We have a great opportunity in an improving market

*Well positioned in the right areas of Civil*

## CIVIL HELICOPTERS MARKET FORECAST



Source: Internal analysis on Leonardo Helicopters reference civil market; Economic Condition 2017; third parties analysis

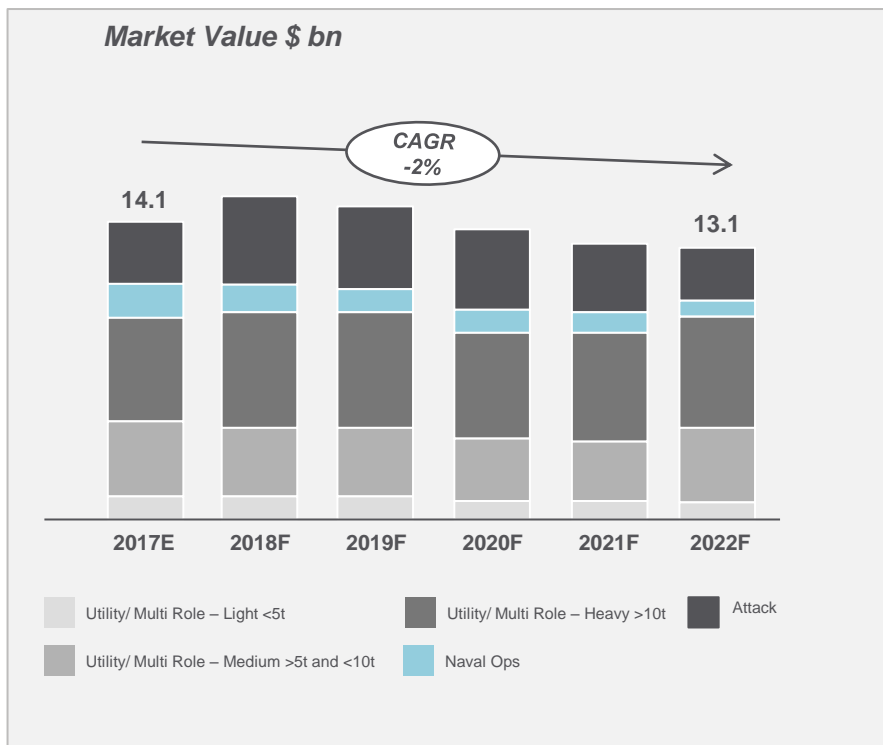
- Conservative approach, lower than major external analysts' forecasts
- Light Intermediate (AW169), Intermediate (AW139) and Medium (AW189) are main growth drivers
  - Delivering the best value for money
- Light classes will experience low growth, high competition and cost sensitivity
  - Focused presence in specific segments
- Medium/ Heavy segment not attractive



# We have a great opportunity in an improving market

*Catching non linear opportunities*

## MILITARY HELICOPTERS MARKET FORECAST



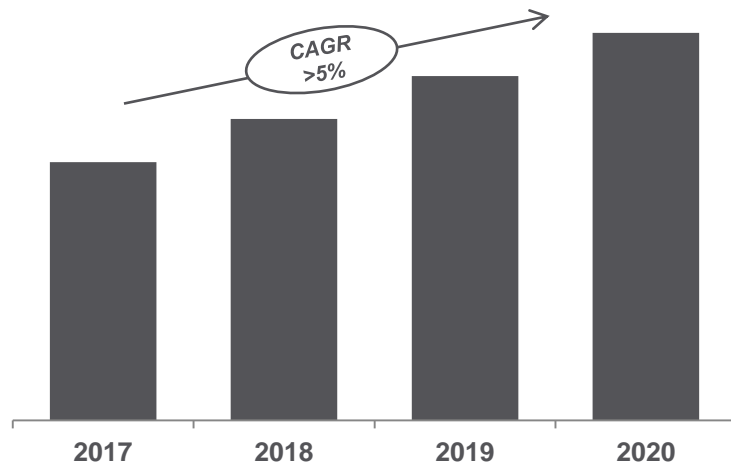
Source: Internal analysis on Leonardo Helicopters reference civil market; Economic Condition 2017; third parties analysis

- Military budget constraints & committed programmes tailing off; waiting for new procurement cycle
- Utility/Multi-role helicopters, mainly dual use military variant, will largely prevail
- We are well positioned
  - Wide and strengthening dual use products portfolio
  - Competitive military specialized platforms addressing multi-role, naval and attack segments
- Priority to diversify, penetrating new geographies

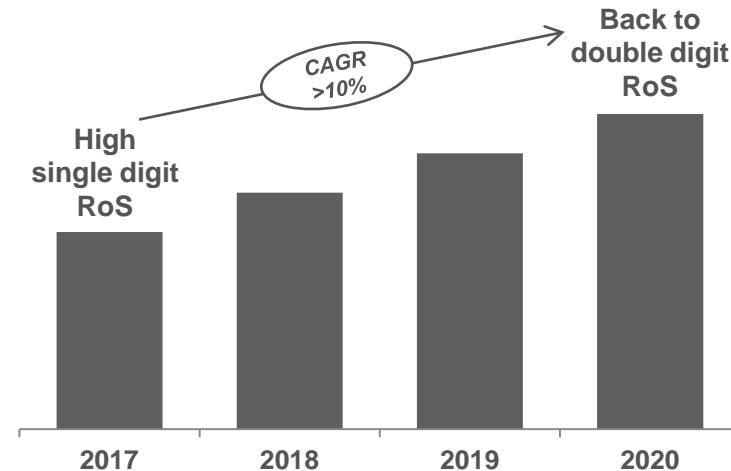
# Executing a plan to deliver a return to sustainable growth

*Realistic expectations*

LEONARDO HELICOPTERS REVENUES € bn



LEONARDO HELICOPTERS EBITA €bn

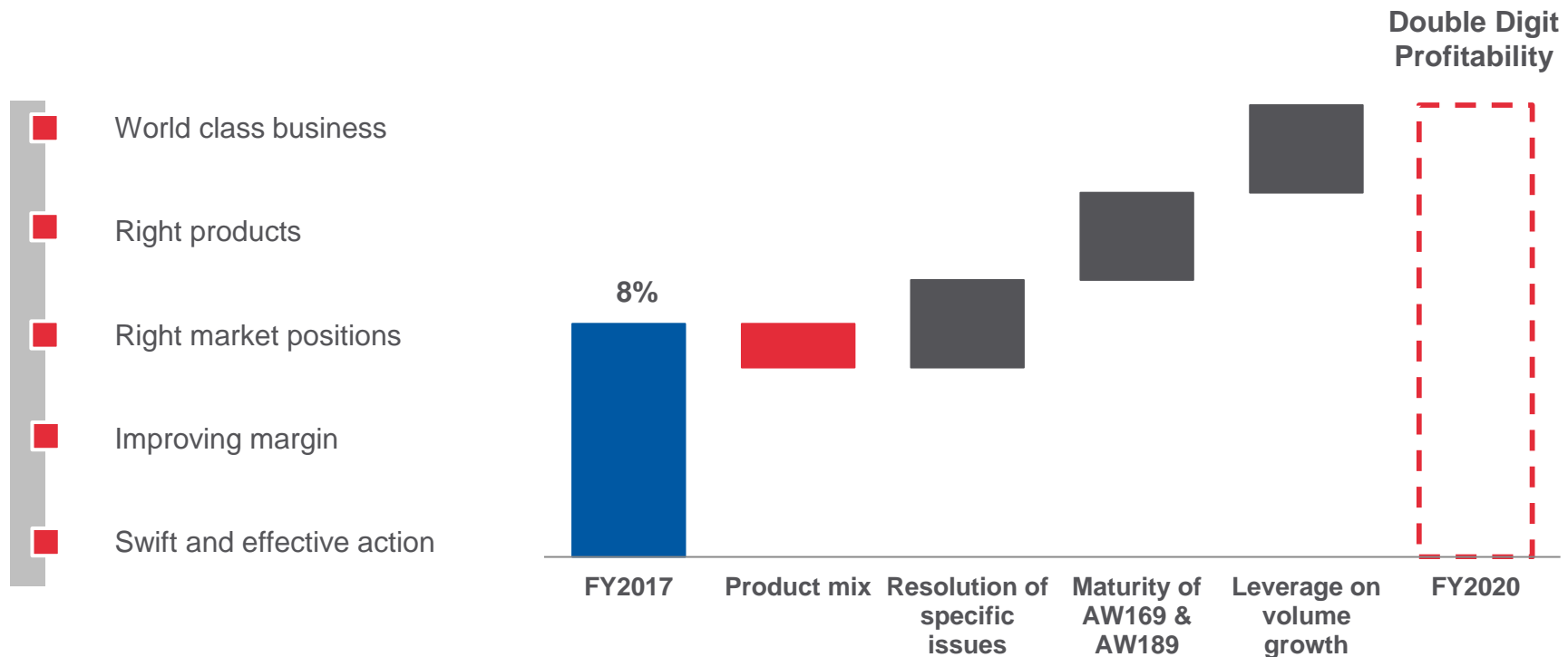


- Back to double digit profitability by 2020
- A return to growth supported by an healthier market outlook
- Capturing growth by improving actions already deployed
- Aimed at delivering effectively what we have planned
  - Roughly 90% of our deliveries in 2018 already have a clear configuration
- Well balanced growth across the three key segments of Civil, Military and Customer Support & Training

# Return to double digit profitability 2020

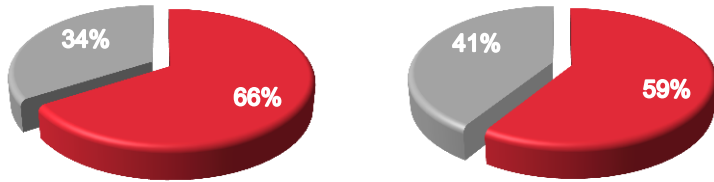
*Helicopter recovery*

## BUILDING BLOCKS OF THE RECOVERY



# Helicopters

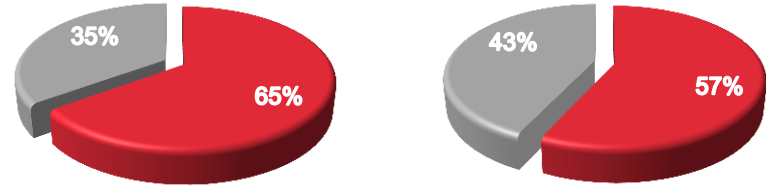
## 2016 REVENUES BY CUSTOMER/SEGMENT



■ Military / Governmental  
■ Commercial

■ OE  
■ CS&T / Other

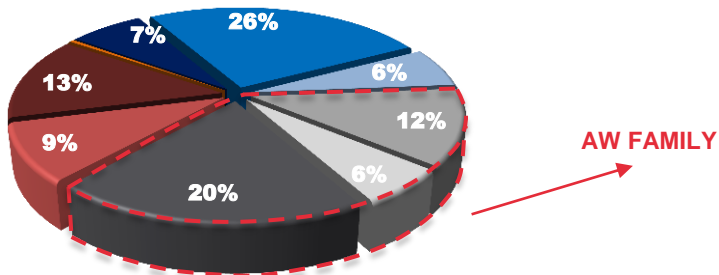
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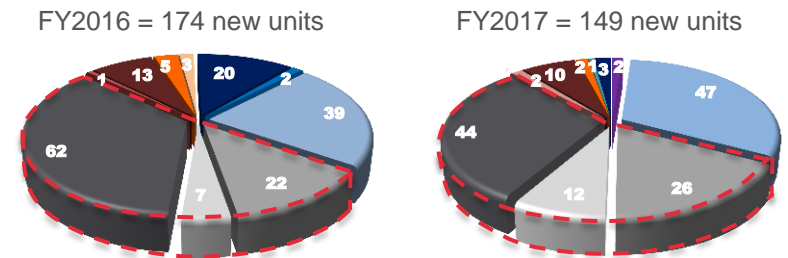
■ OE  
■ CS&T / Other

## BACKLOG BY PROGRAMME



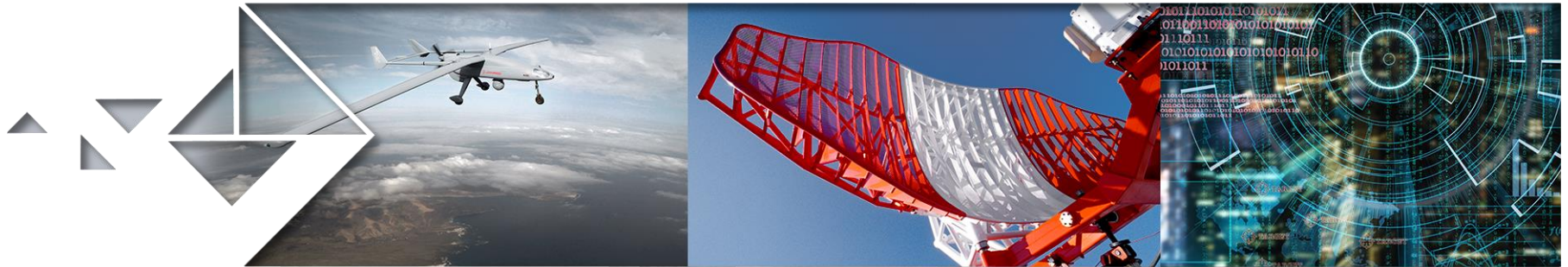
■ AW189 / AW149   ■ AW109 / AW119 / SW4   ■ T129  
 ■ AW169   ■ AW101   ■ NH90  
 ■ AW139   ■ AW159 / Lynx   ■ CH47

## DELIVERIES BY PROGRAMME



■ AW189   ■ AW109 / AW119   ■ AW149   ■ W3 / SW4  
 ■ AW169   ■ AW101   ■ T129   ■ CH47  
 ■ AW139   ■ AW159 / Lynx   ■ NH90   ■ Leasing

# European leader in Electronics, Defence and Security Systems



- Radars and sensors
- On-board avionics
- Electronic warfare systems
- ISTAR Avionic – Surveillance

- C4I Systems / Aero Defence
  - Naval systems
  - Combat systems
  - Combat management Systems
- Cyber Security
- Exposure to the Biggest Defence Market (US) through DRS

# Key programmes and technologies to sustain Aeronautics in the long term



## ■ International Cooperation Programmes

- Eurofighter Typhoon
- F-35 Lightning II

## ■ Able to provide complete solutions in Military Training Syllabus

- Trainer Aircraft (M-345 HET, M-346)
- Ground Based Training System (GBTS) for pilots and ground crew

## ■ UAVs Evolution (UCAV)

## ■ Tactical Transport Aircraft & Special Mission

- C27-J

## ■ Cutting Edge Technologies in structural components (i.e. B787)

## ■ Regional Transport Aircraft (ATR)

# Broad range of Space application



- Galileo satellite navigation system
- COSMO-SkyMed, one of the most innovative programmes in the field of Earth Observation for military and civil applications
- Copernicus, aimed at monitoring the environment and mitigating the effects of climate change

- Presence on the entire space value chain
  - Space Services
  - Space Manufacturing
  - Launchers and space propellers
- Space economy
  - Innovative programmes
  - Constellations of small satellites for Earth Observation
- Strong growth in services with vertical applications
  - i.e Precision agriculture

# Customer Support & Training focusing on customer needs

## ■ **FULL - SERVICE PROVIDER**

- New approach to customer support, mainly on training services, based on proprietary products

## ■ **GLOBAL PARTNER**

- New worldwide excellence standards for the customers and implementation of an integrated Global Network, supporting products of all the Divisions

## ■ **TRAINING**

- Worldwide helicopter training centers (Italy, United Kingdom, United States, Malaysia and authorized centers in the rest of the world)



*Side by side with the customer during the entire life cycle of the product, with know-how, technologies and skills*

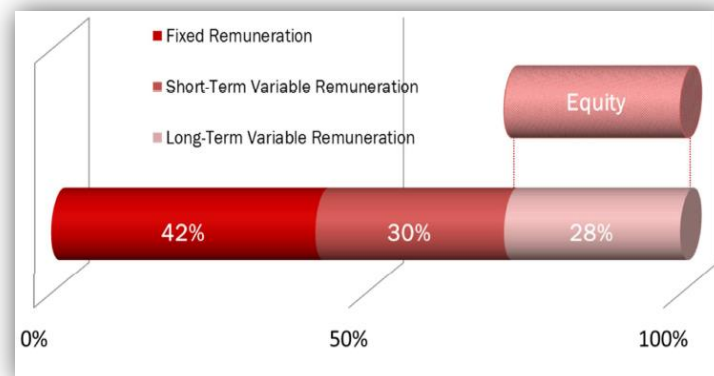


# Balanced Remuneration Policy

*Aligned with shareholders interests*

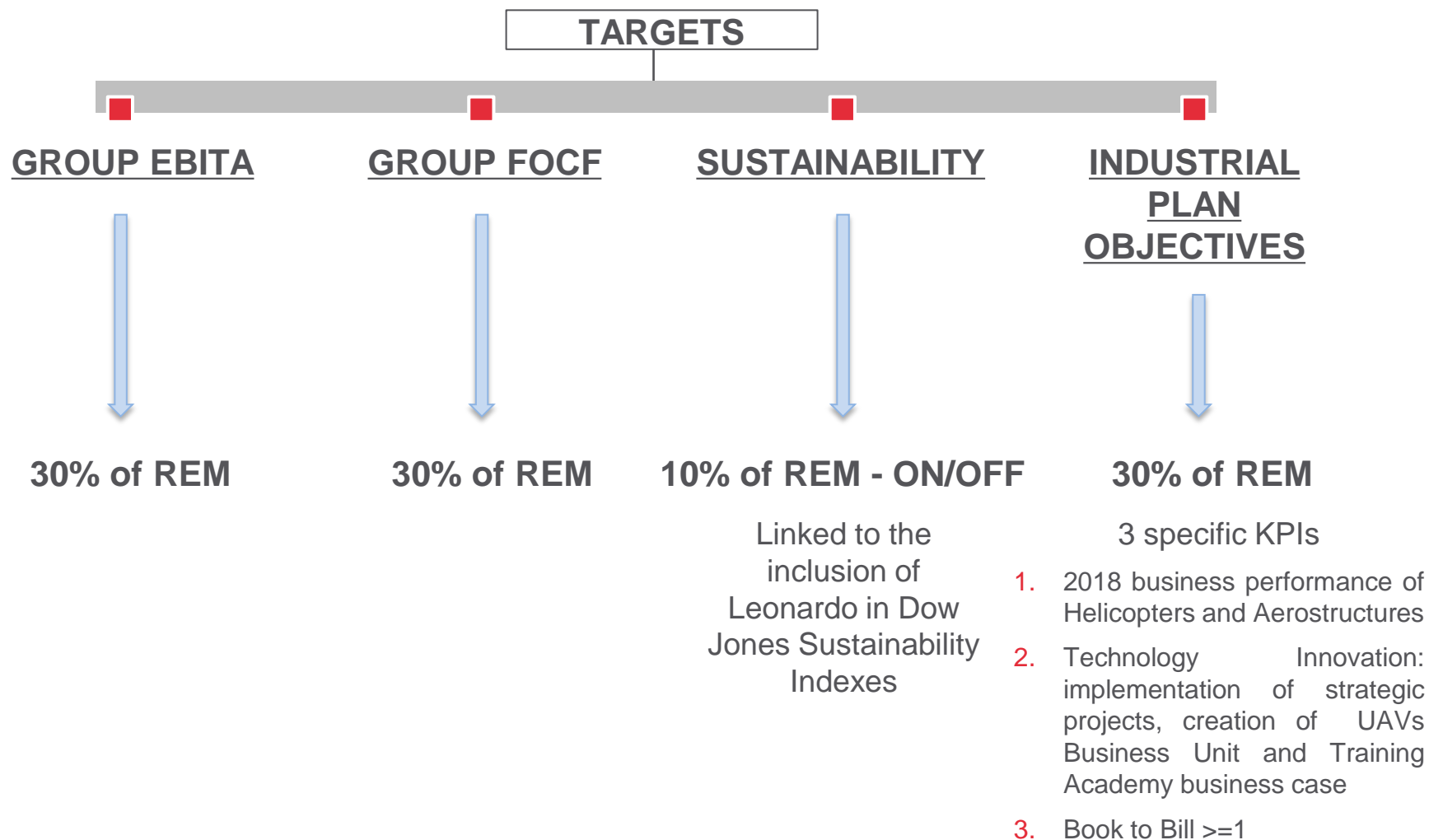
- Clear link between pay and degree of achievement of targets
- Aligning the remuneration package with international market best practices
- Reducing risk-oriented behaviour
- Attracting / retaining resources regarded by the Company as key performers
- Complying with Transparency and Merit system behind Leonardo strategy
- Including Sustainability/ESG objectives, consistently with business strategy

## CEO REMUNERATION



# CEO performance: Management by Objectives

*MBO remuneration is paid in cash on a yearly basis*



# Remuneration scheme: Methodology

## CLAW-BACK CLAUSE

- Provided for all the variable incentives assigned starting from 2014
- Leonardo is entitled to request repayment of the variable remuneration paid in the event of incorrect or misstated data

## SEVERANCE

- If CEO appointment is:
  - revoked
  - terminated early
  - terminated by CEO with just cause
- ...he will receive the total remuneration (fixed and variable elements) as would have been until the natural expiry of the term of office (descending down to zero upon natural expiry)

## TSR PEER GROUP (LTIP)

- Leonardo's performance will be measured in relation to a "peer group" selected on comparability
  - Aerospace and Defence companies
  - Industrial companies in the FTSE MIB

# Long Term Incentive Plan (LTIP)

## ■ BENEFICIARIES

- Chief Executive Officer
- Executive directors, employees and/or associates with a decisive impact on the achievement of business results (210 people)

## ■ FREQUENCY

- 3 year cycles assigned yearly on a rolling basis

## ■ AWARD

- Max 53.6% € 500.000 CEO
- Max 140% of gross annual remuneration ESR

## ■ LOCK UP

- 1 year

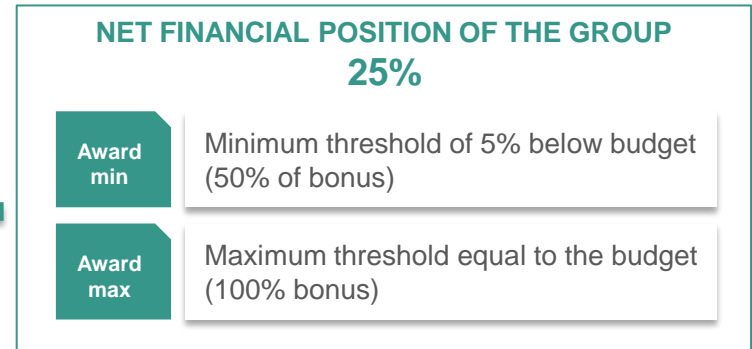
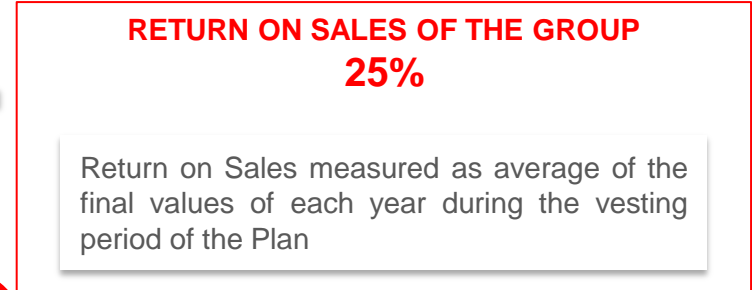
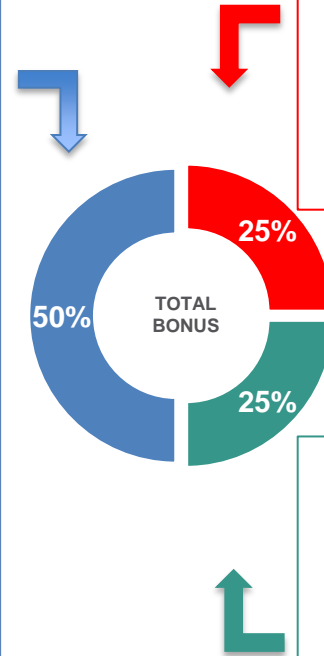
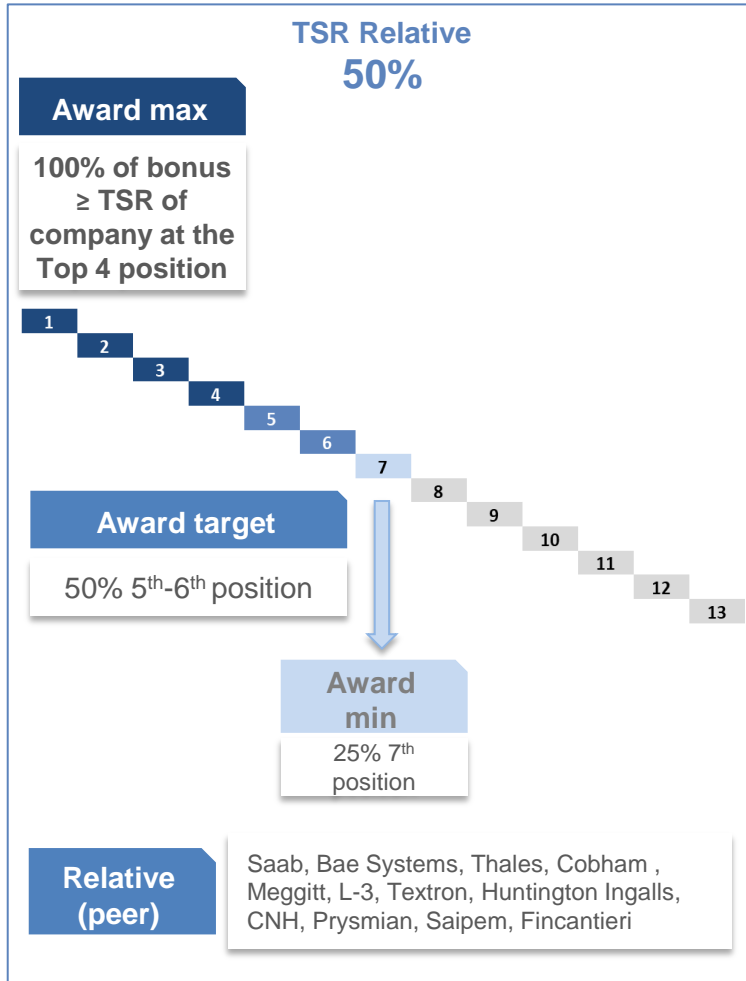
## ■ VESTING PERIOD

- 3 year

## ■ PAYOUT

- Shares only for Management, Key Management Personnel and other Top Executive
  
- Shares & Cash for other Beneficiaries (70% shares and 30% cash or vice versa)

# LTIP Performance conditions



# SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

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Leonardo Social Hub

