



Leonardo Group Lunch – Mediobanca

Gian Piero Cutillo – MD Helicopters

Investor Relations and Credit Rating Agencies

—
Milan, 6 February 2020





Agenda

- > **Focus on Helicopters**
- > Leonardo results and outlook
- > Appendix

Kopter acquisition extending market leadership leveraging SH09 helicopter

STRATEGIC RATIONALE

- Strengthen **positioning** in the **light single engine** segment (>1.8 tonne)
- Leverage **innovation**, **new capabilities** and **engineering skills**
- Exploit a **cost/effective** and **versatile platform**

KEY DATA

- Purchase price (cash and debt free) **185 M\$ plus earn out**
- To replace planned investments for new single engine helicopter
- **Closing** expected **Q1 2020**

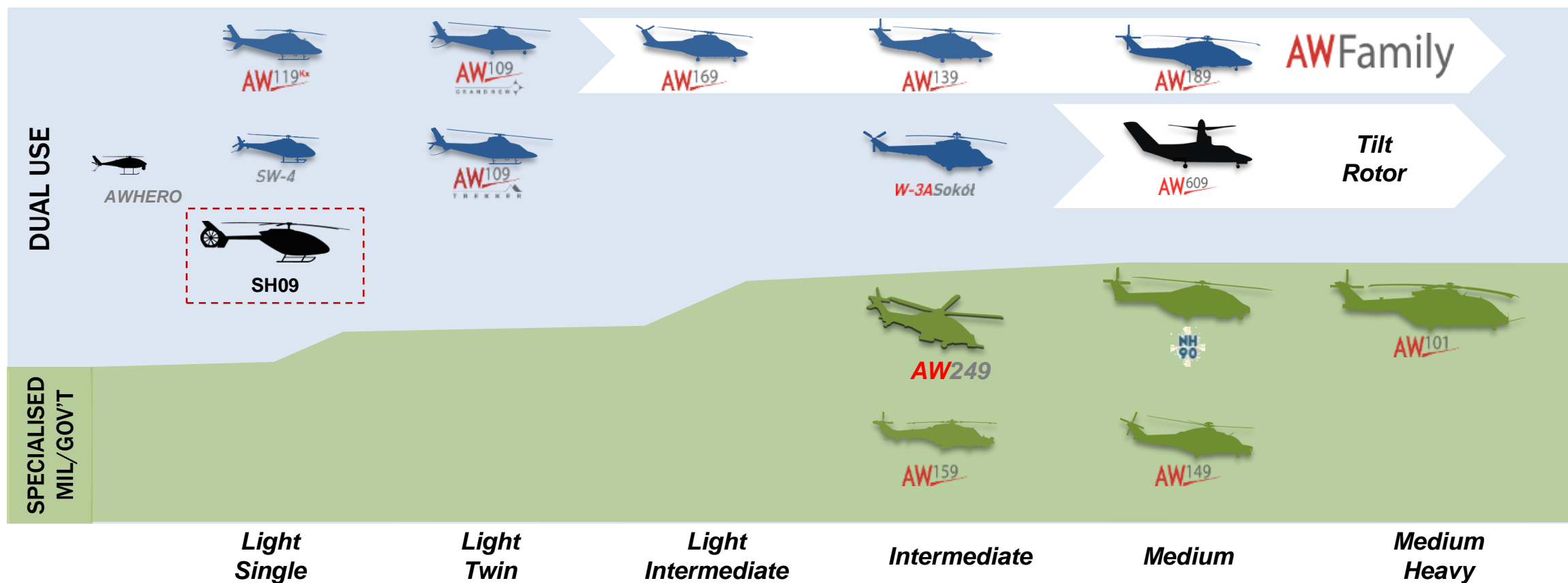
PRODUCT KEY SUCCESS FACTORS



- **Brand new single engine helicopter**
- **Latest technologies** and **Safety** features
- **High performance at affordable cost** for a variety of applications
- **Suitable for future developments** incl. hybrid/electrical options



SH09 perfect fit for our state of the art product range...



...offering opportunities for future technological developments and cross-fertilization

Increasing position in the US domestic market

- **Two key orders from US DoD in the last 18 months**
 - **TH-119 for US Navy, Leonardo Prime Contractor** for the first time
(130 helicopters + support equipment for ~650 M\$)
 - **MH-139 for US Air Force**
(84 helicopters + training & support for ~1.4 B\$)
- **Our US fleet doubled in 10 years**
- **~250 M€ revenues from US customers in 2018**
- **Built and delivered the 300th AW139 from our Philadelphia facility**





On track for sustainable growth

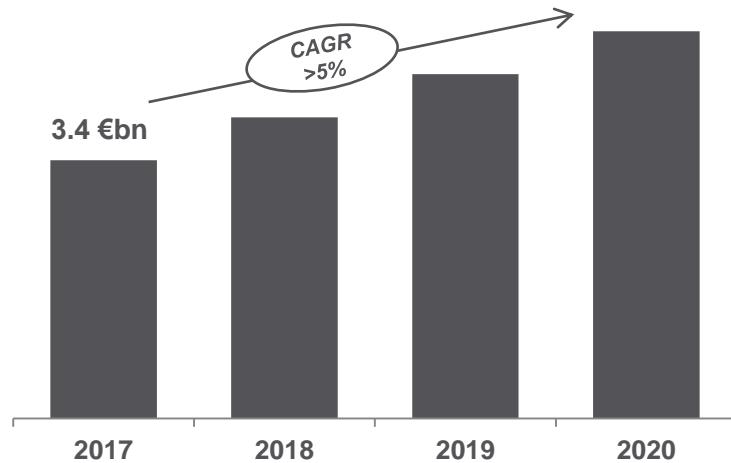
- Successfully **achieving our Industrial Plan targets**, notwithstanding challenging civil market
- Performing **pretty well in Military** market
- Weakening civil market, **keeping our leadership position** (especially 3-10 tonne)
- **Stronger offer for Customer Support & Training** and digitalization
- **Targeted investments** in our future products, services and technologies
- Strengthening further our **commitment to Safety**



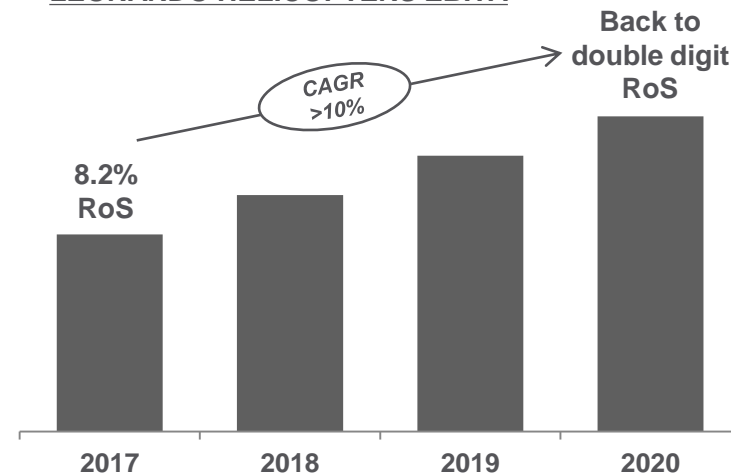


Fully focused on Industrial Plan Objectives: returning to sustainable growth

LEONARDO HELICOPTERS REVENUES



LEONARDO HELICOPTERS EBITA



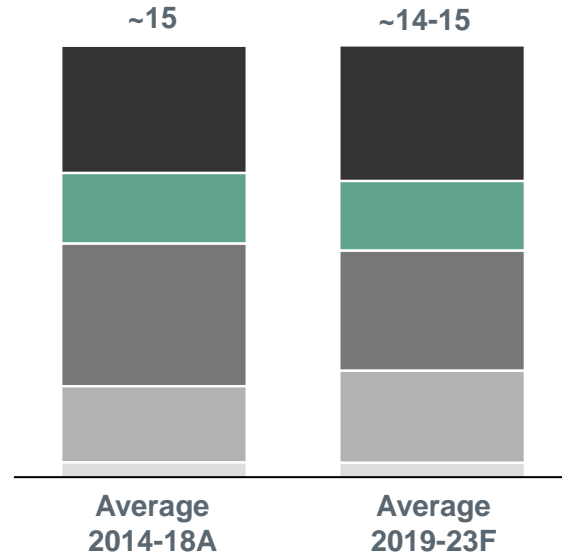
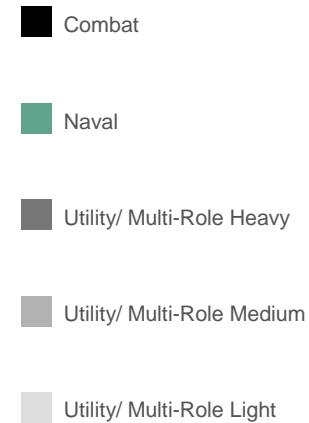
- **Committed to top line increase, 2017-2020 CAGR \geq 5%**
 - Military and Customer Support & Training ahead of schedule...
 - ...more than compensating current civil market challenges
 - New commercial initiatives to sustain civil sales
- **Double digit profitability by 2020 confirmed**
 - Reaping the benefits of launched actions
 - Profitability recovery slightly faster than planned
 - Cash conversion improving but working capital level still high
- **Increasing our international Customers base** to reduce risk and maximise geographical reach



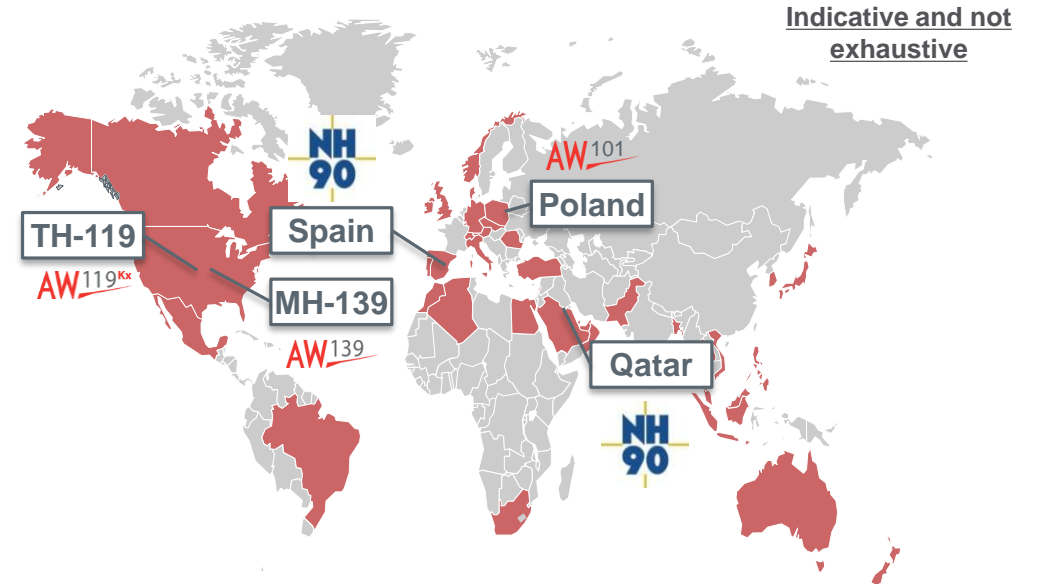
Attractive military market supported by new opportunities

GLOBAL MILITARY MARKET

Total market value \$
bn per year



FOCUSED EFFORT ON KEY GEOGRAPHIES



• Opportunistic market, substantially flat in the next five years:

- New procurement cycles launched in specific countries
- Need of replacing aging fleets
- Expected increasing importance of military variant of dual use helicopters, especially for multirole segment

• Leonardo addressable market ~40%

• We outperformed the Military market thanks to focused sales effort:

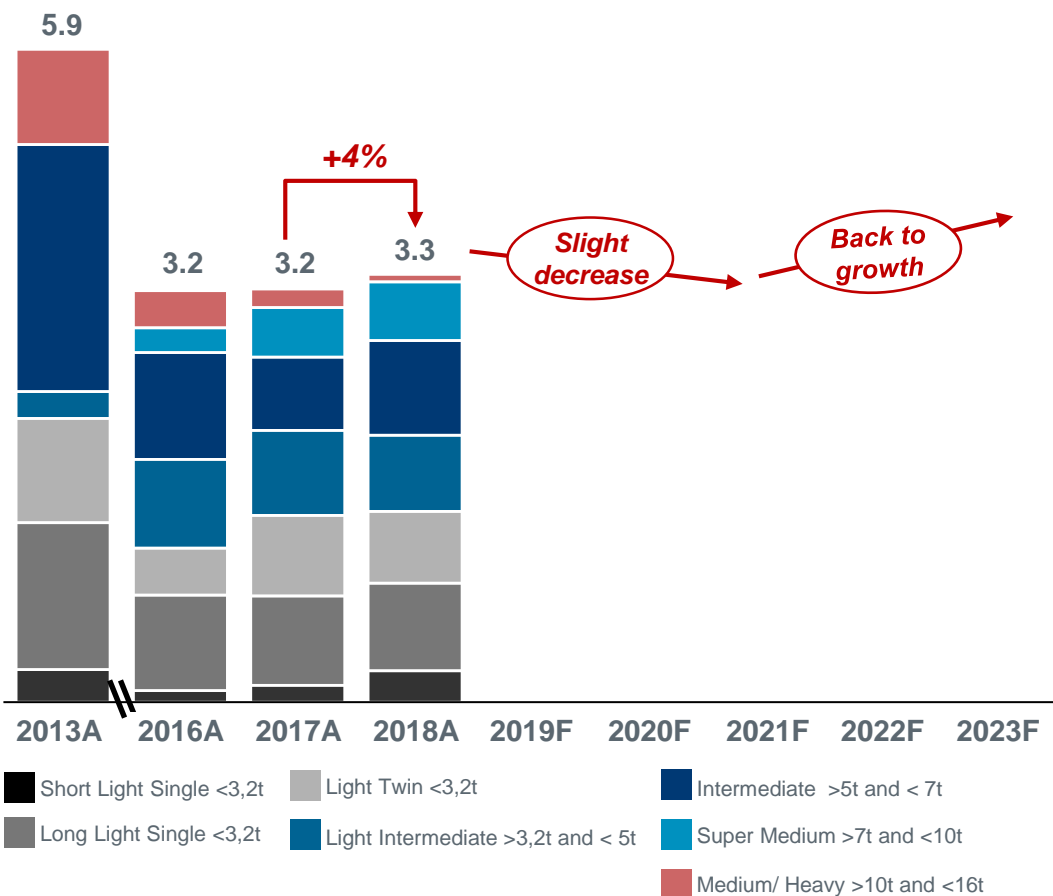
- Leveraging on competitive dual use and specialized platforms
- Consolidating the current Customers base and penetrating new geographies
- Selected cooperative efforts



Civil Market reducing pace, we remain leader

CIVIL HELICOPTERS MARKET EVOLUTION

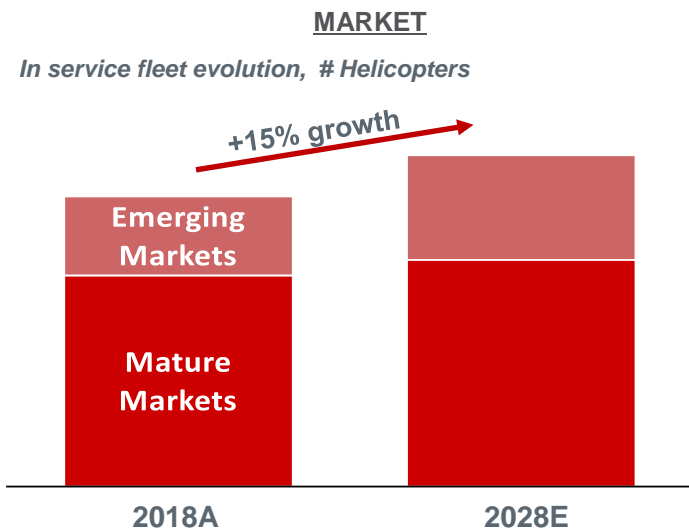
Market Value \$ bn



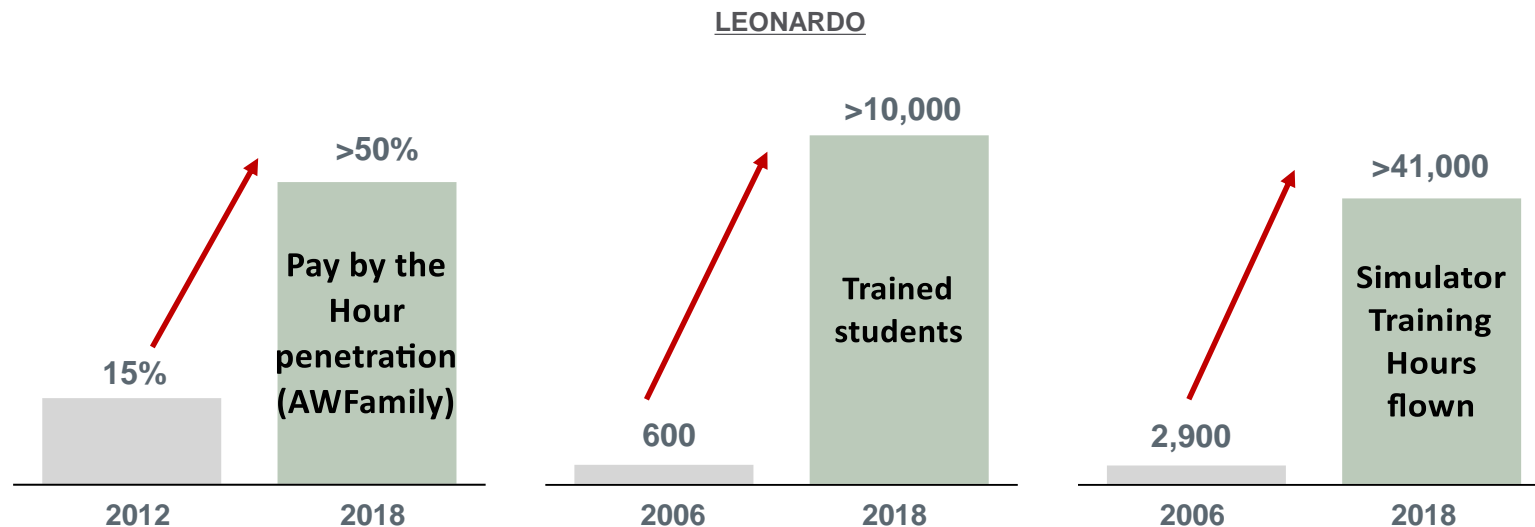
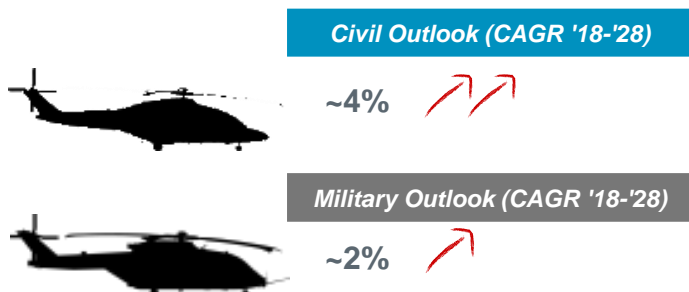
- Civil market slightly decreasing trend in 2019-21
 - Uncertain macro economic situation
 - Operating lessors financial issues
 - Difficulties of some large operators with knock-on effect on other operators
- Market expected back to growth from ~2022
 - Intermediate class main growth driver
 - EU and US by far the most important markets, China fastest pace
- We remain very well positioned
 - All our helicopters are **continuing to fly** (flight hours constantly increasing)
 - Almost the only OEM that has **performed sales in the O&G segment**
 - **Clear leadership in the twin engine**
 - **Delivered 1000th AW139** in Sept '19



Customer Support & Training is a priority business in a growing market



Maintenance & Support Services market trend



• Priority business:

- **Steadily growing business**, resilient to market fluctuations
- Driven by our **growing fleet**, **higher flight hours per helicopter**, **wider service portfolio**
- High impact on **Customers satisfaction and retention**
- **Mission effectiveness and safety**

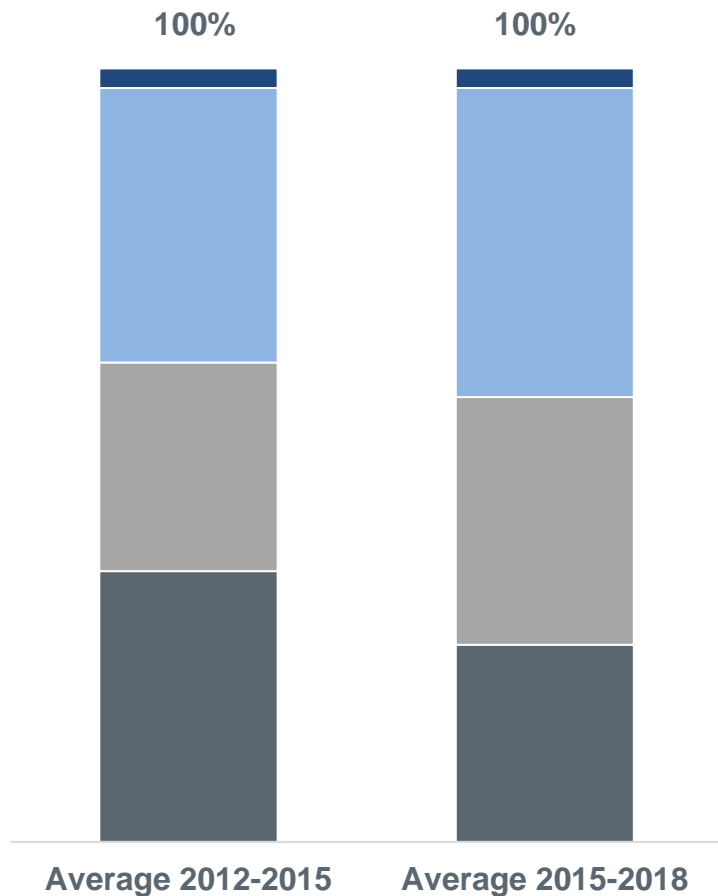
• Key investment area:

- **Innovative digital services** to increase Customers' service level and value generation
- **Advanced services** to maximize fleet availability
- Global footprint and **customer proximity**
- **Worldwide logistics** to guarantee next day parts delivery to Regional Customers

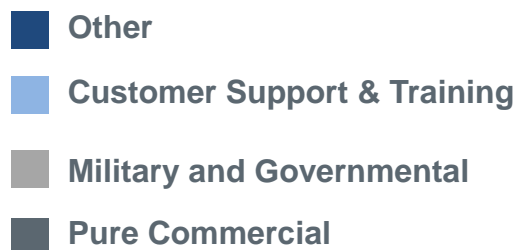


Balanced orders across Commercial, Military and Customer Support & Training

DIRECTIONAL*



- **Balanced volumes across the 3 core segment:** Commercial, Military & Governmental, Customer Support & Training
- Military & Governmental and Customer Support & Training **offsetting lower Commercial volumes**



* Purely directional data



Investing in innovative products and disruptive technologies

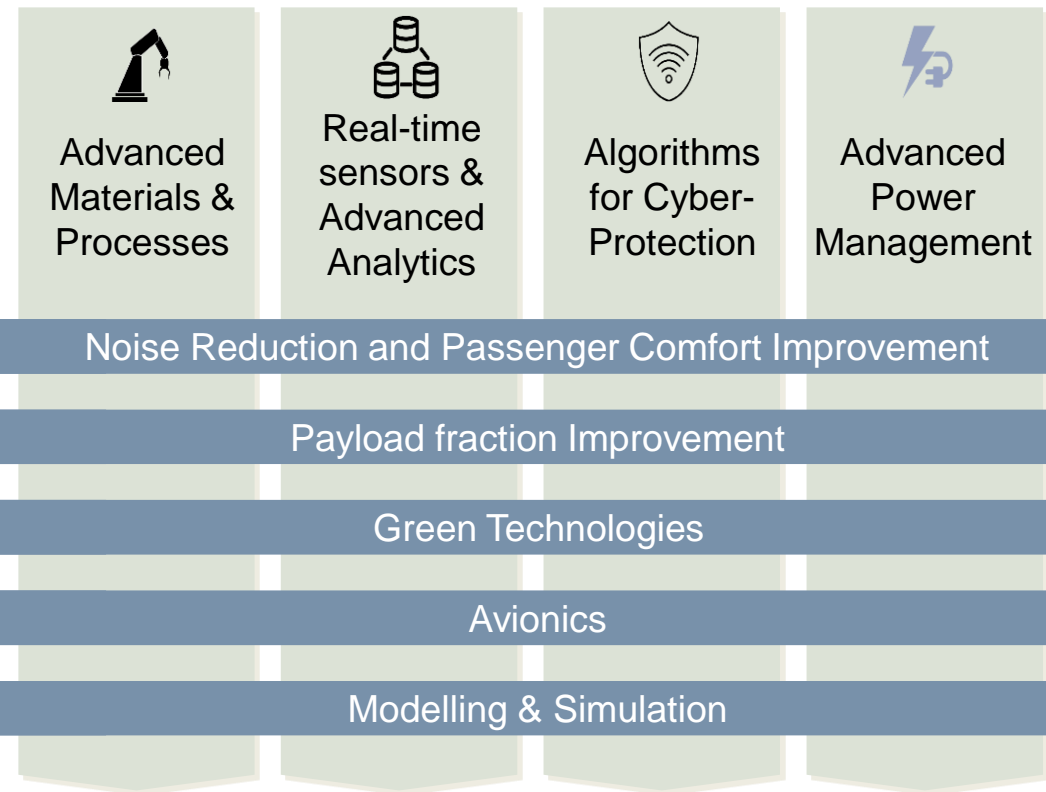
Tilt Rotors



RUAV



Helicopters disruptive technologies

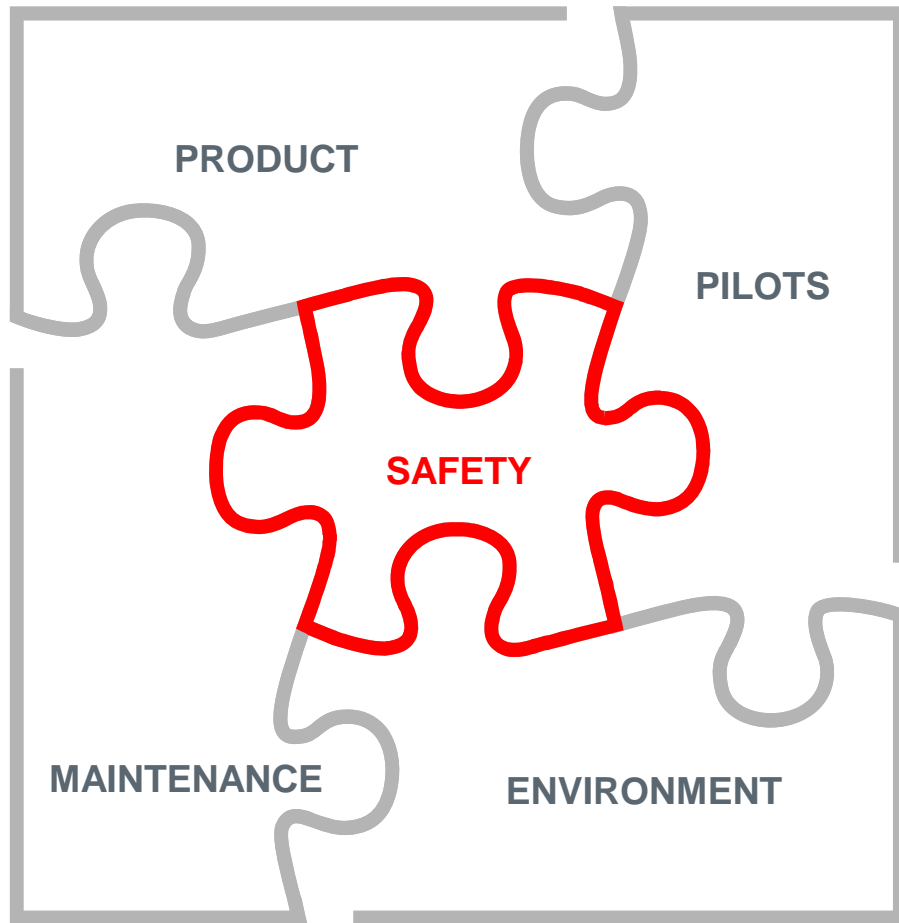


Tilt Rotors, RUAV and helicopters disruptive technologies introducing a step change in mission capabilities to better respond to current and new operational needs

Transversal technologies and helicopters-focused technologies are the key pillar to sustain long term competitive advantage



Safety is a core Company value



- Strongly committed towards **continuous improving our Safety**
- We look at **helicopter as a “system”**, not only as a platform
- **New “Safety Systems Governance”** in place
- Focus on **state of the art processes, products and services...**
- ... leveraging on internal **“network of safety partners”** and collaborating with external **“Safety Stakeholders”**



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- > **Leonardo results and outlook**
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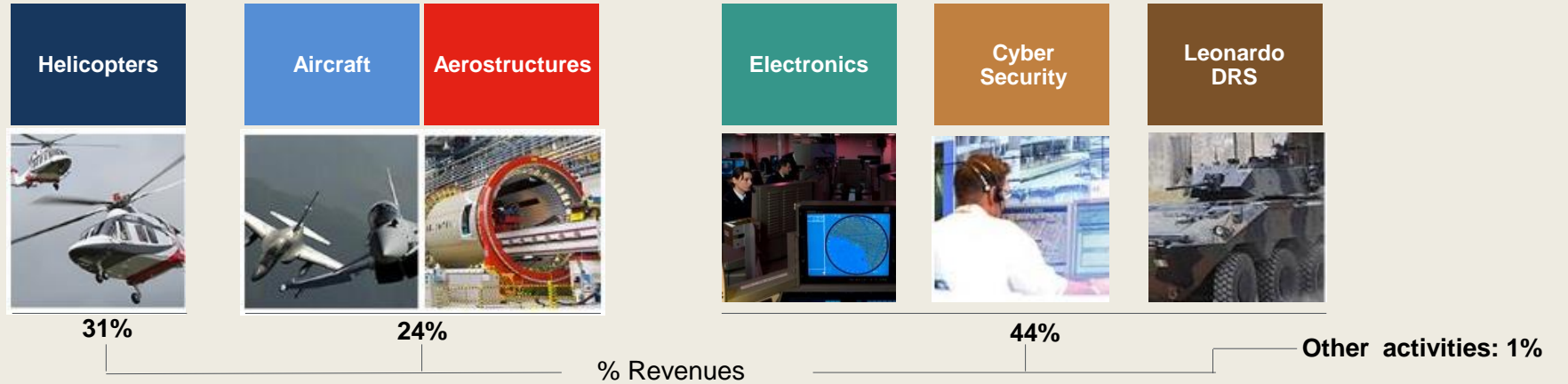


Global player in High Tech Aerospace, Defence and Security business

2018 REVENUES
in € bn



15% From Italian market
85% From international markets





Strong progress towards Industrial Plan objectives

Building long term sustainable future

- 2018 targets delivered or exceeded
- Order growth ahead of Industrial Plan, with record backlog
- Strengthened international presence to drive export success
- Profitability to benefit from growth, efficiencies and cost control
- Increasing confidence in profitability and cash generation targets
- Creating a culture of continuous improvement
- 2018-2023 Industrial Plan targets underpinned
- Confirming or exceeding 2017-2022 objectives



Strong 2019 performance, meeting or exceeding expectations

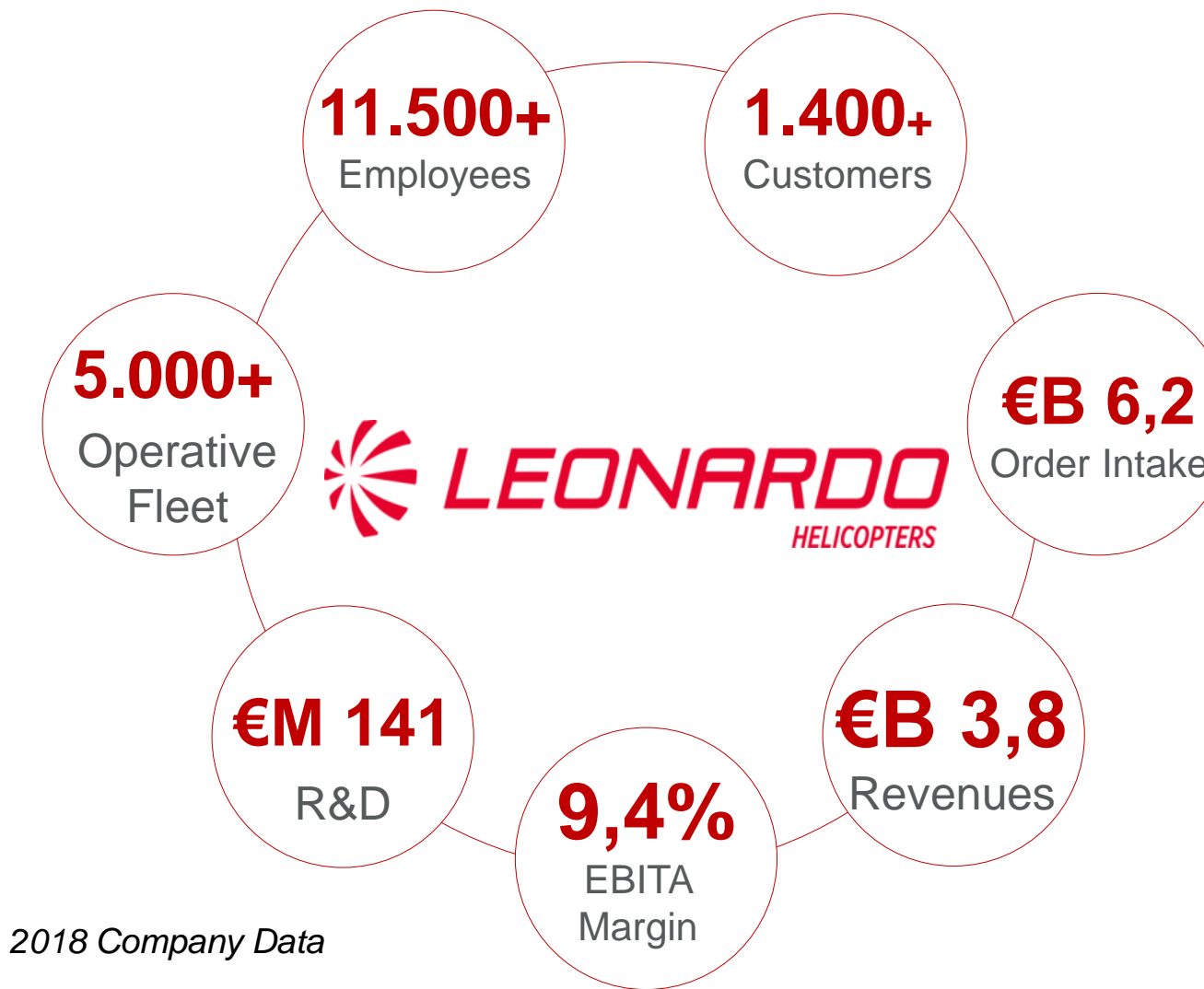
		FY2018A	FY2019 Guidance*	Revised expectations*
New Orders	(€ bn)	15.124	12.5 - 13.5	Above the top-end of the range
Revenues	(€ bn)	12.240	12.5 - 13.0	
EBITA	(€ bn)	1.120	1.175 - 1.225	Mid to upper-end of the range
FOCF	(€ mln)	336	ca. 200	Slightly above expectations

* Assuming Guidance exchange rate €/USD of 1.25 and €/GBP of 0.9. Favorable foreign exchange will provide additional benefits for 2019 Results.

APPENDIX



2018 Key Data



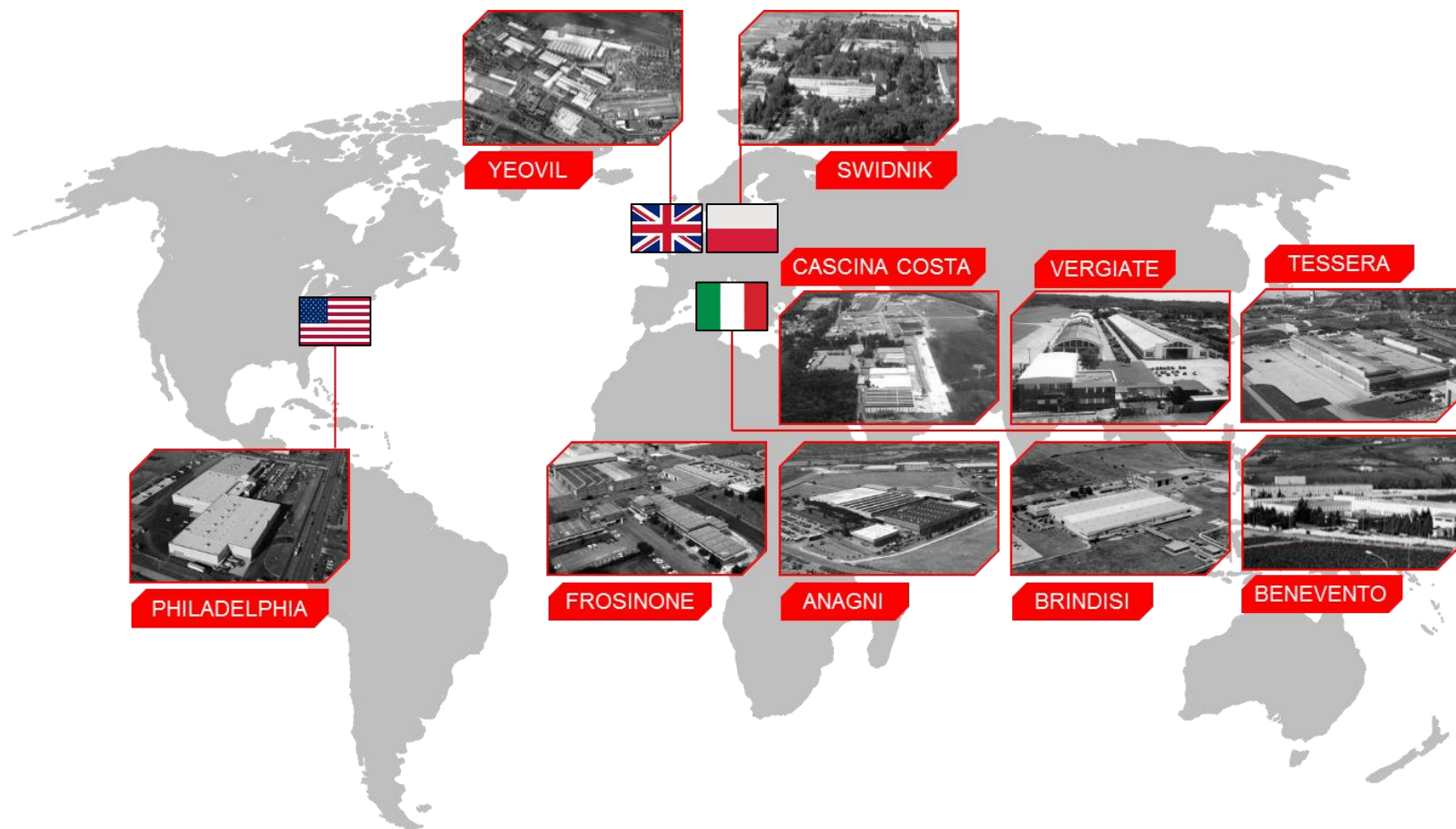


Worldwide presence

- Leonardo Helicopters develops the latest generation rotorcrafts that **meet the most demanding current and future operational requirements** in all conditions and environments

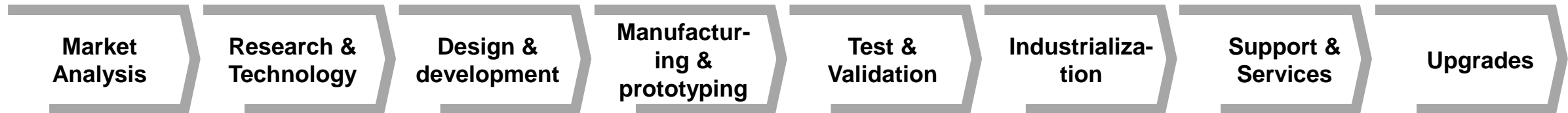
4FOUR
DOMESTIC
MARKETS

About **150**
countries use our
products, systems
and **services**

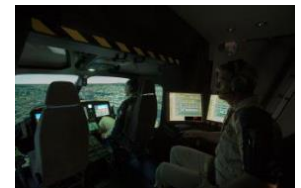


Helicopters are our business

- **Leonardo Helicopters covers the value chain of its business**
 - from design and development, to production and support



- Extensive Product Range in all weight categories (from 1.8 to 16.0 tonnes)
- **Dual use** helicopters
- Family concept through **AW139, AW169, AW189** based on common design philosophy and certification and safety standards.
- Innovative Technologies including **AW609** tiltrotor and Rotary-wing Unmanned Air Systems (**RUAV**)
- Delivery of **Customer Support & Training** integrated programmes





Commercial applications

- Leonardo Helicopters range of civil helicopters is designed to safely fly in any condition at the lowest possible cost. **The right product to perform any mission**



Military / Government applications

- Flexible products for Military / Government missions offering both **specialized and dual use platforms**





Best in class Customer Support & Training offering

- Support team available 24 hours a day, 7 days a week to **assist all of our customers around the world**



FLEET

5,000+
helicopters

CUSTOMERS

1,400+

SERVICE CENTRES

90+

LOGISTIC CENTRES

14



TRAINING
ACADEMIES

5

Sesto Calende (ITA)
Yeovil (UK)
Philadelphia (USA)
Kuala Lumpur (MY)
Świdnik (PL)



SIMULATOR
HOURS

40,000+

STUDENTS
TRAINED

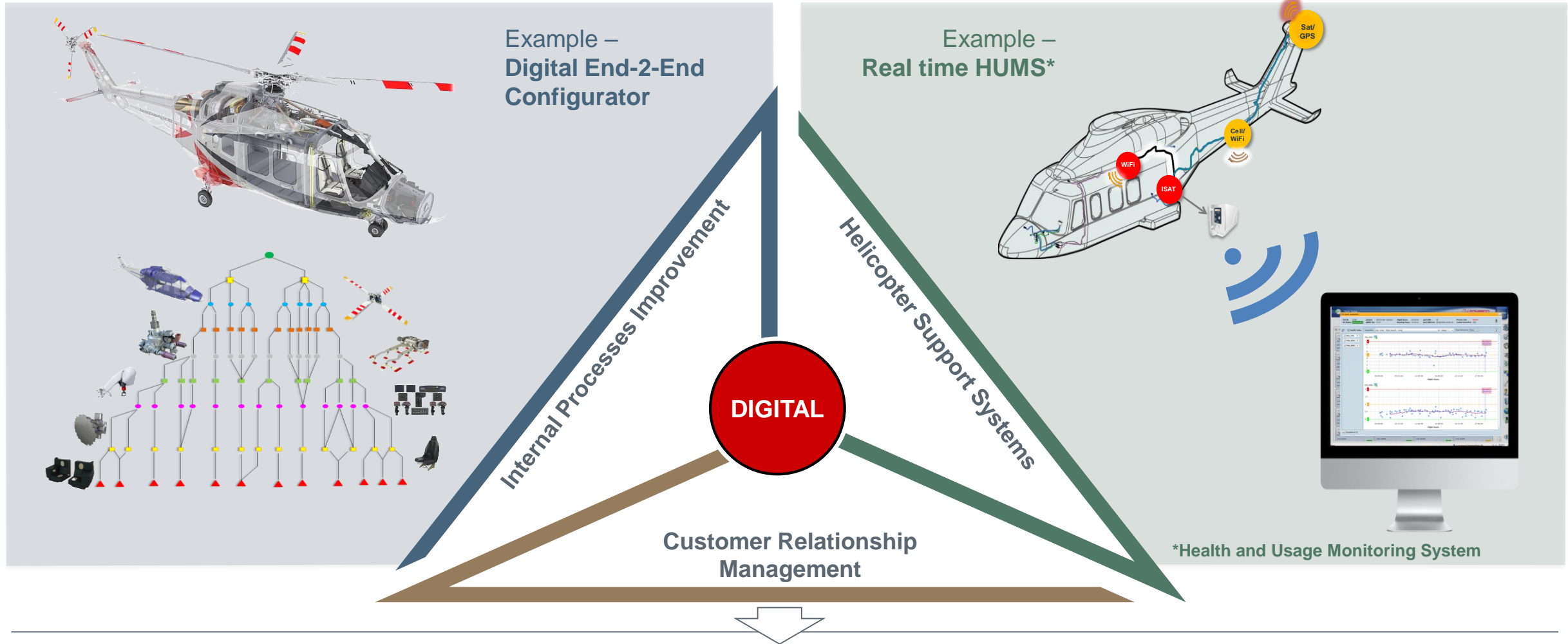
10,000+

FLIGHT
HOURS

6,750+



Digital processes & offer portfolio



Underlying enabler of agile industrial and managerial processes, driver of new added value products and revenue streams

ABOUT LEONARDO



3Q/9M 2019 Results

Group Performance

	3Q 2018	3Q 2019	% Change	9M 2018	9M 2019	% Change	FY 2018
€ mln							
New Orders	4,786	2,434	-49.1%	9,390	8,579	-8.6%	15,124
Backlog				34,501	35,672	+3.4%	36,118
Revenues	2,651	3,172	+19.7%	8,240	9,134	+10.8%	12,240
EBITA	162	199	+22.8%	632	686	+8.5%	1,120
RoS	6.1%	6.3%	+0.2 p.p.	7.7%	7.5%	-0.2 p.p.	9.2%
EBIT	132	186	+40.9%	372	648	+74.2%	715
EBIT Margin	5.0%	5.9%	+0.9 p.p.	4.5%	7.1%	+2.6 p.p.	5.8%
Net result before extraordinary transactions	58	115	+98.3%	164	367	+123.8%	421
Net result	156	116	-25.6%	263	465	+76.8%	510
EPS (€ cents)	0.271	0.202	-25.5%	0.456	0.809	+77.4%	0.888
FOCF	9	(167)	-1,956%	(800)	(1,217)	-52.1%	336
Group Net Debt				3,503	4,301	+22.8%	2,351
Headcount				46,413	49,234	+6.1%	46,462

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



Helicopters

Well positioned to capture growth opportunities

€ mln	3Q 2018	3Q 2019	% Change	9M 2018	9M 2019	% Change	FY 2018
Orders	3,356	527	-84.3%	4,685	2,234	-52.3%	6,208
Revenues	826	841	+1.8%	2,656	2,736	+3.0%	3,810
EBITA	64	70	+9.4%	217	270	+24.3%	359
RoS	7.7%	8.3%	+0.6p.p.	8.2%	9.9%	+1.7p.p.	9.4%

2019 OUTLOOK

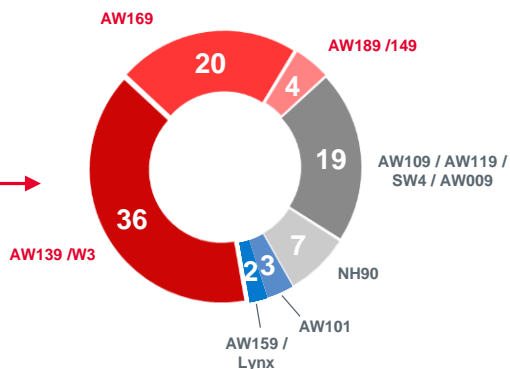
- Well placed in the most attractive segments
- Profitability strengthening: 9M2019 benefitted from higher military and customer support contribution and agreed changes to UK pension scheme.
- Back to double digit profitability by 2020
- Continuing optimization of industrial processes to improve competitiveness



Helicopters

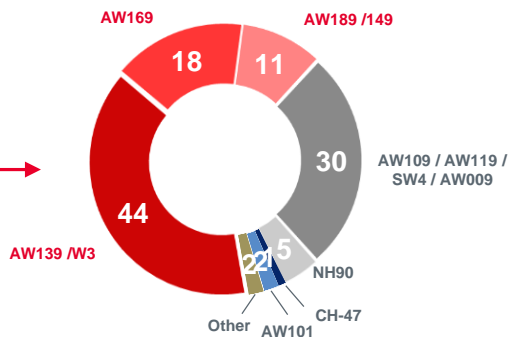
DELIVERIES BY PROGRAMME

9M2019 = 91 new units



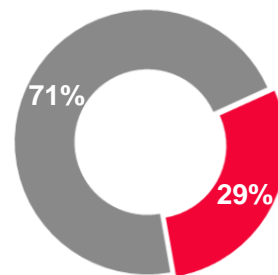
AW FAMILY

9M2018 = 113 new units

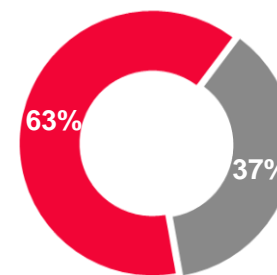


REVENUES BY CUSTOMER/SEGMENT

9M2019

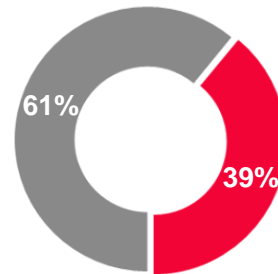


■ Civil ■ Military/Governmental

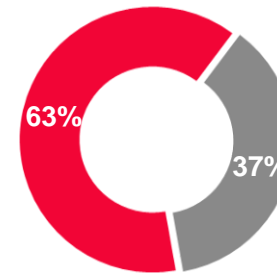


■ OE ■ CS&T/Other

9M2018



■ Civil ■ Military/Governmental



■ OE ■ CS&T/Other



Defence Electronics & Security

Growing Revenues and Profitability

ELECTRONICS - EU

	€ mln						
	3Q 2018	3Q 2019	% Change	9M 2018	9M 2019	% Change	FY 2018
Orders	620	652	+5.2%	1,950	2,660	+36.4%	4,408
Revenues	843	867	+2.8%	2,587	2,738	+5.8%	4,010
EBITA	50	66	+32.0%	218	238	+9.6%	394
RoS	+5.9%	+7.6%	+1.7p.p.	8.4%	8.7%	+0.3p.p.	9.8%

LEONARDO DRS

	\$ mln						
	3Q 2018	3Q 2019	% Change	9M 2018	9M 2019	% Change	FY 2018
Orders	700	676	-3.4%	1,950	2,253	+15.5%	2,880
Revenues	582	687	+18.0%	1,541	1,816	+17.8%	2,339
EBITA	38	53	+39.5%	84	116	+38.1%	151
RoS	6.5%	7.7%	+1.2p.p.	5.5%	6.4%	+0.9p.p.	6.5%

Avg. exchange rate €/€ @ 1.12371 in 9M2019
Avg. exchange rate €/€ @ 1.19494 in 9M2018

2019 OUTLOOK

- 2019 revenue growth
- Profitability improvement
- Leonardo DRS to continue its strong performance
- Leonardo DRS Soft Backlog accounting for > 3x current Backlog (ca. \$ 3 bn)



Aeronautics

Solid Aircraft performance offsetting lower ATR

€ mln	3Q 2018	3Q 2019	% Change	9M 2018	9M 2019	% Change	FY 2018
Orders	291	681	+134.0%	1,420	2,012	+41.7%	2,569
Revenues	599	915	+52.8%	2,025	2,304	+13.8%	2,896
EBITA	44	44	+0.0%	167	165	-1.2%	328
RoS	7.3%	4.8%	-2.5p.p.	8.2%	7.2%	-1.0p.p.	11.3%

2019 OUTLOOK

- Higher revenues compared to 2018
 - Aircraft production increase (especially EFA Kuwait)

- Good levels of profitability supported by
 - Solid Aircraft performance
 - First signs of recovery in Aerostructures benefitting from efficiency improvement in line with expectations

- Softness in ATR expected to drive JV lower profitability YoY



Space

Pressure on Manufacturing

€ mln

	3Q 2018	3Q 2019	% Change	9M 2018	9M 2019	% Change	FY 2018
EBITA	10	10	+0.0%	31	23	-25.8%	58

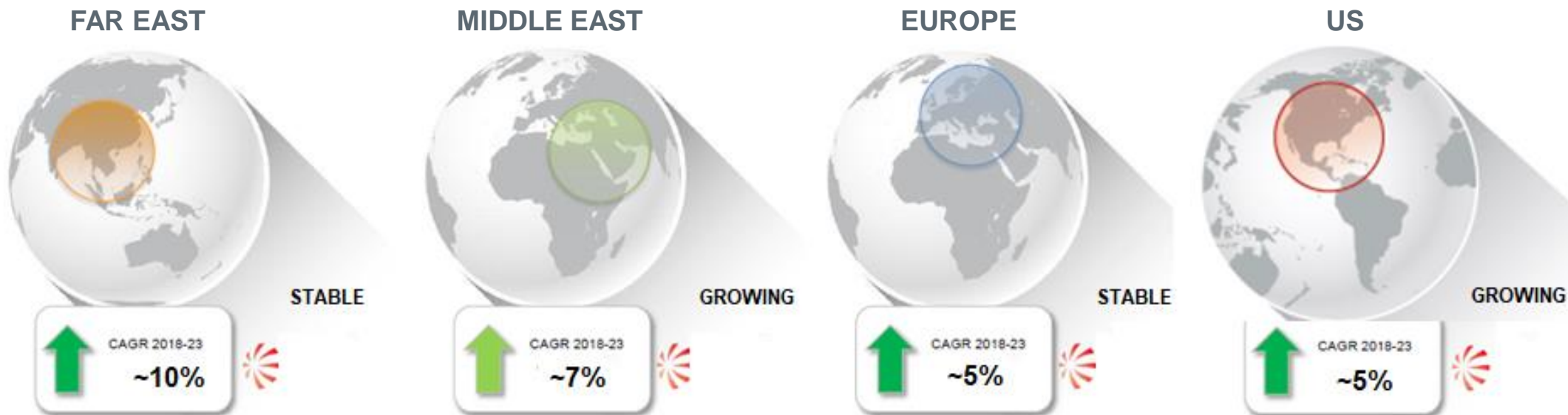
2019 OUTLOOK

- Continued downturn in telecommunication market expected to affect Manufacturing activities



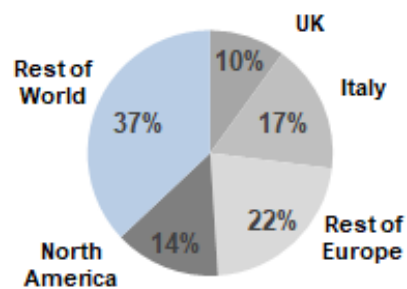
Growth in international markets

Well positioned in key-high growth markets

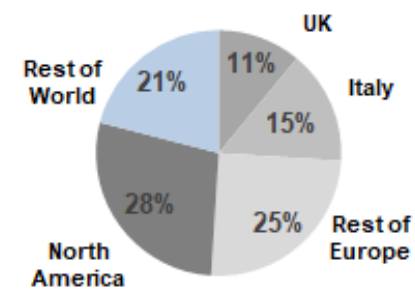


- High-growth markets providing a strong backdrop for our growth plan
- Well balanced worldwide footprint
- Leonardo is expected to address ca. 20% A&D market

WORLDWIDE PRESENCE
(FY18 BACKLOG = € 36 BN))

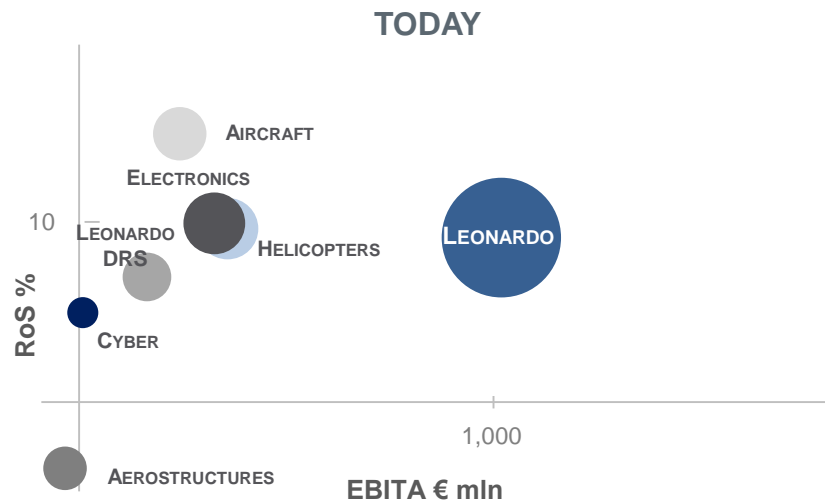


WORLDWIDE PRESENCE
(FY18 REVENUES = € 12 BN))



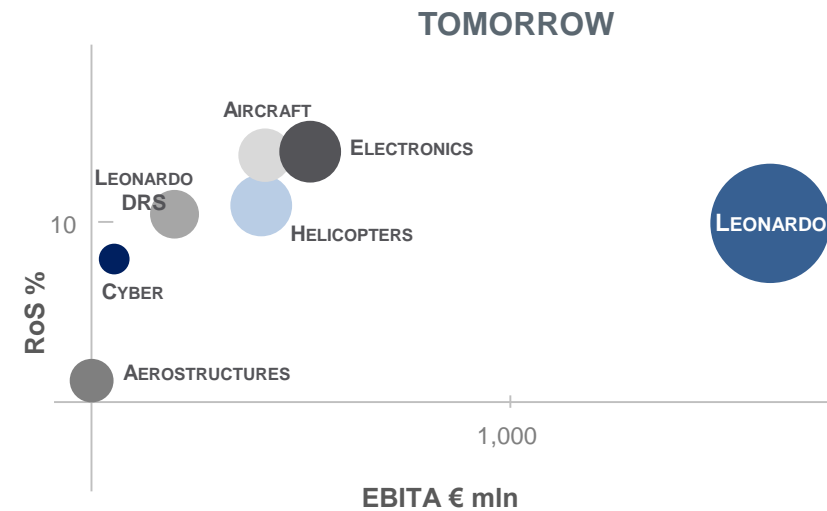


Profitability to deliver growth benefits to the bottom line



What we have done...

- **Delivering on cost control initiatives:**
 - € 220 mln annual savings achieved
- **Early retirement plan signed with Italian union:**
 - involving 1,100 employees plus 65 managers
- **Leap 2020 programme to optimise supply chain on track**

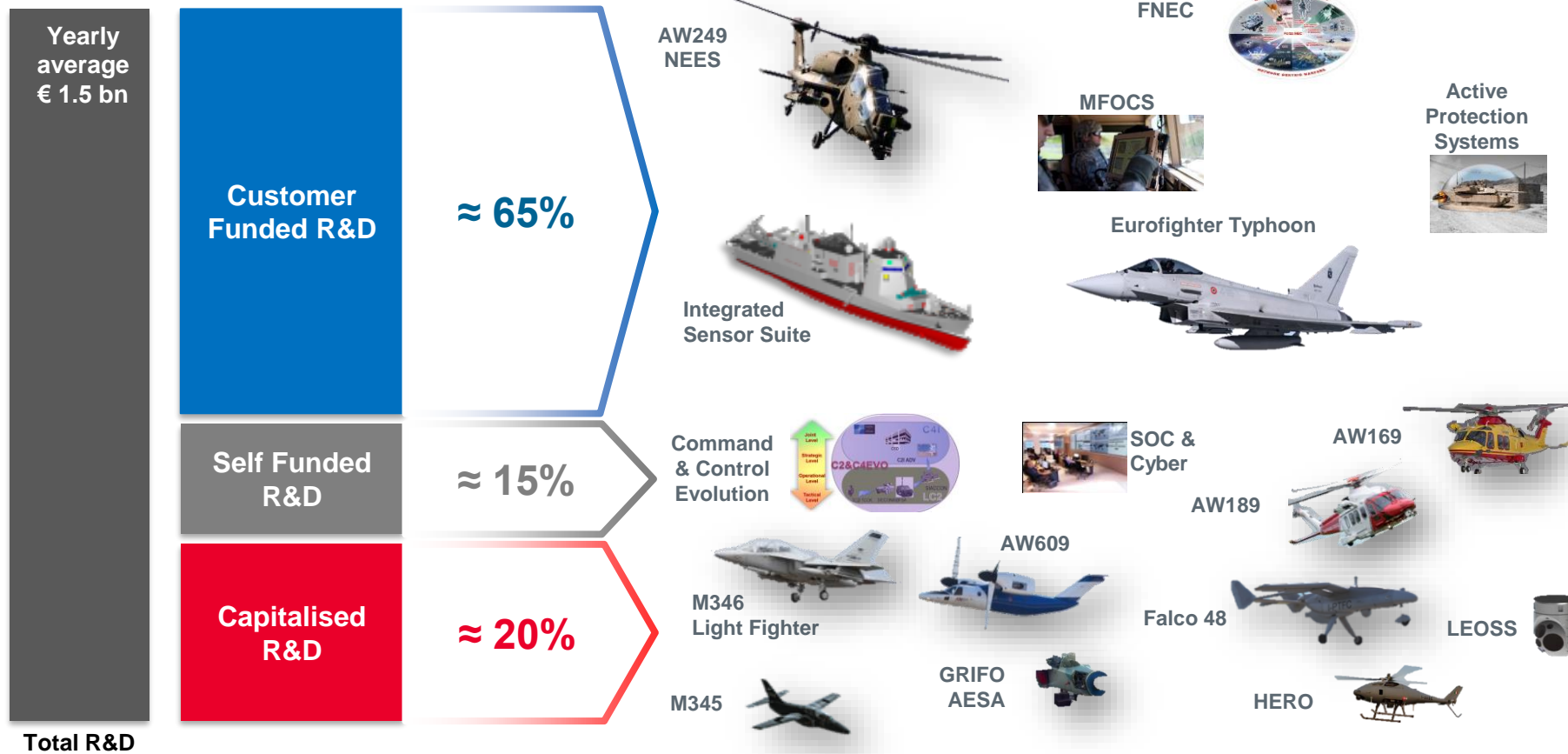


...What we are planning to do

- **8-10% EBITA CAGR growth in 2017-2022 at Group level driven by:**
 - Significant step-up in helicopters
 - Continued momentum in Electronics in Europe and Leonardo DRS
 - Strong Aircraft performance offsetting Aerostructures and ATR
 - Benefitting from operational leverage across all businesses



Leonardo investments as guarantee for the future growth of the business



- Leonardo confirms the strong commitment to invest approximately 12% of revenues in R&D



FOCF higher than old plan, stepping up in 2020

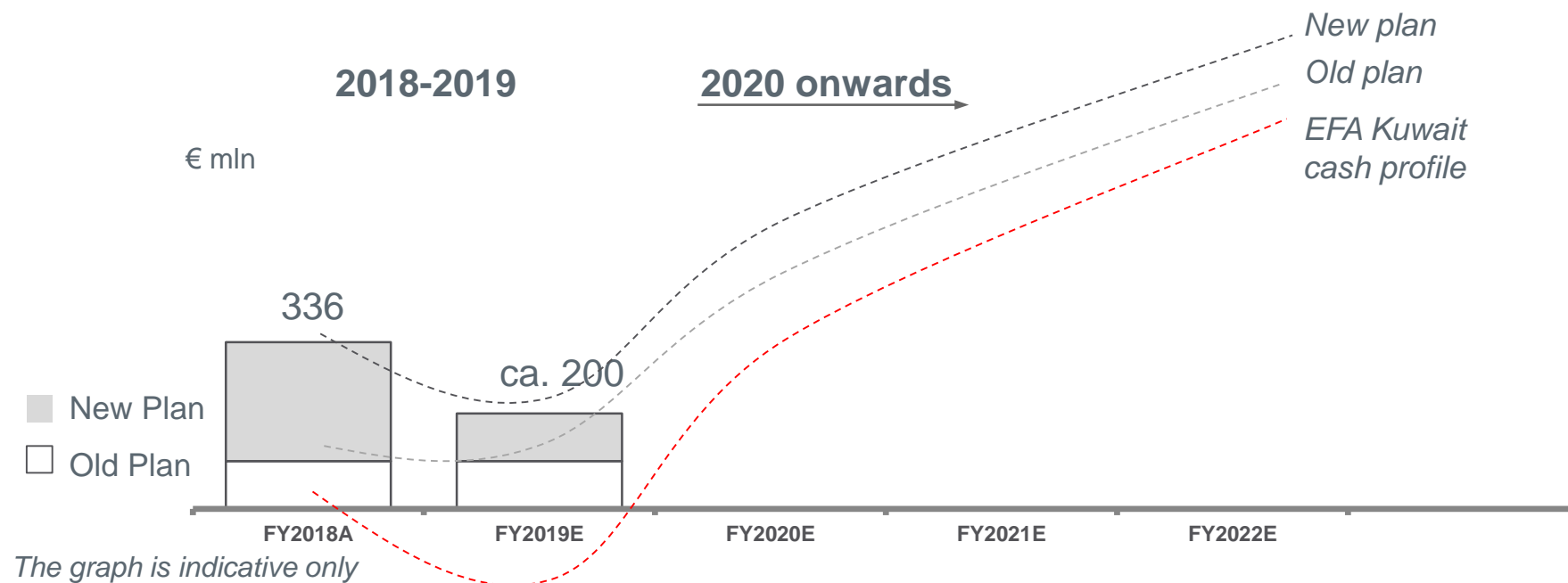
- 2018-2019 FOCF higher than in old plan
- 2019 FOCF reflecting EFA Kuwait cash absorption
- Cash drain due to:
 - Aerostructures underperformance
 - Winding down of contract advances
- Material step up in 2020 FOCF driven by:
 - EFA Kuwait deliveries
 - Improving profitability throughout the Group
- Growing cash flow conversion rate beyond 2019

2015-2018

Cash flow conversion rate*

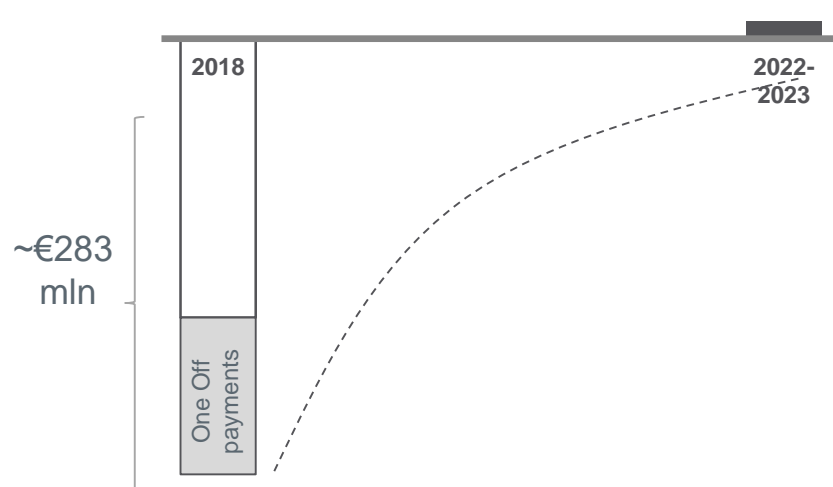
58%

* Cash flow conversion rate = FOCF / EBITA after cash financial charges and cash taxes



Aerostructures: still draining cash but clear recovery path defined

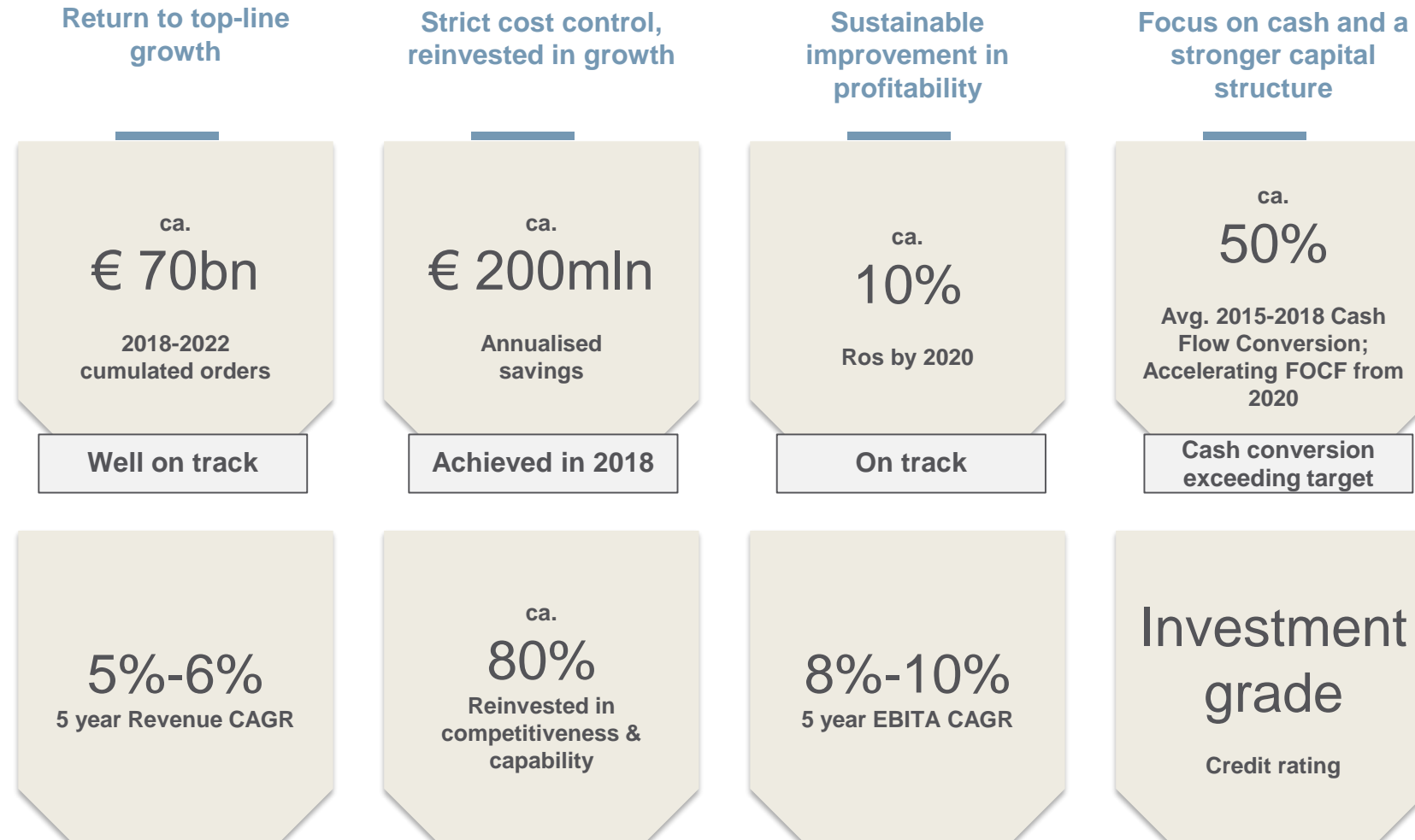
- Identified and implementing initiatives aimed at improving industrial performance, recovering profitability and cash generation
- **Clear targets and action plan to reach break-even in terms of operating cash flow by 2022/2023**



	2018	2019 - onward
One off payments	<ul style="list-style-type: none"> • normalization of payment terms to suppliers & probation costs 	-
B787	<ul style="list-style-type: none"> • customer advances repayment • old claims payment 	<ul style="list-style-type: none"> • reducing as per contract • reducing as per contract • price upward revision as per Global Settlement from 2022 on
A220	<ul style="list-style-type: none"> • loss making programme • cash out for non quality issues 	<ul style="list-style-type: none"> • reduction of unit production cost by ≈30% • fixing industrial processes • price renegotiation
Additional Work Packages	-	<ul style="list-style-type: none"> • growing contribution



On target to deliver the Industrial Plan communicated in January 2018





Sustainability as a base of the Industrial Plan

Being able to attract and nurture talents

40%

new hires under 30 on the total hires in 2022

32%

new hires women on the total hires in 2022

Over 100

cumulated hours of training for each employee in the 2018-2022 period

Building a solid and reliable supply chain

LEAP2020

Implementation of Supply Chain Partnership programme by 2020

Group governance and assessment on Conflict Minerals

of 100% of supply chain by 2021

100%

of procurement and supply chain employees trained on ESG topics by 2020

Promoting operational eco-efficiency

-6%

reduction of total water withdrawal by 2020

-7%

reduction of total waste produced by 2020

80%

of employees in sites ISO14001-certified by 2020

Financing a responsible business model

ISO37001

certification of anti-bribery management system

Commercial advisors and sales promoters trained by 2019

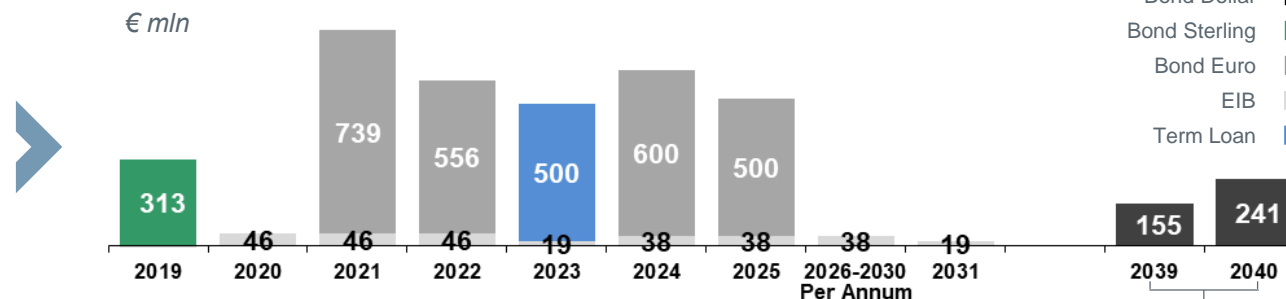
Strengthening employees' awareness on whistleblowing



Solid Financial Position as at end of September 2019

DEBT MATURITY

Average life: ≈ 5,4 years ⁽¹⁾



Repayment Conditions of New Debt Instruments

The Term Loan Facility is characterised by a 5 years bullet repayment; the EIB financing is a 12 year amortizing loan with a 4 year grace period

18 November 2019: \$127mln buyback with NPV materially positive

CREDIT RATING

	As of today	Before last review	Date of review
Moody's	Ba1 / Stable Outlook	Ba1 / Positive Outlook	October 2018 *
S&P	BB+ / Positive Outlook	BB+ / Stable Outlook	December 2019
Fitch	BBB- / Stable Outlook	BB+ / Positive Outlook	October 2017

* In May 2019, Moody's upgraded Leonardo's Baseline Credit Assessment (BCA) to ba1 from ba2 and affirmed the Ba1 Corporate Family Rating (CFR)

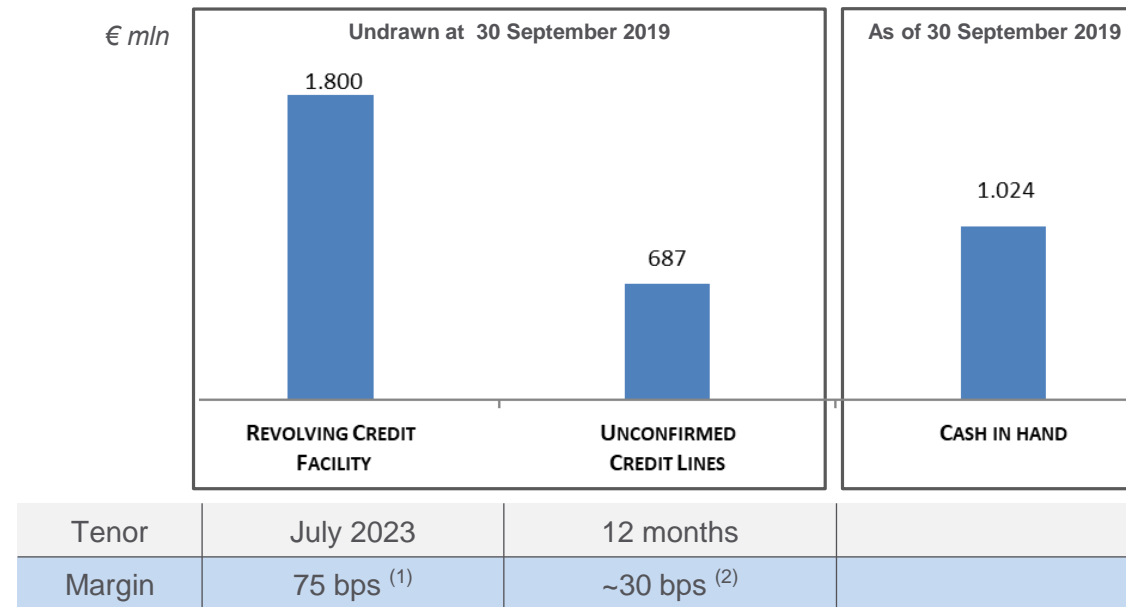
⁽¹⁾ Excluding reimbursements due in 2019

- **4 December 2019: Standard & Poor's raised Leonardo's outlook to "Positive"**
- **18 November 2019: \$127mln buyback of U.S. notes due 2039 and 2040**
 - NPV materially positive

Availability of adequate committed liquidity lines as at end of September 2019

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

- 30 September cash balance of € 1.0 bn
- Credit lines worth € 2.5 bn (confirmed and unconfirmed)
- The Revolving Credit Facility signed on 14 February 2018 amounts at €1.8 bn with a margin of 75bps and will expire in 2023
- Bank Bonding lines of approximately € 3.2 bn to support Leonardo's commercial activity



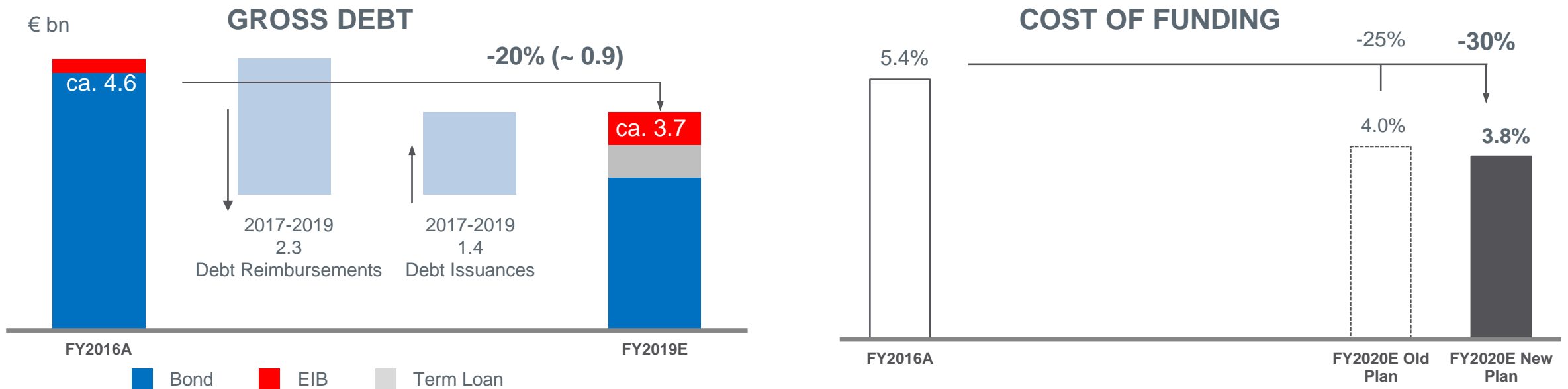
(1) Based on rating as of 30/09/2019

(2) Average. Expected to be renewed at maturity



Reduced gross debt and cost of funding earlier than promised

- **Reduced Gross Debt by 20%¹** one year earlier than forecasted through cash generation
- **2018 Leverage Ratio**
- **Net Debt / EBITDA: 1.6x**
- **Lowered cost of funding by 30%**, more than previously expected
- **Diversified Funding Pool**



1 Excluding IFRS 16 adjustments



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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