3Q/9M 2017 Results Presentation

Alessandro Profumo Chief Executive Officer

Alessandra Genco Chief Financial Officer

Rome, 9 November 2017

LEONARDO

1. **2017 UPDATE**
   Alessandro Profumo - CEO

2. **2017 FINANCIAL REVIEW 3Q/9M RESULTS AND OUTLOOK**
   Alessandra Genco - CFO

3. **TAKING ACTION TO BUILD SUSTAINABLE LONG-TERM GROWTH**
   Alessandro Profumo - CEO

4. **Q&A**

2017 tougher than expected, fundamentals and medium-term opportunities confirmed

- 9 months results broadly in line in Aeronautics and Defence Electronics but affected by Helicopters
- Year as a whole will be tougher than expected
  - Helicopters expected to be impacted by continuous market and execution challenges: Management changed and actions taken
- Continued confidence in medium-term opportunities
  - Based on 3 key pillars

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2017 Update

Providing clarity on Helicopters

Progress

9M2017A	
Aeronautics	Broadly in line
Defense & Eletronics	Broadly in line
Helicopters	Weaker than expected
FY2017E	
FY Guidance	Tougher than expected due to Helicopters

Current headwinds

- **Market challenges**
  - Lower volumes
  - Over supply vs demand
  - Competitive pricing
  - Lower military / governmental
- **Execution issues**
  - Production processes
  - AW169 issues taking too long

Long-term confidence

- **Core strengths**
  - Great engineers
  - World class product portfolio
  - Strong client base
- **Taking action**
  - New Managing Director
  - Optimising production process
  - “Should cost” on AW169
  - More customer centric approach

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Financial Review

Group performance YTD broadly on track; FY 2017 tougher than expected

- 9 months results broadly in line in Aeronautics and Defence Electronics but affected by Helicopters
  - Good commercial performance across the Group
  - Stable revenues
  - RoS at 8.8% reflects solid Aeronautics and Defence Electronics, partially offsetting Helicopters weakness
- Improving financial discipline
- FY2017 Guidance on Revenues and EBITA updated to reflect Helicopter weakness

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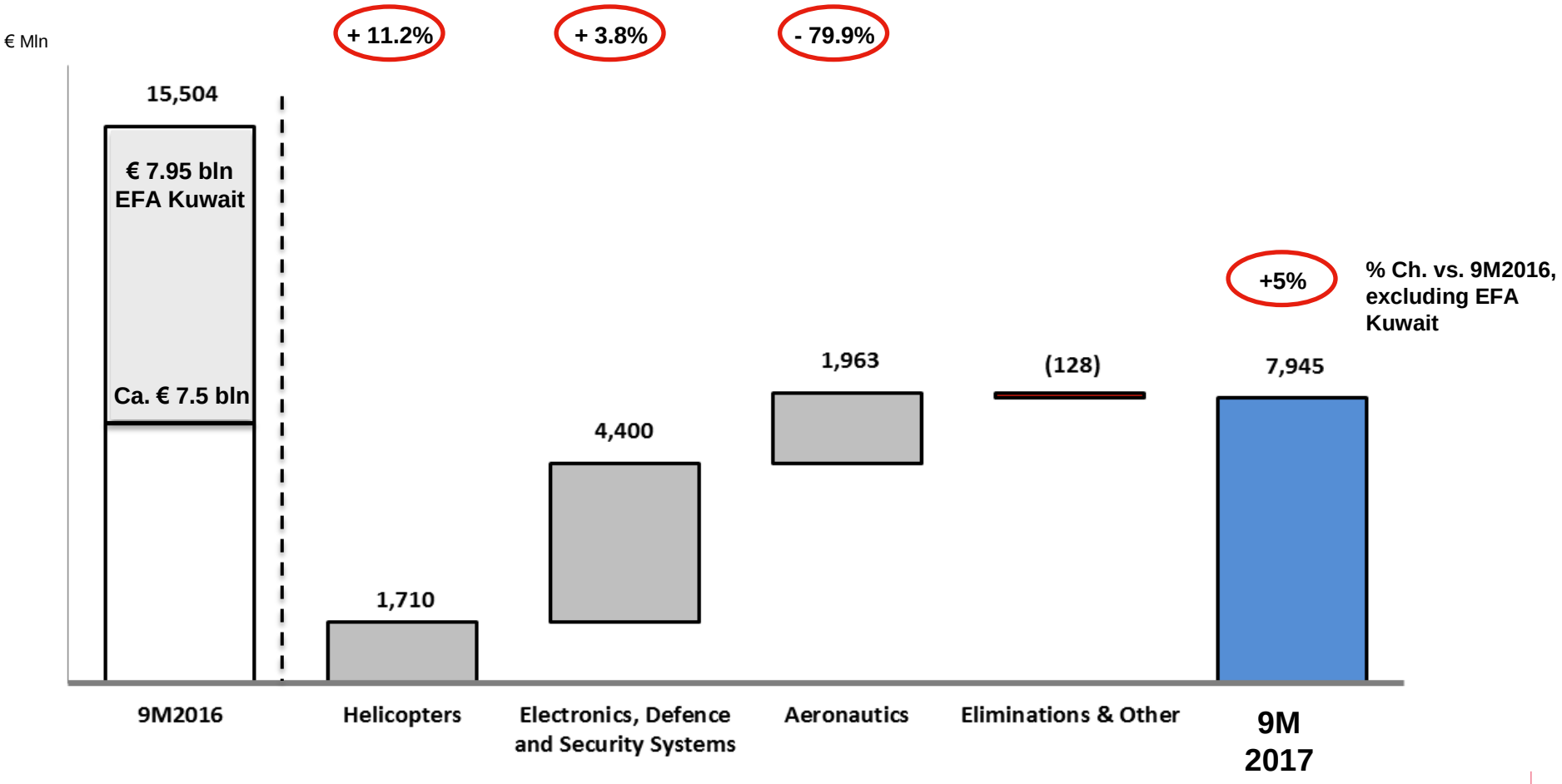
New Orders

Good momentum confirmed



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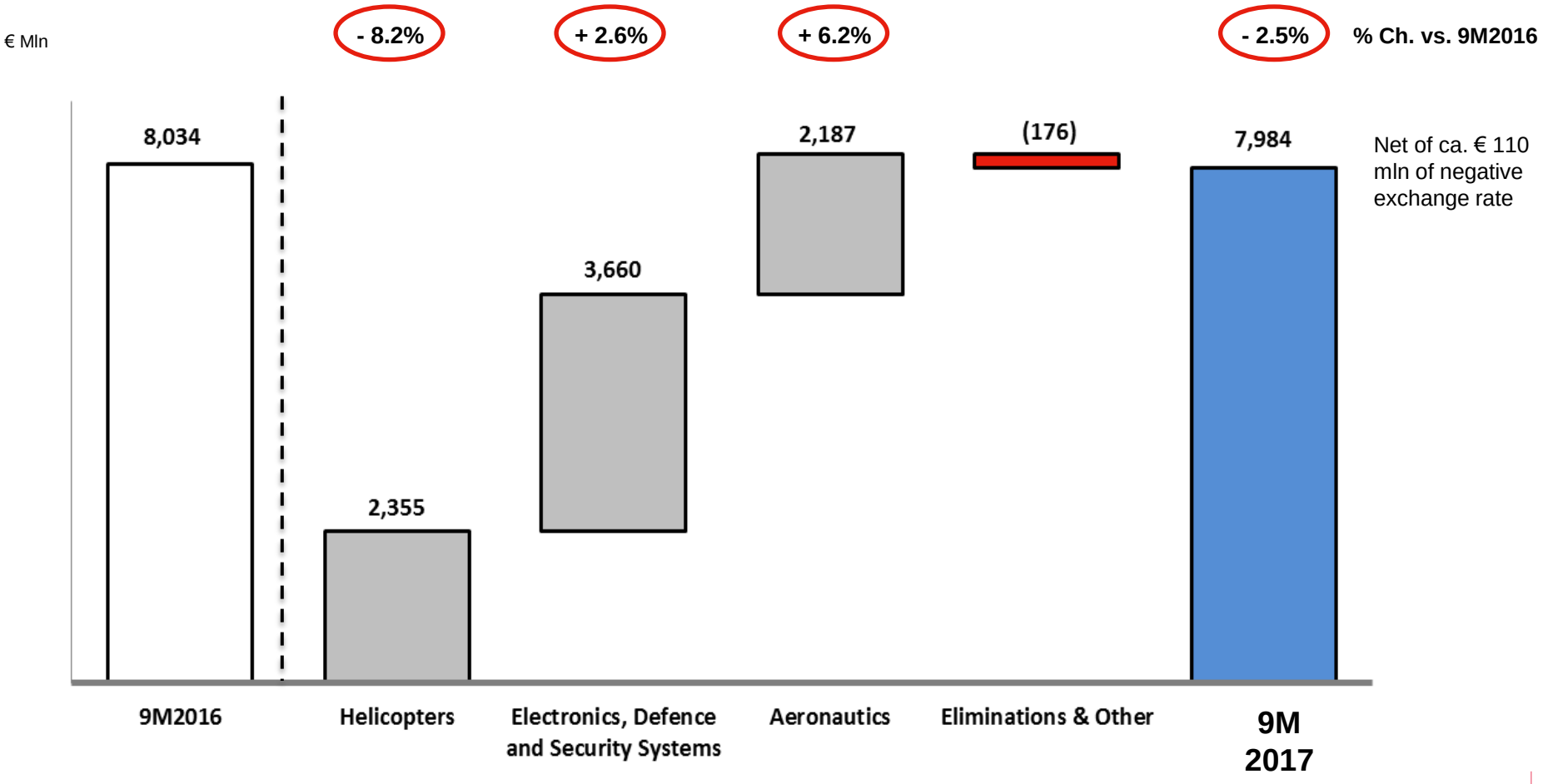
Revenues

Stable despite forex headwinds



Net of ca. € 110 mln of negative exchange rate

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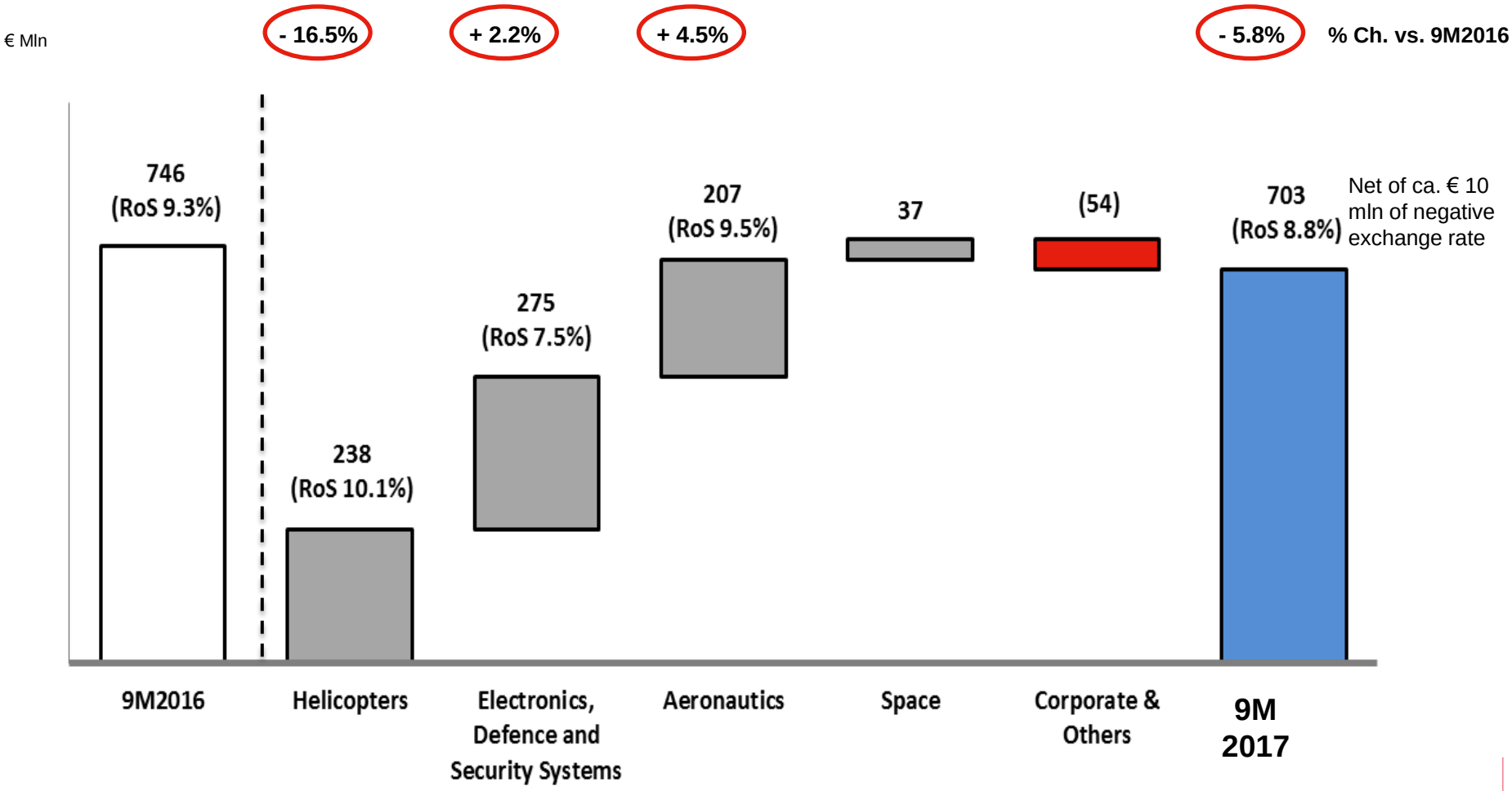
EBITA and Profitability

Robust performance



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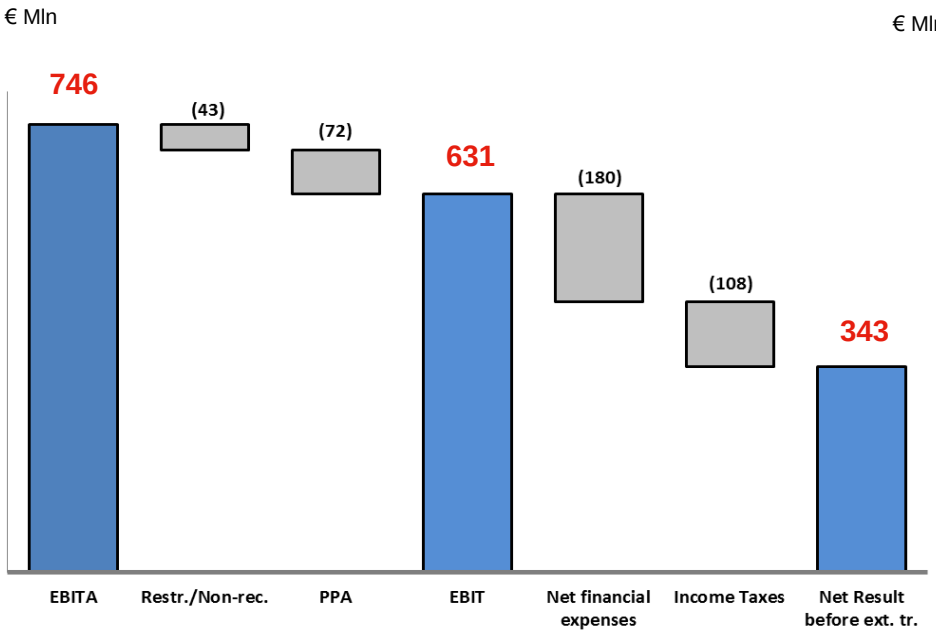
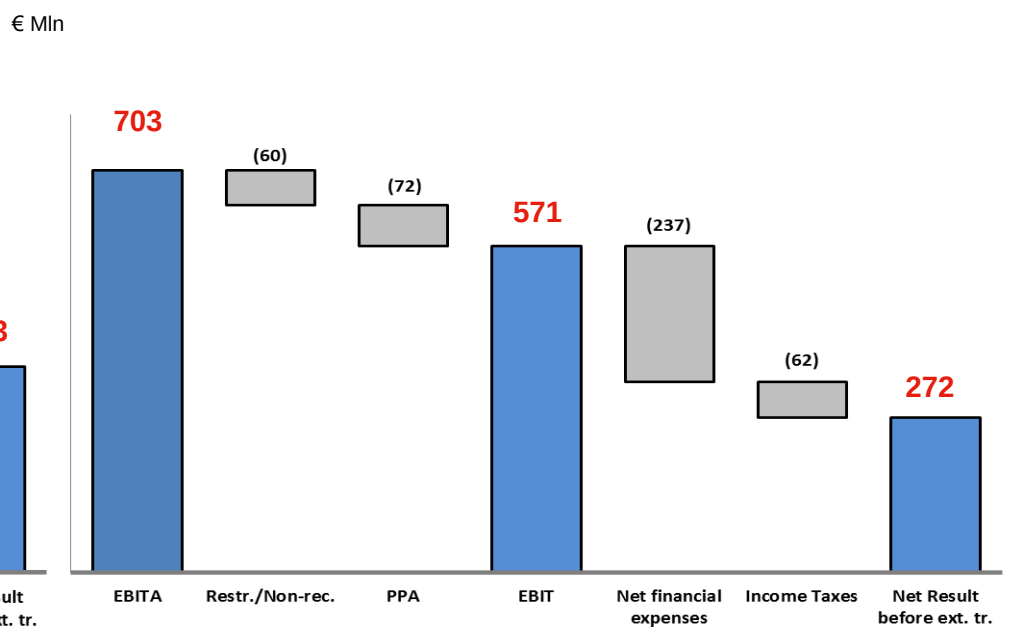
Net Result Before Extraordinary Transactions

9M2016



9M2017

- 5.8%
- 9.5%
- 20.7%



- Lower taxes partially offsetting slightly higher restructuring and Net financial expenses (benefitting from positive fair value in 2016 for € 36 mln)

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Improving balance sheet

Financial position (as of end of September 2017) and Rating

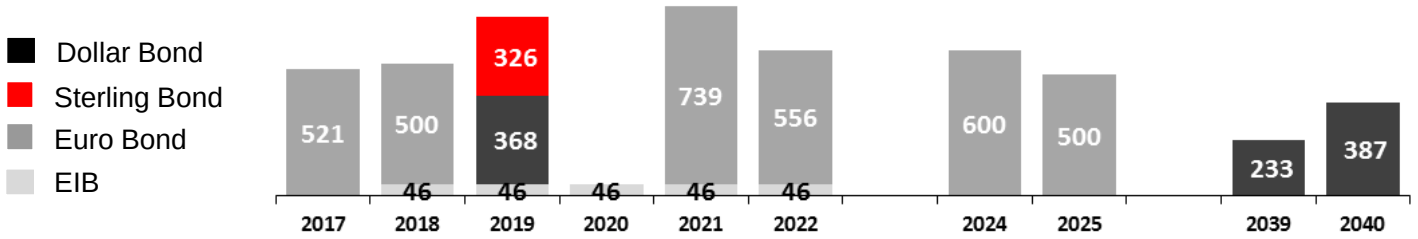
FINANCIAL POSITION

Bond	4,816
Bank Debt including EIB Loan	283
Cash Available	(1,574)
Other financial assets/liabilities	479
	4,004

(€mil)

Average life: ≈ 6 years

Debt maturity profile



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

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Updated FY2017 Guidance

- (*) Assuming finalization of C27J export contracts
- (**) Assuming cash-in of EFA Kuwait payments related to 2017 milestones

		FY2016A	FY2017E Old	FY2017E New
New orders	*€ bn*	20.0	12.0 – 12.5	ca. 12.0 (*)
Revenues	*€ bn*	12.0	ca. 12.0	11.5 – 12.0
EBITA	*€mln*	1,252	1,250 – 1,300	1,050 – 1,100
FOCF	*€mln*	706	500 – 600	500 – 600 (**)
Group Net Debt	*€ bn*	2.8	ca. 2.5	ca. 2.5

Exchange rate assumptions: €/USD 1,15 and €/GBP 0,85

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Taking action to build sustainable long term growth

Continued confidence in our core strengths

- Clear and realistic on short – term issues
- Enduring benefits of industrial turnaround
- Confidence in 3 core pillars of growth
  - Helicopters; Defence Electronics; Aeronautics

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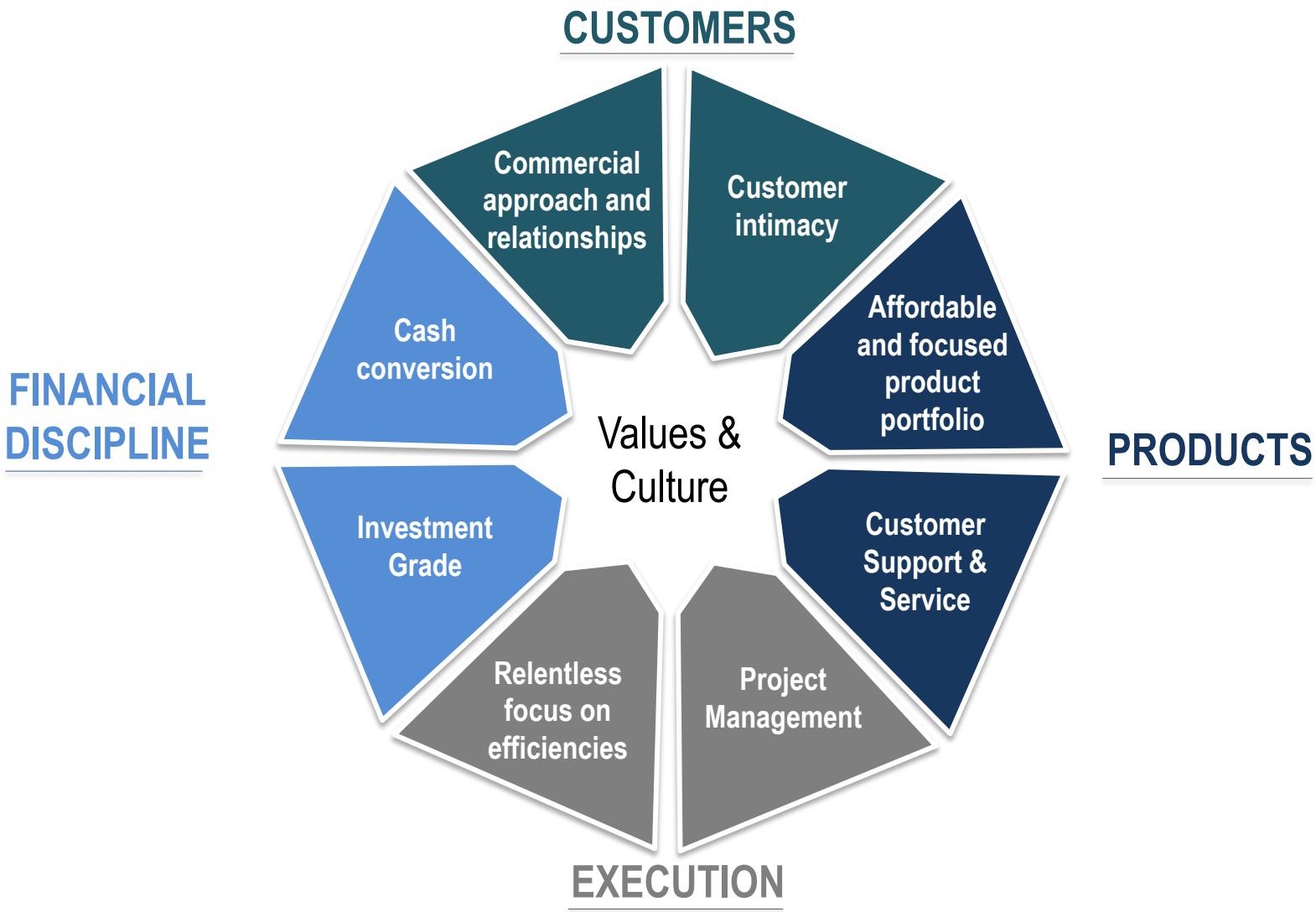
Clear priorities for to build sustanable long-term growth



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Key Priorities – Taking actions

Organization & People

- **New appointments to be more efficient, effective and customer focused, mainly leveraging on internal resources**
  - «One voice» approach with all stakeholders (External Relations, Communication, Italian Institutional Affairs, Investor Relations & Sustainability)
  - More effective internationalisation (International Relations)
  - Commercial Division reinforcement & coordination and customer support (Chief Commercial Officer)
  - More efficient and effective Organization and Processes (Chief People, Organization and Transformation Officer)
  - Group CFO and MDs of Divisions

Strategy and New Industrial Plan

1H 2017 — **3Q 2017** — **Early 2018**

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Strengthening commercial effort and focusing on customer support

Plan	*Actions Taken*
Rebuilding Commercial Network	*New CCO and CCO Group Organisation* *Foreign Office review* *Unification of name and branding* *Clear mission agreed with each local Office* *Establish Integrated Campaign Teams*
Focus on Customer Support	*Customer Support Coordination functions at Corporate Center level* *Establishing Customer Support LoB within each Division* *Establishing Logistical Hubs within Regions*
Optimisation of Product Portfolio	*Work ongoing*
European Presence	*Leveraging on European Defence Fund opportunities*

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Key messages

- 2017 tougher than expected
- Continued confidence in medium-term opportunity
- Core strengths, fundamentals and 3 key pillars for the Group confirmed

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Q&A

SECTOR RESULTS

3Q/9M 2017 results

Helicopters

€ Mln	3Q 2016	3Q 2017	3Q % Change	9M 2016	9M 2017	9M % Change	FY 2016
Orders	580	568	(2.1%)	1,538	1,710	11.2%	3,737
Revenues	857	757	(11.7%)	2,565	2,355	(8.2%)	3,639
EBITA	83	64	(22.9%)	285	238	(16.5%)	430
ROS %	9.7%	8.5%	(1.2) p.p.	11.1%	10.1%	(1.0) p.p.	11.8%

- Higher orders YoY, still in challenging and uncertain markets
- Lower volumes due to market and execution challenges
- Solid profitability relative to group average and peers
- FY2017E Revenues expected to be lower than 2016 and profitability at high single digit

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3Q/9M 2017 results

*Electronics, Defence & Security Systems**

€ Mln	3Q 2016	3Q 2017	3Q % Change	9M 2016	9M 2017	9M % Change	FY 2016
Orders	1,749	2,040	16.6%	4,239	4,400	3.8%	6,726
Revenues	1,130	1,204	6.5%	3,567	3,660	2.6%	5,468
EBITA	92	75	(18.5%)	269	275	2.2%	558
ROS %	8.1%	6.2%	(1.9) p.p.	7.5%	7.5%	0.0 p.p.	10.2%

Of which DRS:

$ Mln	3Q 2016	3Q 2017	3Q % Change	9M 2016	9M 2017	9M % Change	FY 2016
Orders	594	611	2.9%	1,484	1,541	3.8%	1,923
Revenues	399	515	29.1%	1,170	1,298	10.9%	1,753
EBITA	30	32	6.7%	63	81	28.6%	128
ROS %	7.5%	6.2%	(1.3 p.p.)	5.4%	6.2%	0.8 p.p.	7.3%

- Good commercial performance
- Revenues in line YoY
- Profitability sustained by recovery in some areas
- 2017 Profitability expected to be substantially in line with last year
- DRS expected to deliver continued growth and further increase in profitability

Avg. exchange rate €/$ @1.1132 in 9M2017
Avg. exchange rate €/$ @1.1157 in 9M2016

*includes Defence Systems as a Division, DRS and MBDA

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3Q/9M 2017 results

Aeronautics

€ Mln	3Q 2016	3Q 2017	3Q % Change	9M 2016	9M 2017	9M % Change	FY 2016
Orders	305	183	(40.0%)	9,790	1,963	(79.9%)	10,158
Revenues	681	739	8.5%	2,060	2,187	6.2%	3,130
EBITA	83	75	(9.6%)	198	207	4.5%	347
ROS %	12.2%	10.1%	(2.1 p.p.)	9.6%	9.5%	(0.1 p.p.)	11.1%

- Good Order intake in both Divisions, excluding EFA Kuwait contract booked in 2016
- Revenues started to see the contribution of EFA Kuwait contract
- Higher EBITA driven by both Divisions, more than offsetting ATR expected lower contribution
- 2017 Revenues in line with 2016, with “Double digit” profitability confirmed

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3Q/9M 2017 results

Space

€ Mln	3Q 2016	3Q 2017	3Q % Change	9M 2016	9M 2017	9M % Change	FY 2016
EBITA	14	10	(28.6%)	43	37	(14.0%)	77

- Lower contribution due to lower profitability in Services, and higher taxes in Manufacturing
- 2017 Profitability in line with 2016

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APPENDIX

3Q/9M 2017 results

Group Performance

€ Mln	3Q 2016	3Q 2017	3Q % Change	9M 2016	9M 2017	9M % Change	FY 2016
New Orders	2,637	2,884	9.4%	15,504	7,945	(48.8%)	19,951
Backlog				34,589	33,931	(1.9%)	34,798
Revenues	2,621	2,658	1.4%	8,034	7,984	(0.6%)	12,002
EBITA	274	221	(19.3%)	746	703	(5.8%)	1,252
ROS %	10.5%	8.3%	(2.2) p.p.	9.3%	8.8%	(0.5 p.p.)	10.4%
EBIT	232	171	(26.3%)	631	571	(9.5%)	982
EBIT Margin	8.9%	6.4%	(2.5 p.p.)	7.9%	7.2%	(0.7 p.p.)	8.2%
Net result before extraordinary transactions	143	78	(45.5%)	343	272	(20.7%)	545
Net result	142	77	(45.8%)	352	271	(23.0%)	507
EPS (€ cents)	0.247	0.134	(45.7%)	0.612	0.472	(22.9%)	0.879
FOCF	405	(441)	(208.9%)	(388)	(972)	(150.5%)	706
Group Net Debt				3,890	4,004	(15.5%)	2,845
Headcount				46,316	45,737	(1.3%)	45,631

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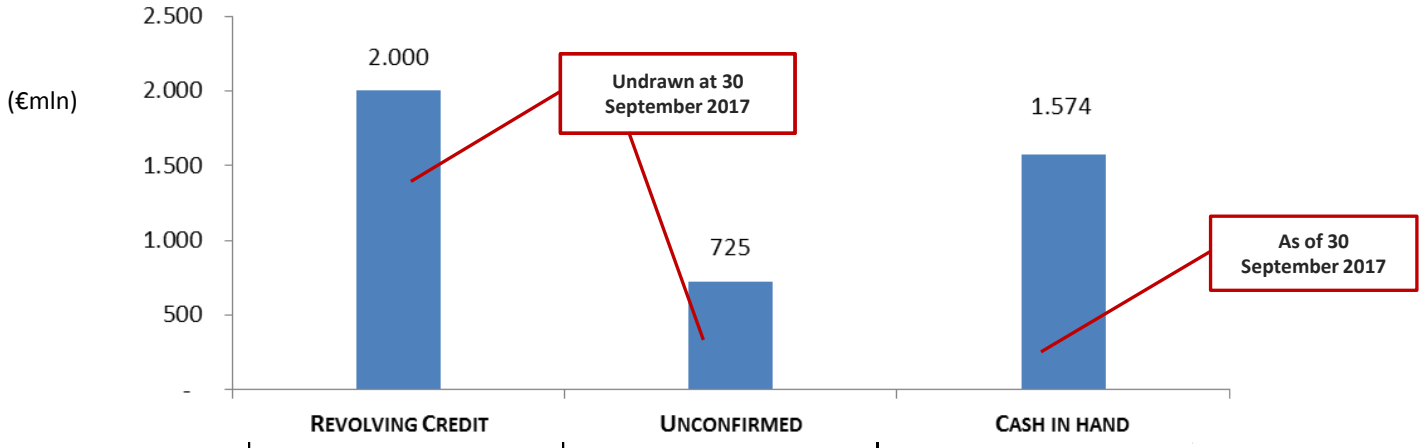
LIQUIDITY POSITION (as of end of September 2017)

Availability of adequate committed liquidity lines

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

- 30 September cash balance of approx. €1.6 Billion
- Credit lines worth €2.7 Billion (confirmed and unconfirmed)
  - The Revolving Credit Facility was renegotiated on 6 July 2015 lowering the margin from 180bps to 100bps. The renegotiated facility has an amount of €2.0bn and will expire in July 2020
- Bank Bonding lines of approximately €3.8 Billion to support Leonardo's commercial activity



Tenor	July 2020	18 months	
Margin	100 bps(1)	≈ 25 bps(2)	

(1) Based on rating as of 30/09/2017

(2) Average. Expected to be renewed at maturity

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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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2016 Annual Results

Quick links

Annual report 2016

Press release

Video webcast

Video channel

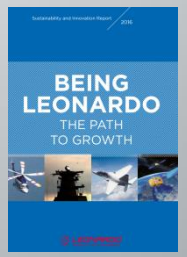
Slide channel

Sustainability

Member since 2010

Partecipation since 2008

Member since 2016



Sustainability and Innovation Report 2016

We do business in a sustainable manner, with a continued commitment to economic and social development and the protection of public health and the environment.