

UBS European Conference 2018

Leonardo Presentation

London, 14 November 2018



Investor Relations & Credit Rating Agencies





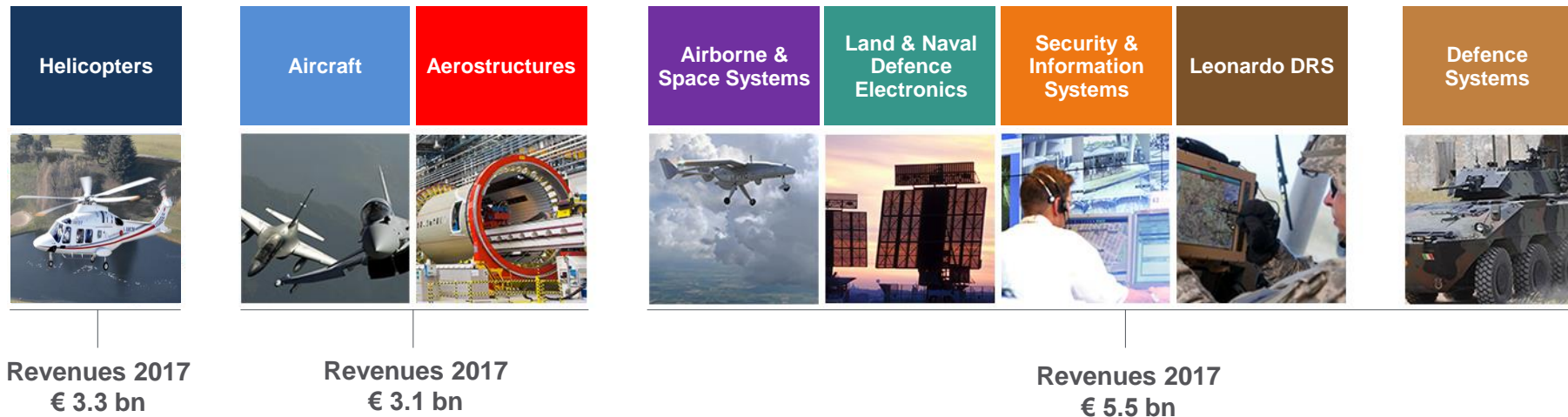
Group Overview and Industrial Plan Achievements

9M2018 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)



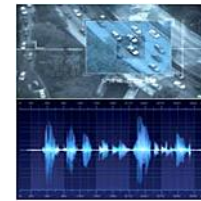
AVIO
(26% Leonardo)



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 booked 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 achievements in military and civil helicopters

Continued commercial momentum

- >€ 3 bn **NH90 Qatar** contract booked in August (Q3)
- 28 NH90 (16 for land operations and 12 for naval missions), Customer Support & Training and Infrastructure
- Leonardo prime contractor
- Deliveries from 2022 to 2025



- U.S. Air Force selected **MH-139** in September to replace UH-1N fleet
- Up to \$ 1.4 bn *Indefinite Delivery Indefinite Quantity (IDIQ)* contract for up to 84 helicopters, training devices and associated support equipment
- Initial operational capability by 2021



- Sino US ordered 15 **AW139** for more than € 150 mln
- Heads of agreement for additional 160 helicopters for more than € 1 bn
- Orders and deliveries expected over the next 5 years
- Agreement signed on 5th of November



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



Good 3Q/9M 2018 performance



FY2018 guidance confirmed

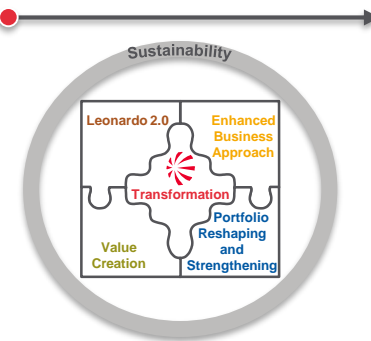
- Core divisions in line with our expectations
- Lower contribution from JVs



Executing our Industrial Plan aimed at long term sustainable growth

- Continued commercial momentum (NH90 Qatar, MH-139 US and AW139 China)
- Strong backlog to support sustainable long-term revenue growth
- Helicopters momentum confirmed
- Leonardo DRS growth underpinned by strong US market
- Solid contribution from Defence Electronics and Aeronautics
- Relentless focus on cost control
- Leonardo reconfirmed in the Dow Jones Sustainability Indices and joined the UN Global Compact

2018



Doing the right things for the long-term

Strong backlog supporting revenue growth

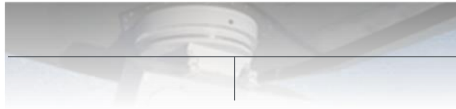
ORDER BACKLOG as at 30 September 2018 = ca. € 35 bn

HELICOPTERS



ORDER BACKLOG € 11.8 bn
33% of total

ELECTRONICS, DEFENCE AND SECURITY SYSTEMS



ORDER BACKLOG € 11.5 bn
33% of total

AERONAUTICS



ORDER BACKLOG € 12.0 bn
34% of total

- Current Backlog covering almost 3 years of equivalent production

- Well balanced across all businesses

- Large orders providing long term visibility

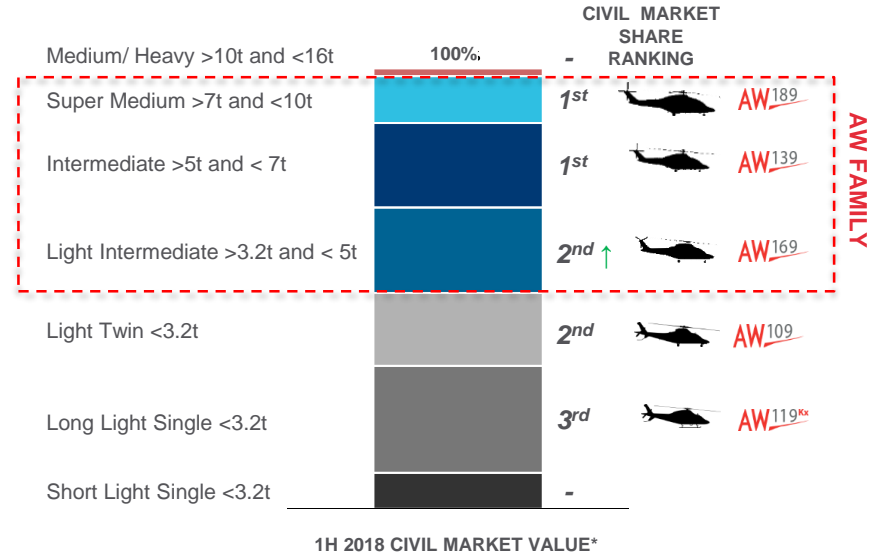
- MH-139 Helicopter in US and DRS «soft backlog» not included

Helicopters momentum confirmed

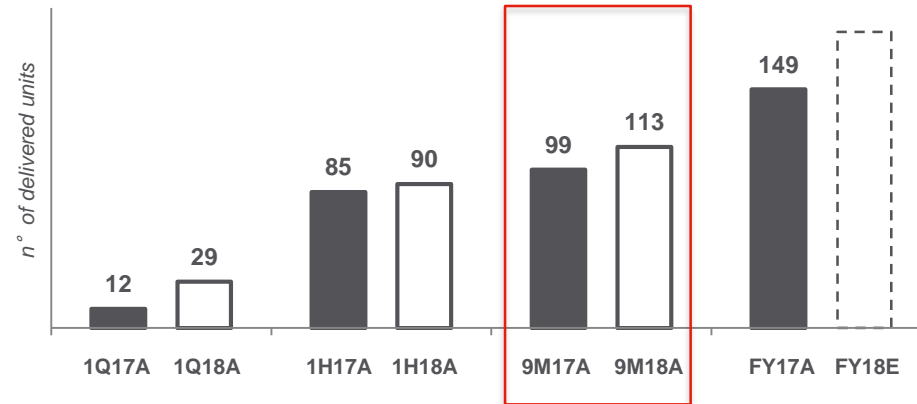
Well positioned for long term growth of the business

- Increasing order intake supported by military export campaigns
- Slight turnaround in civil market
- Leader in 3.2-10 tonnes range
- Positive momentum for Customer Support & Training
- On track to deliver improvement in profitability

**Latest data available refers to 1H 2018*

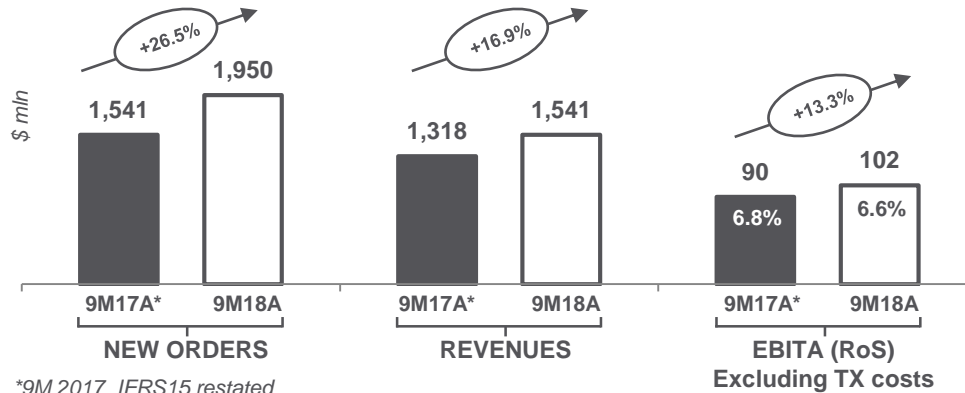


9M 2018 DELIVERIES



Leonardo DRS strong progress supported by US market

9M 2018 KEY DATA

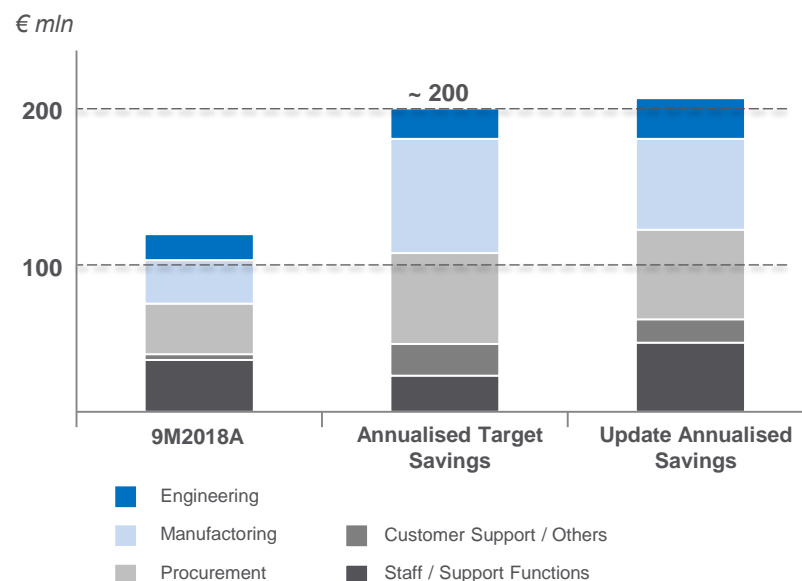
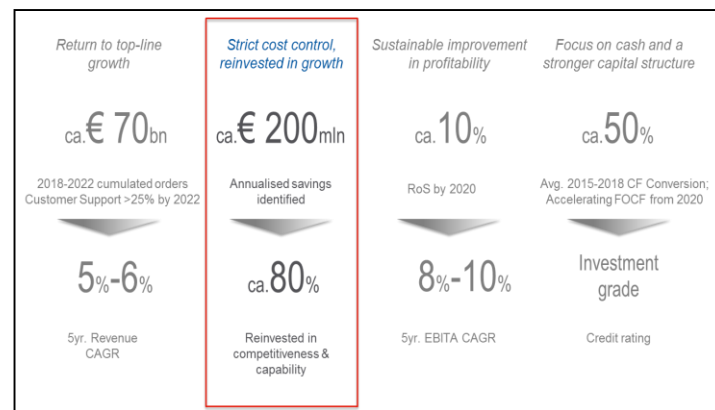


- US Defence spending supporting long term growth
 - Programmes awarded aligned within Pentagon's modernisation priorities
 - Book to Bill at 1.3 confirms sustainable growth
- Strong «soft backlog» creates long term visibility
 - Large programmes awarded only partially funded and booked
 - Total opportunities up to 4-5x current funded backlog

- Revenue growth reflects ability to scale production to support new programme awards
- Improving underlying profitability, in the nine months, up 13% excluding TX bid costs
- Transition from development to full-rate production programmes supports long term profitability growth
- Targeting double digit profitability in the Industrial Plan horizon

Delivering results on cost control initiatives

- Over 60% of annualised savings identified delivered in the 9M
- Potential upside from further actions, mainly cost savings in staff functions
- Addressed areas:
 - Efficiency increase in Manufacturing and Engineering
 - Off-load optimisation
 - Product Should Cost/Design to Cost
 - Logistics and Supply Chain optimization
- Early retirement plan signed with Italian Unions
- LEAP 2020 Programme to optimise supply chain



Doing the right things for the long term

Sustainability as a base of the Industrial Plan

- Membership of the United Nations Global Compact
- For the 9th year in a row in the Dow Jones Sustainability Indices
- The 1st company among the top 10 global players in the AD&S to obtain certification (*Anti Bribery Management Systems Certification*)



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

**ANTI BRIBERY MANAGEMENT
SYSTEMS CERTIFICATION
(ISO 37001: 2016)**



Group Overview and Industrial Plan Achievements

9M2018 Results and Outlook

Sector Results

Appendix

3Q/9M 2018 Highlights

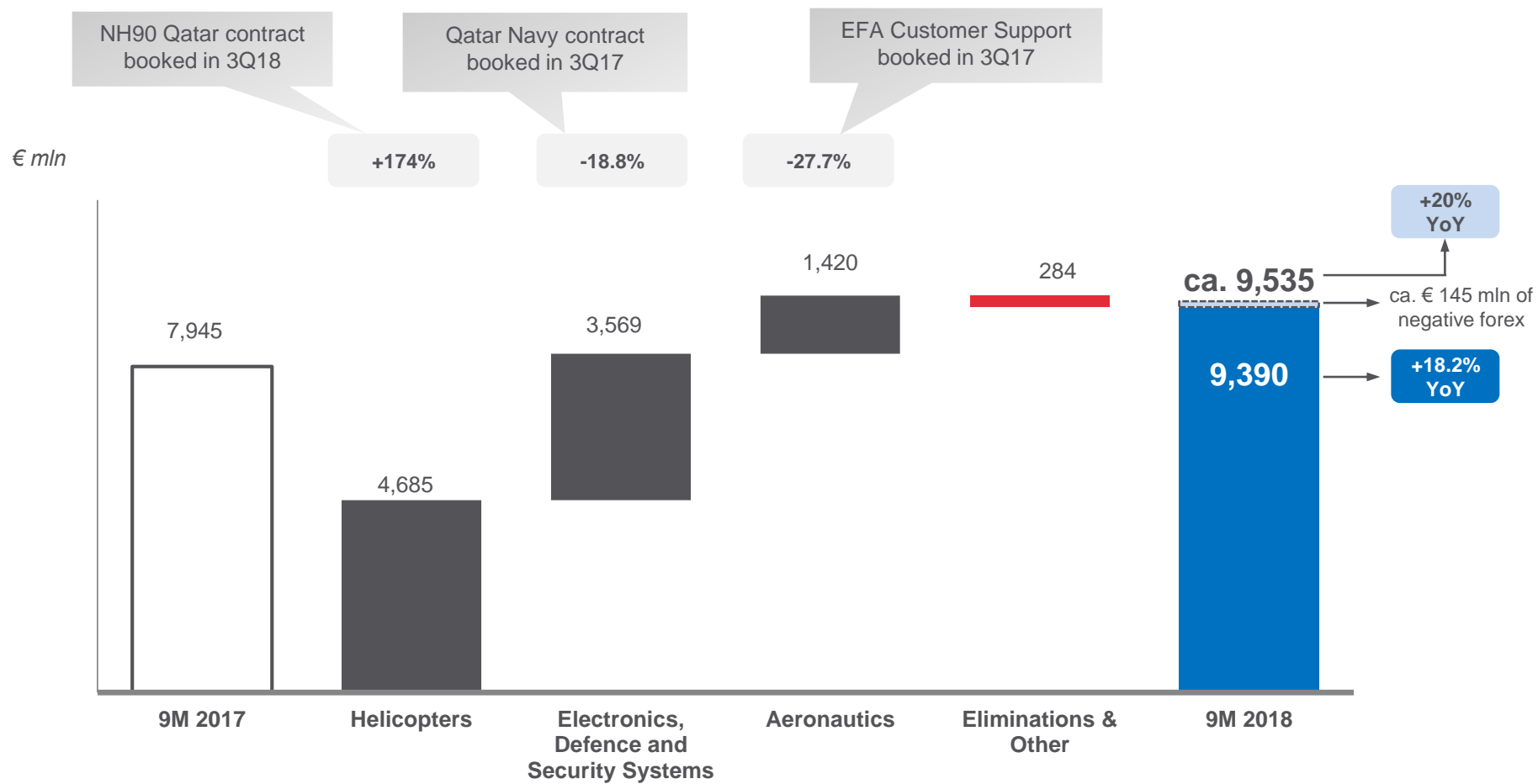
Good 9M 2018 performance

- Orders at € 9.4 bn, up 20% in constant currency, driven by NH90 Qatar
- Revenues at € 8.2 bn, up 4% in constant currency
- EBITA at € 632 mln, RoS at 7.7%
- Net Result at € 263 mln
- FOCF at € (800) mln, including NH90 Qatar downpayment
- Net Debt at € 3.5 bn

FY2018 Guidance confirmed, as revised upwards in July

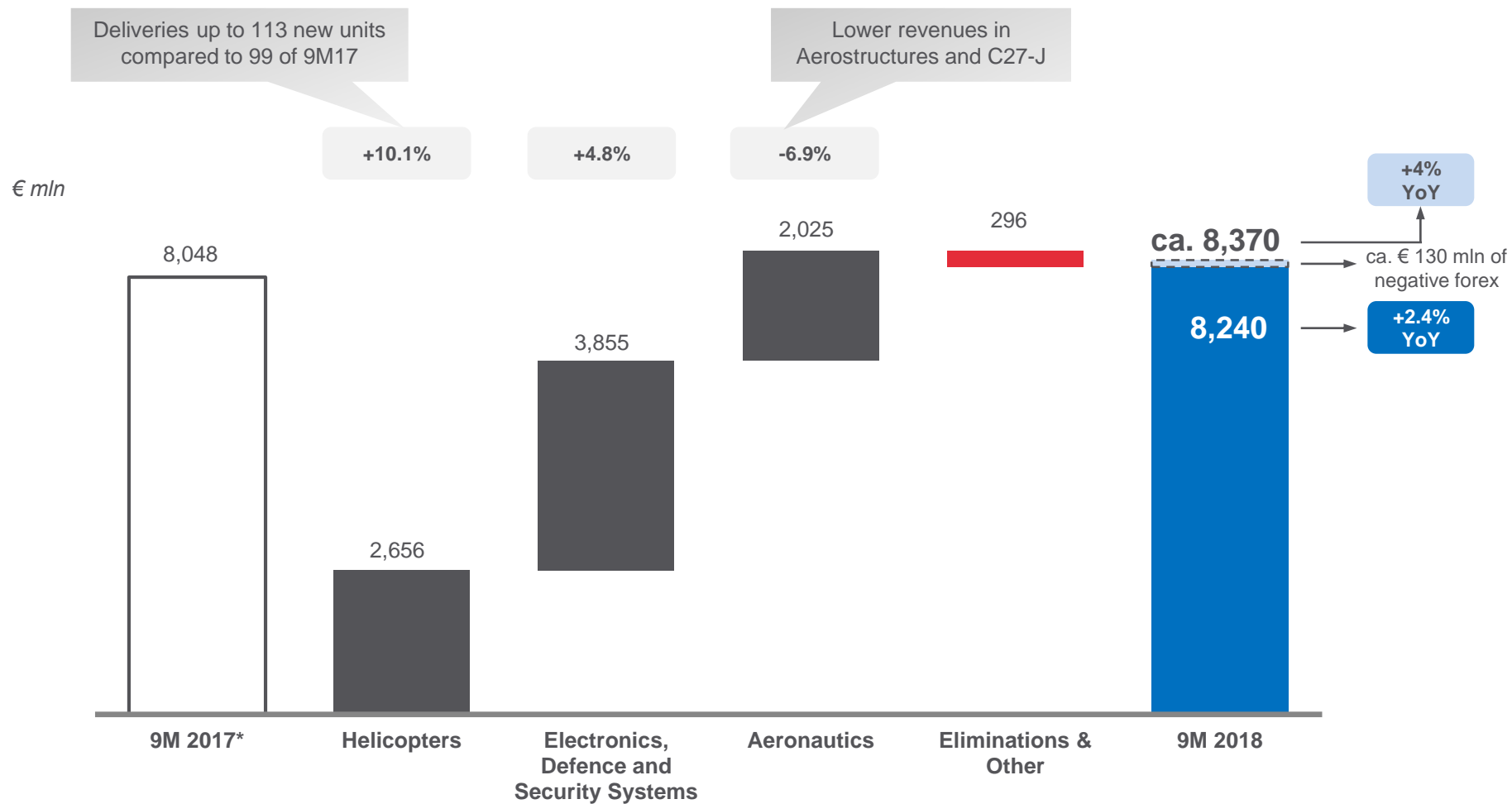
Order intake

Strong performance, up 20%, mainly driven by NH90 Qatar



Revenues

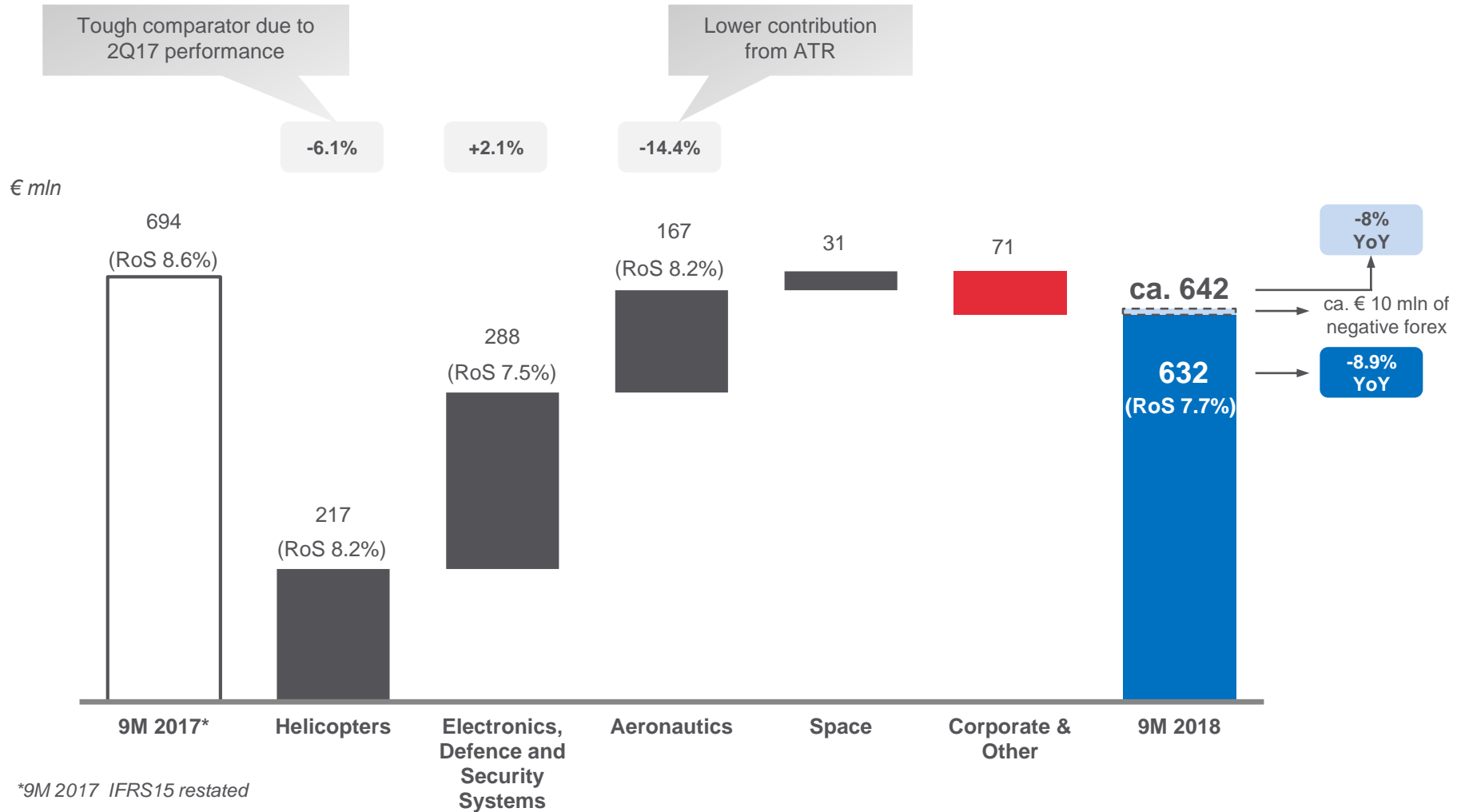
Growth and positive momentum in Helicopters & DRS



*9M 2017 IFRS15 restated

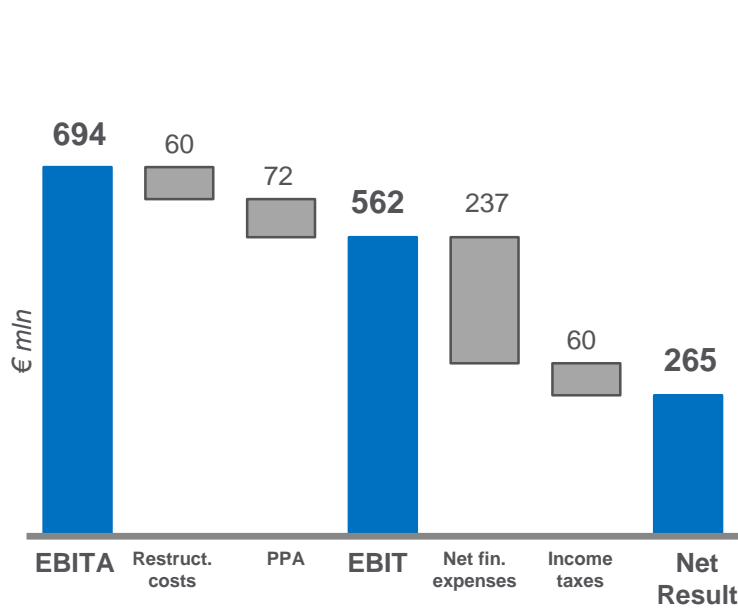
EBITA and Profitability

Solid performance across all businesses; lower contribution from ATR

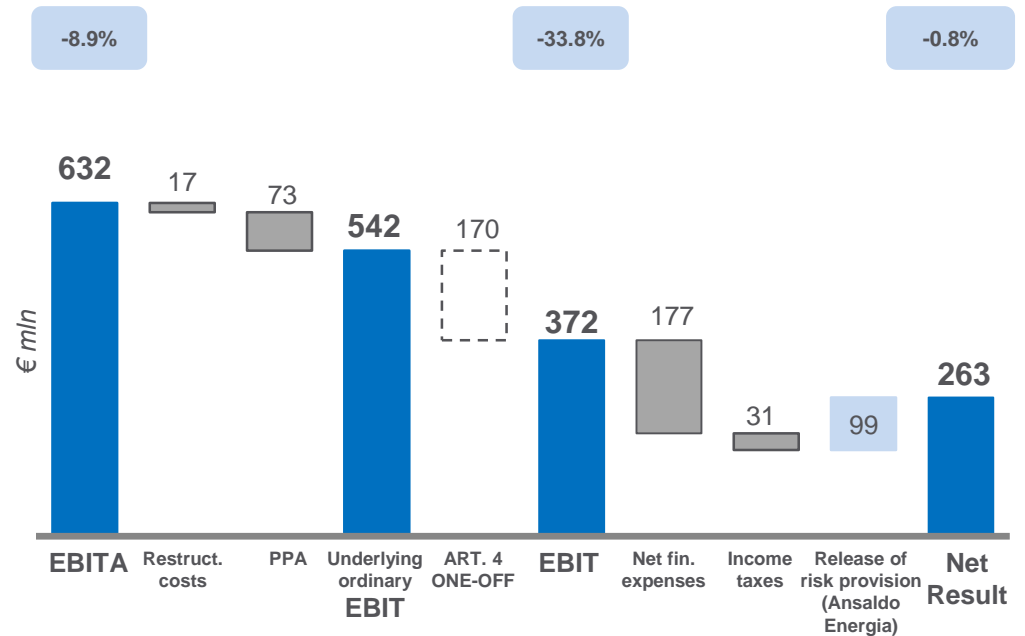


Net Result impacted by early retirement agreement

9M2017*



9M2018



*9M 2017 IFRS15 restated

- EBIT and Net result including ca. € 170 mln of one-off early retirement costs accounted for in 2Q 2018
- Lower net financial expenses
- Net Result benefitting from the release of part of risk provision set aside against guarantees given upon disposal of Ansaldo Energia

2018 Guidance confirmed

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

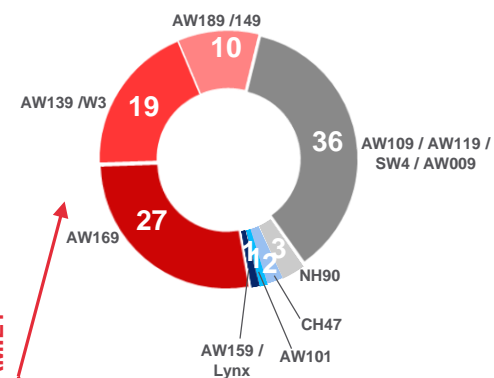
€ mln	3Q				9M		
	FY2017 Restated	2017 Restated	2018	% Change	2017 Restated	2018	% Change
Orders	3,153	568	3,356	490.8%	1,710	4,685	174.0%
Revenues	3,438	659	826	25.3%	2,413	2,656	10.1%
EBITA	281	44	64	45.5%	231	217	-6.1%
RoS	8.2%	6.7%	7.7%	+1.0 p.p.	9.6%	8.2%	-1.4 p.p.

2018 OUTLOOK

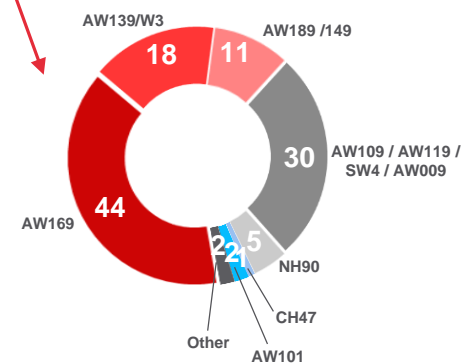
- Healthier market outlook driving higher volumes
- Well placed in most attractive segments, leveraging high quality product range
- Profitability gradually improving; back to double digit in 2020

DELIVERIES BY PROGRAMME

9M2017 = 99 new units



9M2018 = 113 new units



AW FAMILY

Electronics, Defence & Security Systems

Remains strong

€ mln	3Q				9M		
	FY2017 Restated	2017 Restated	2018	% Change	2017 Restated	2018	% Change
Orders	6,146	2,040	1,214	-40.5%	4,400	3,569	-18.9%
Revenues	5,550	1,205	1,334	10.7%	3,679	3,855	4.8%
EBITA	537	74	81	9.5%	282	288	2.1%
RoS	9.7%	6.1%	6.1%	-	7.7%	7.5%	-0.2 p.p.

Of which DRS:

\$ mln	3Q				9M		
	FY2017 Restated	2017 Restated	2018	% Change	2017 Restated	2018	% Change
Orders	2,016	611	700	14.6%	1,541	1,950	26.5%
Revenues	1,947	522	582	11.5%	1,318	1,541	16.9%
EBITA	146	34	38	11.8%	85	84	-1.2%
RoS	7.5%	6.5%	6.5%	-	6.4%	5.5%	-0.9 p.p.
EBITA excluding TX costs	153	37	45	21.6%	90	102	13.3%
RoS excluding TX costs	7.9%	7.1%	7.7%	+0.6 p.p.	6.8%	6.6%	-0.2 p.p.

Avg. exchange rate €/€ @ 1.1949 in 9M2018

Avg. exchange rate €/€ @ 1.1132 in 9M2017

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

€ mln	3Q				9M		
	FY2017 Restated	2017 Restated	2018	% Change	2017 Restated	2018	% Change
Orders	2,615	183	291	59.0%	1,963	1,420	-27.7%
Revenues	3,093	731	599	-18.1%	2,175	2,025	-6.9%
EBITA	311	67	44	-34.3%	195	167	-14.4%
RoS	10.1%	9.2%	7.3%	-1.9 p.p.	9.0%	8.2%	-0.8 p.p.
EBITA excluding TX costs	311	76	47	-38.2%	204	174	-14.7%
RoS excluding TX costs	10.1%	10.4%	7.8%	-2.6 p.p.	9.4%	8.6%	-0.8 p.p.

2018 OUTLOOK

- Revenues expected almost flat YoY
 - Aircraft benefitting from EFA Kuwait
 - Aerostructures volumes expected to decline

 - Profitability in line with 2017
 - Efficiency improvement
 - Higher Aircraft performance
- Offsetting** →
- ATR contribution lower than expected
 - Unsatisfactory Aerostructures performance

Space

Stable outlook

€ mln	3Q				9M		
	FY2017 Restated	2017 Restated	2018	% Change	2017 Restated	2018	% Change
EBITA	72	5	10	100.0%	33	31	-6.1%

2018 OUTLOOK

- Revenues expected almost in line with 2017
- Profitability slightly lower compared to 2017



APPENDIX

3Q/9M 2018 Results

Group Performance

	3Q				9M		
	FY2017 Restated	2017 Restated	2018	% Change	2017 Restated	2018	% Change
€ mln							
New Orders	11,595	2,884	4,786	66.0%	7,945	9,390	18.2%
Backlog	33,507				34,032	34,501	1.4%
Revenues	11,734	2,552	2,651	3.9%	8,048	8,240	2.4%
EBITA	1,077	189	162	-14.3%	694	632	-8.9%
RoS	9.2%	7.4%	6.1%	-1.3 p.p.	8.6%	7.7%	-0.9 p.p.
EBIT	844	139	132	-5.0%	562	372	-33.8%
EBIT Margin	7.2%	5.4%	5.0%	-0.4 p.p.	7.0%	4.5%	-2.5 p.p.
Net result before extraordinary transactions	279	52	58	11.5%	265	164	-38.1%
Net result	279	52	157	201.9%	265	263	-0.8%
EPS (€ cents)	0.482	0.089	0.271	204.5%	0.460	0.456	-0.9%
FOCF	537	-441	9	N.S.	-972	-800	17.7%
Group Net Debt	2,579				4,004	3,503	-12.5%
Headcount	45,134				45,737	46,413	1.5%

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

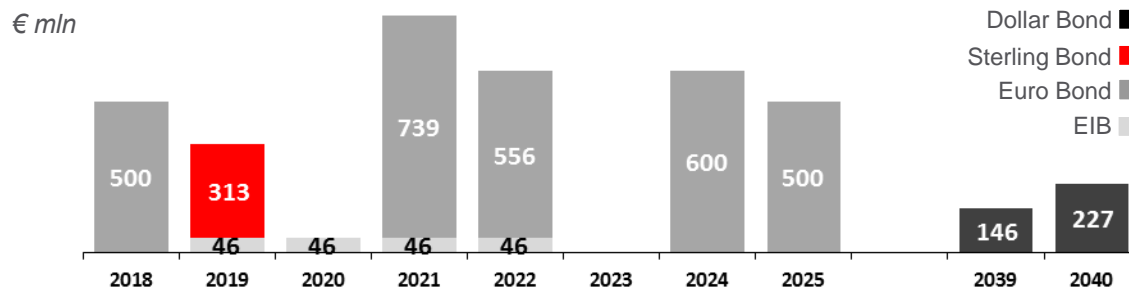
No material impact from IFRS15

- Leonardo applies retrospectively IFRS15 in 2018
- FY2017 and 2017 quarters fully restated in accordance with IFRS15
- Not material impacts on FY2017 KPI's (higher revenues by ca. 2% and higher EBITA by ca. 1%)
- Cumulative 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 September 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
Moody's	Ba1 / <i>Stable Outlook*</i>	Ba1 / <i>Positive Outlook</i>	October 2018
S&P	BB+ / <i>Stable Outlook</i>	BB+ / <i>Negative Outlook</i>	April 2015
Fitch	BBB- / <i>Stable Outlook</i>	BB+ / <i>Positive Outlook</i>	October 2017

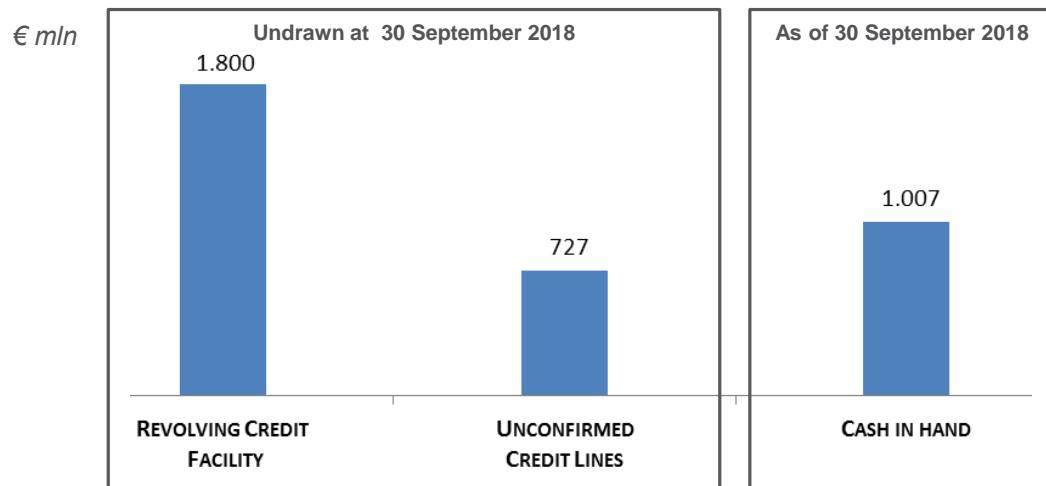
*Moody's stated that this review is not due to Leonardo's stand-alone credit rating but is the consequence of Italy's country downgrade

...fully committed to Investment Grade

Availability of adequate committed liquidity lines as end of September 2018

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)
- 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. € 3.0 bn to support Leonardo's commercial activity



Tenor	July 2023	12 months	
Margin	75 bps ⁽¹⁾	~15 bps ⁽²⁾	

(1) Based on rating as of 30/09/2018

(2) Average. Expected to be renewed at maturity

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

Development costs capitalised as intangible assets at 31 December 2017

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

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%¹

High quality products valued by our customers



Note:

¹ Based on Leonardo estimates¹

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



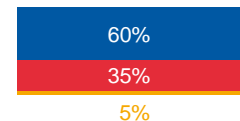
2018-2022 CUMULATED

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

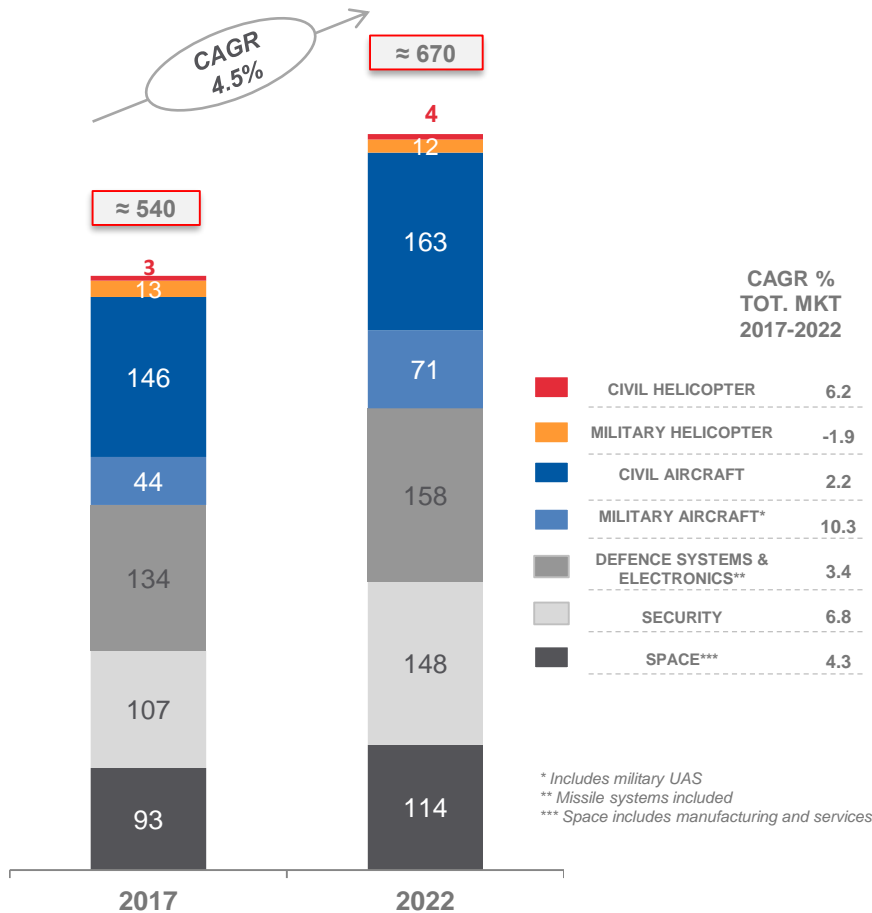
- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------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

*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



* Includes military UAS
 ** Missile systems included
 *** Space includes manufacturing and services

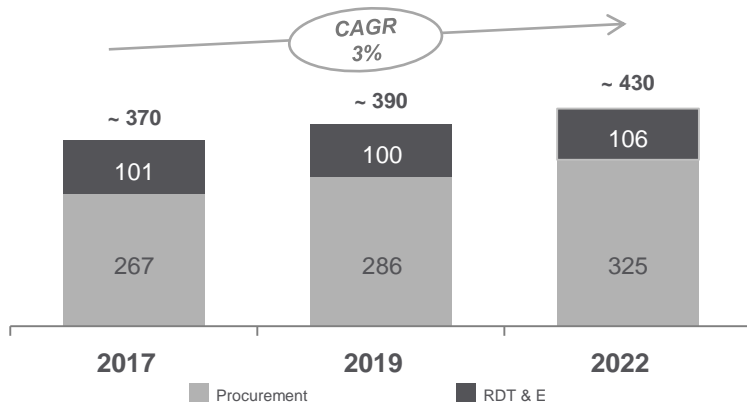
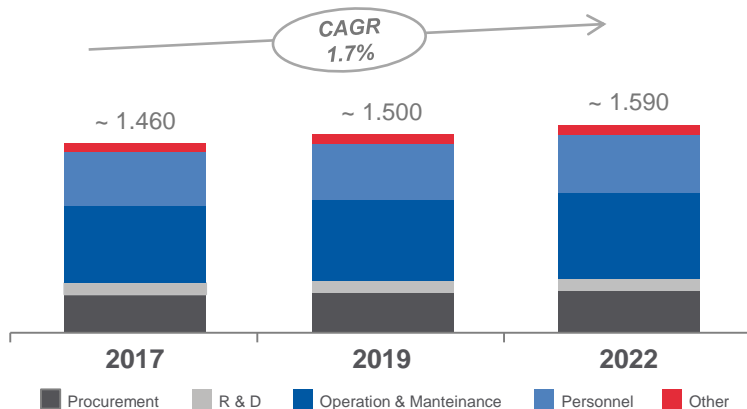
- Material recovery in Civil Helicopters
- Major key programmes in Military Aeronautics (Combat & Trainers)
- Defence Systems & Electronics sustained by international crisis threats
- Key opportunities in Space

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

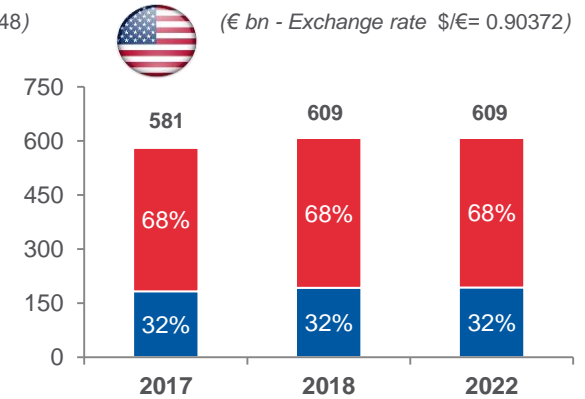
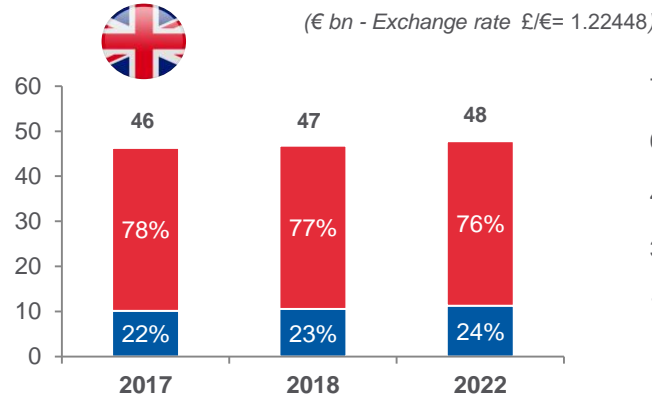
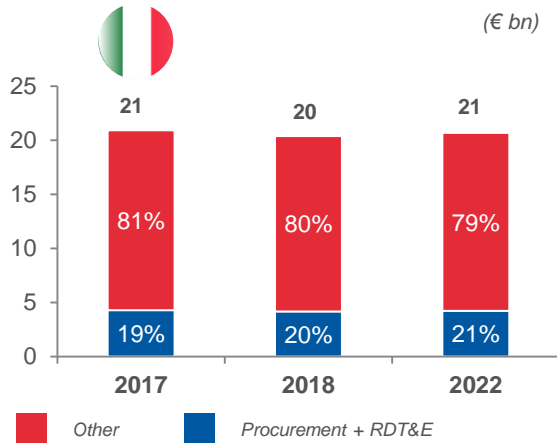


- 2017 Global Defence Budget continues the increasing trend started in 2014
- Growing procurement and R&D
- Improved economic conditions and strategic challenges
- Rebuilding the Military in US
- European efforts to increase budget to 2% GDP in NATO Countries
- Asia Pacific & Middle East most attractive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

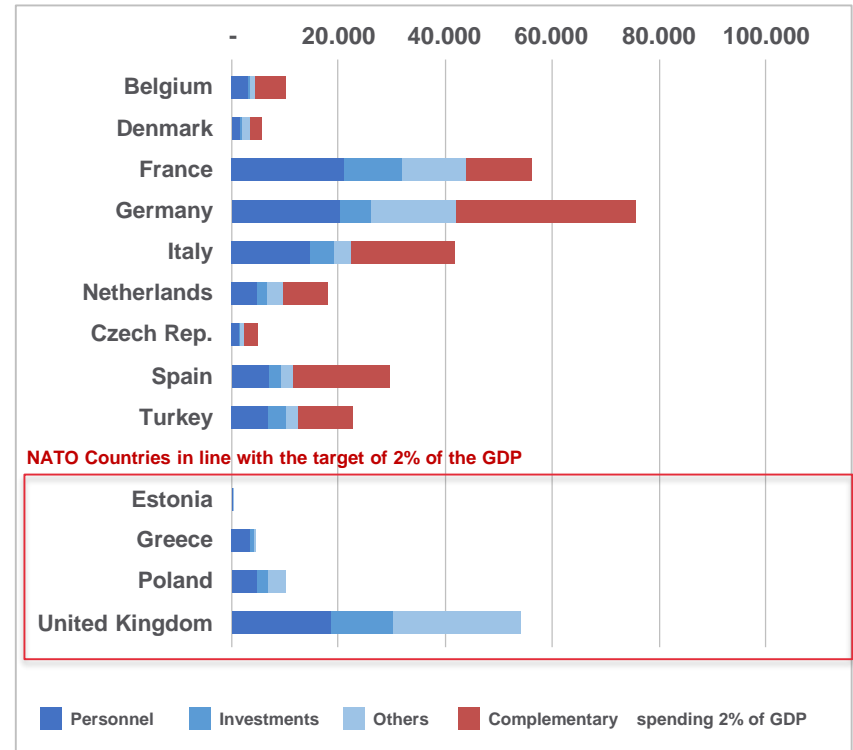
Research Window»

- 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

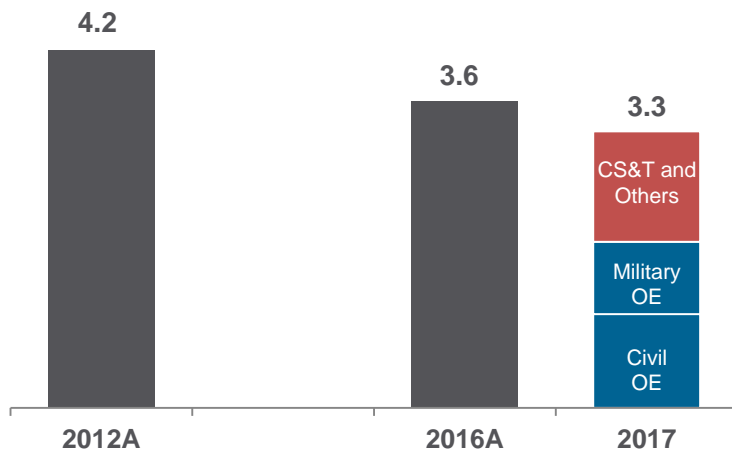
- Focus on customer support and Training programmes

- Leading innovation (AW609 tiltrotor and RUAV)

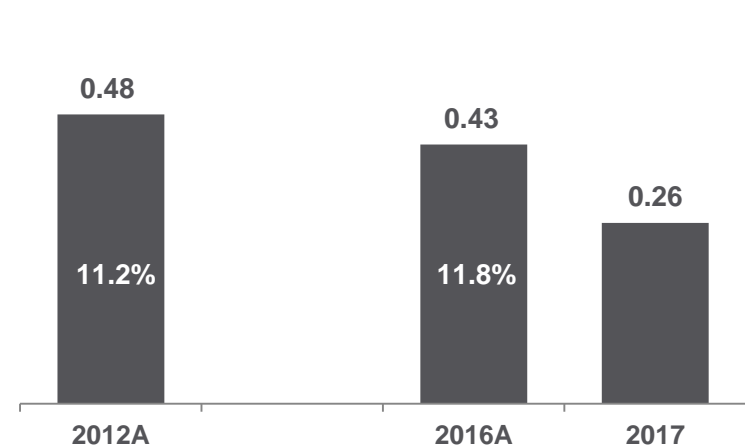
We are clear why we didn't perform in 2017...

Financial impacts

LEONARDO HELICOPTERS REVENUES € bn



LEONARDO HELICOPTERS PROFITABILITY € bn



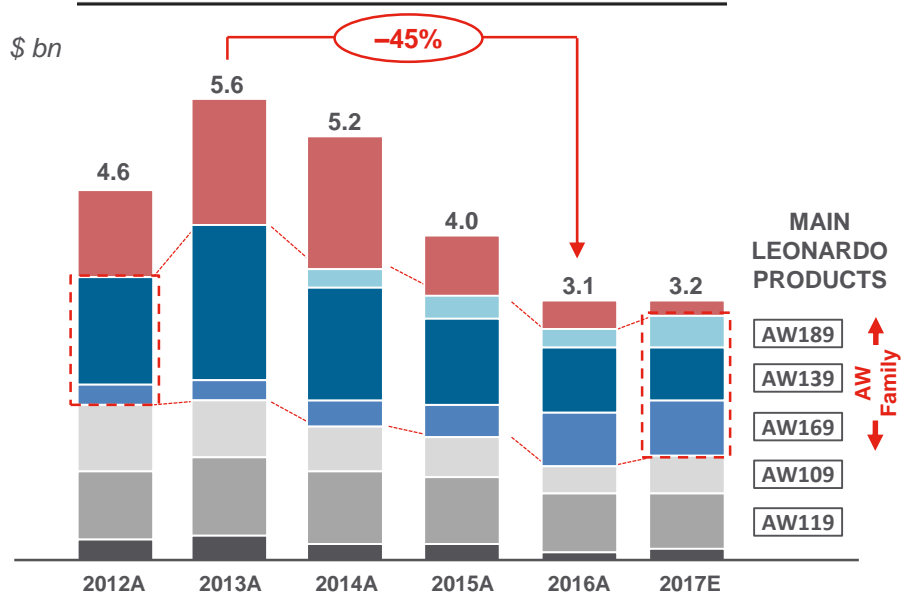
- Lower revenues due to
 - Decline in the civil market
 - Mix effect
 - Reduced contribution from military programs in 2017

- 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...

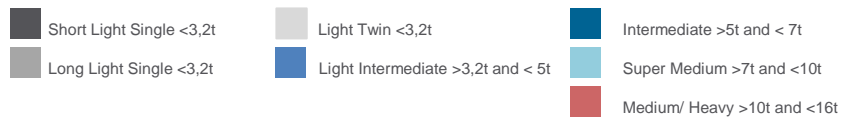
Strong External Factors in the Civil Market

SIGNIFICANT MARKET DECLINE



Of which Offshore (\$ bn):	
2012A	1.6
2013A	2.2
2014A	2.1
2015A	1.2
2016A	0.6
2017E	0.6

Total deliveries (#):	
2012A	~850
2013A	~950
2014A	~750
2015A	~600
2016A	~550
2017E	~550



- 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

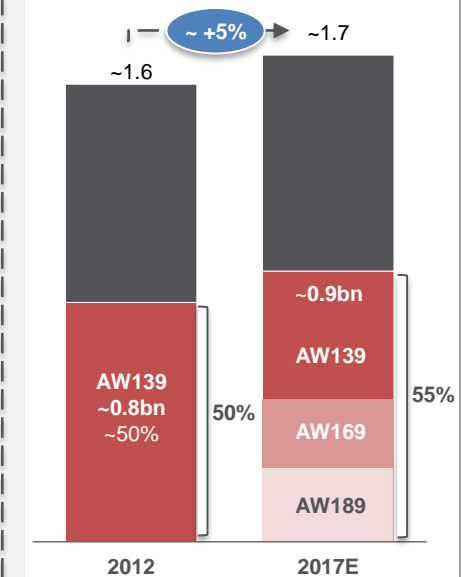
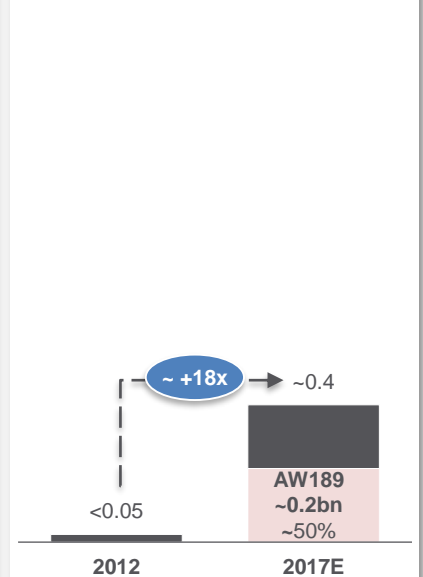
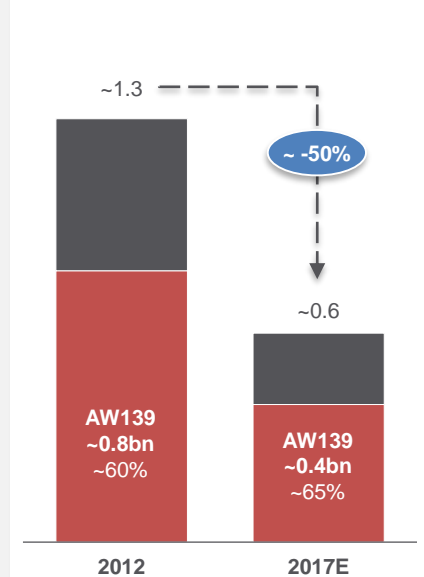
Split

AW169
Driven all growth

AW139
Maintained Share

AW189
Market leader in new category

AW169, AW139, AW189
Taken share



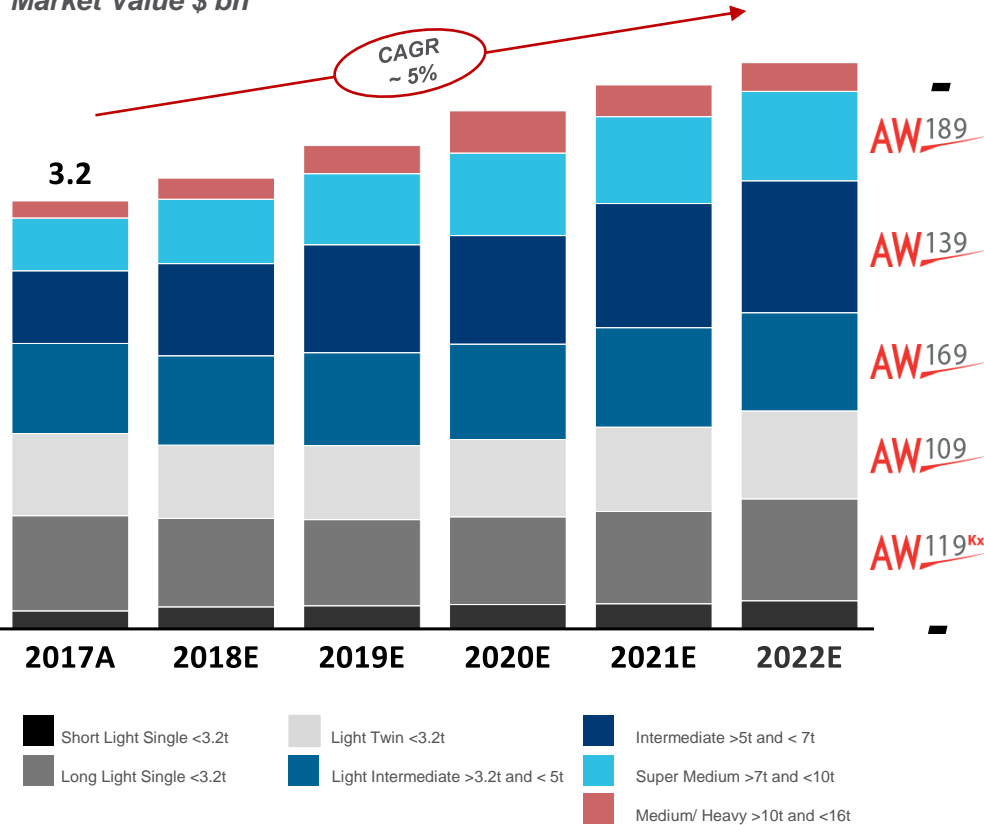
\$ bn ■ Leonardo ■ Other players

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

Well positioned in the right areas of civil

CIVIL MARKET FORECAST CONFIRMED

Market Value \$ bn



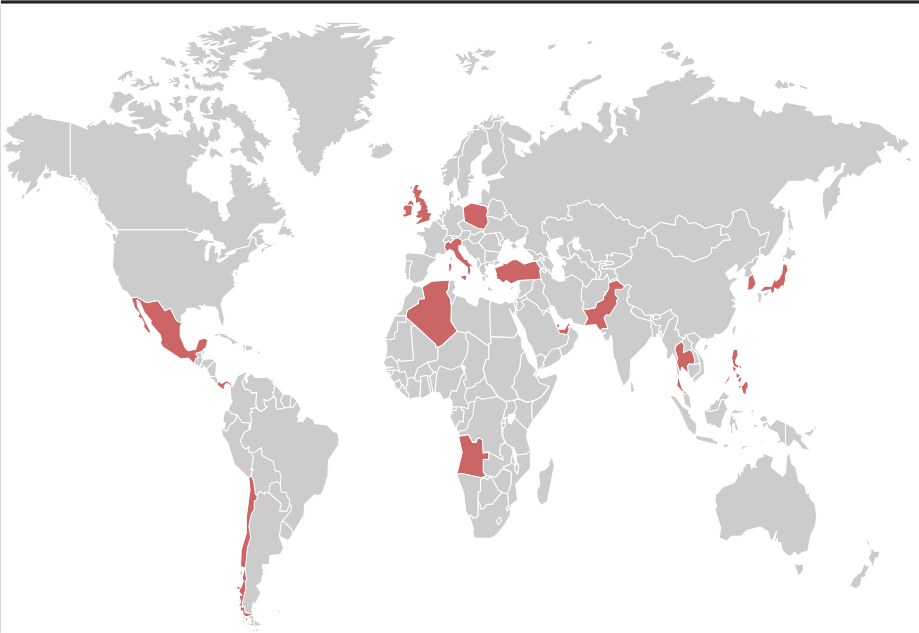
- Civil market forecast: CAGR ~5%
- Sustained growth rate expected for Light Intermediate (AW169), Intermediate (AW139) and Super Medium (AW189)
- Light classes to grow at a lower pace
- Medium/ Heavy segment not attractive
- O&G Offshore to rebound after '15-'17 strong contraction but not reaching pre-crisis level (in spite of oil prices recovery)
- Sensible growth rate expected for EMS/SAR, Utility and VIP/Corporate
- Consolidating presence in US and EU markets and growth in emerging geographies

...growing opportunities in the intermediate segment

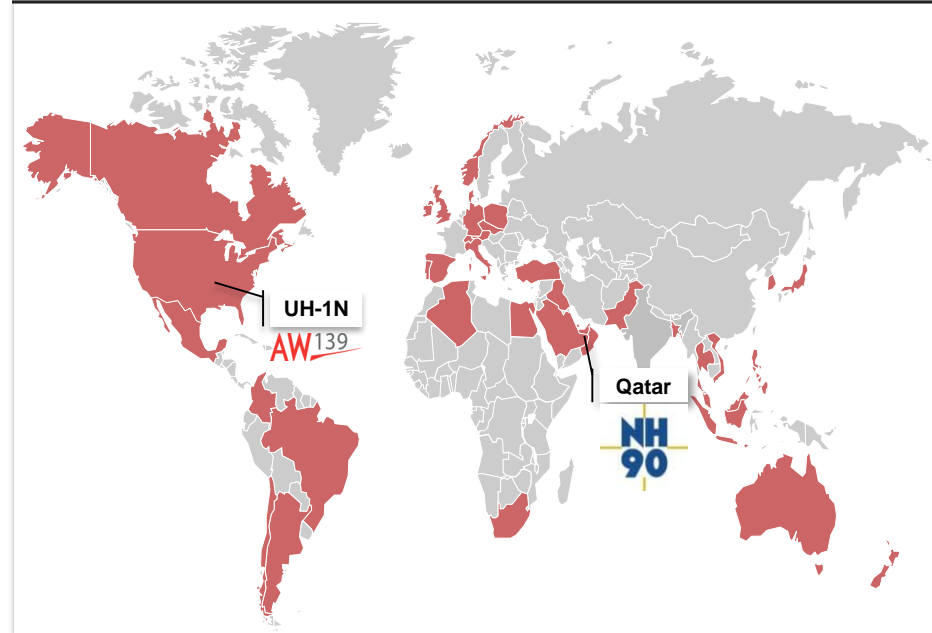
Military is an attractive market based on opportunities

Key business with great opportunities for Leonardo Helicopters

LAST FIVE YEARS MAIN LEONARDO MILITARY CUSTOMERS...



...EXPANDING TO POTENTIAL NEW GEOGRAPHIES

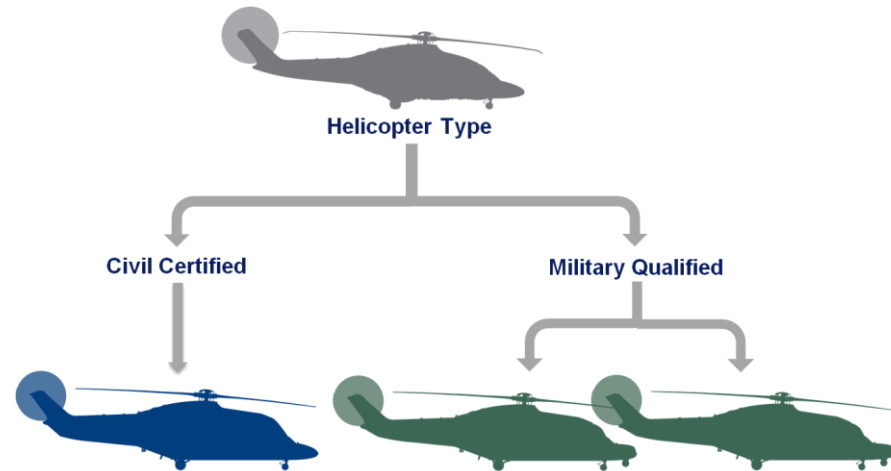


- Opportunity driven market
- Focused sales effort on key campaigns
- Key priorities:
 - Consolidation of the current Customers base
 - Penetrating new geographies
 - Leveraging on competitive dual use and specialized platforms

“Dual-Use/Utility” platforms for military operations

Commercial-based economics, completions optimised for military missions

→ Affordable Capability



- Battlefield and naval
- Excellent platform for Light Utility missions (Special Forces, SAR, Patrol, Fire Support, Training, Recce)
- Hot & high performance and speed



- High versatility & performance
- High useful load and high speed
- “Best in Class” cabin flexibility for multi-role operations



- Dedicated battlefield helicopter
- Most advanced open system avionics architecture
- Flexible and efficient architecture to fulfill different operational needs

Leading edge specialized platforms

SPECIALIZED "BATTLEFIELD/COMBAT" PLATFORMS



T129

- Leonardo / TAI joint venture
- 5-tonne class with excellent hot & high capability
- Advanced sensors and weapon systems



NH90

- Standard 21th century NATO battlefield helicopter
- Medium lift 11-tonne class military helicopter: up to 20 troops capability



AW101

- Medium/heavy 16-tonne class military helicopter: 24 to 40 troop capability
- Highly versatile platform: SAR, CSAR, VVIP

SPECIALISED "NAVAL" PLATFORMS



AW159

- 6-tonne class optimized for naval operations
- Advanced mission systems



NH90

- Highly sophisticated naval ASW/ ASuW systems
- Advanced mission flight aids for all weather / around the clock multi-mission capability



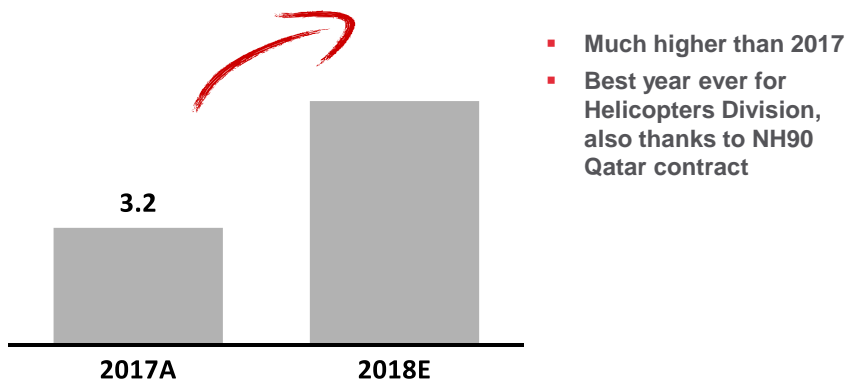
AW101

- Naval multi-role platform
- Extensive range of mission/weapons systems and very long range capability

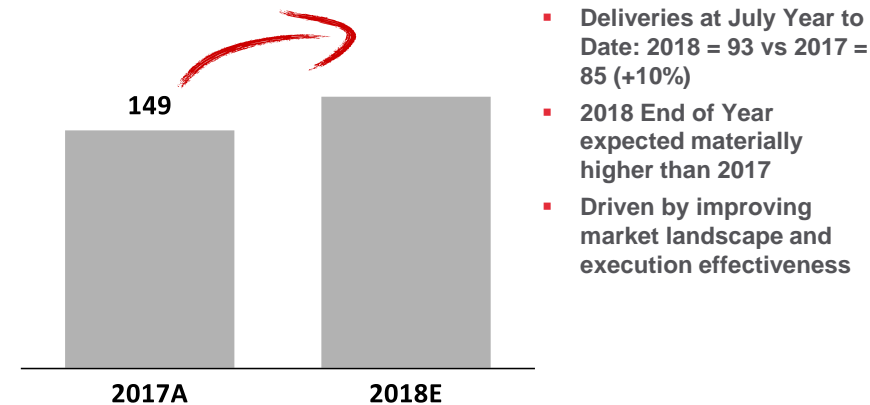
Return to long term sustainable growth

ORDER INTAKE

[€B]

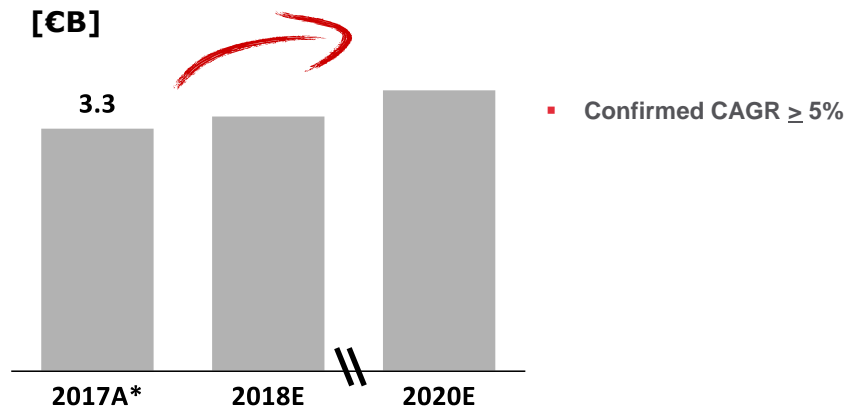


DELIVERIES



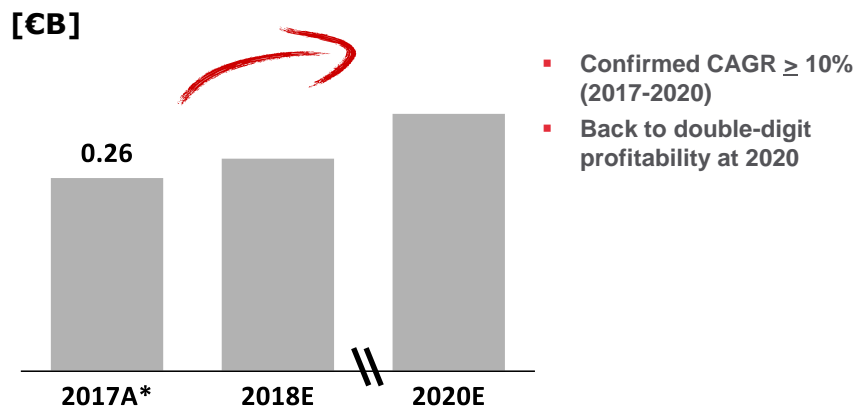
REVENUES

[€B]



EBITA

[€B]



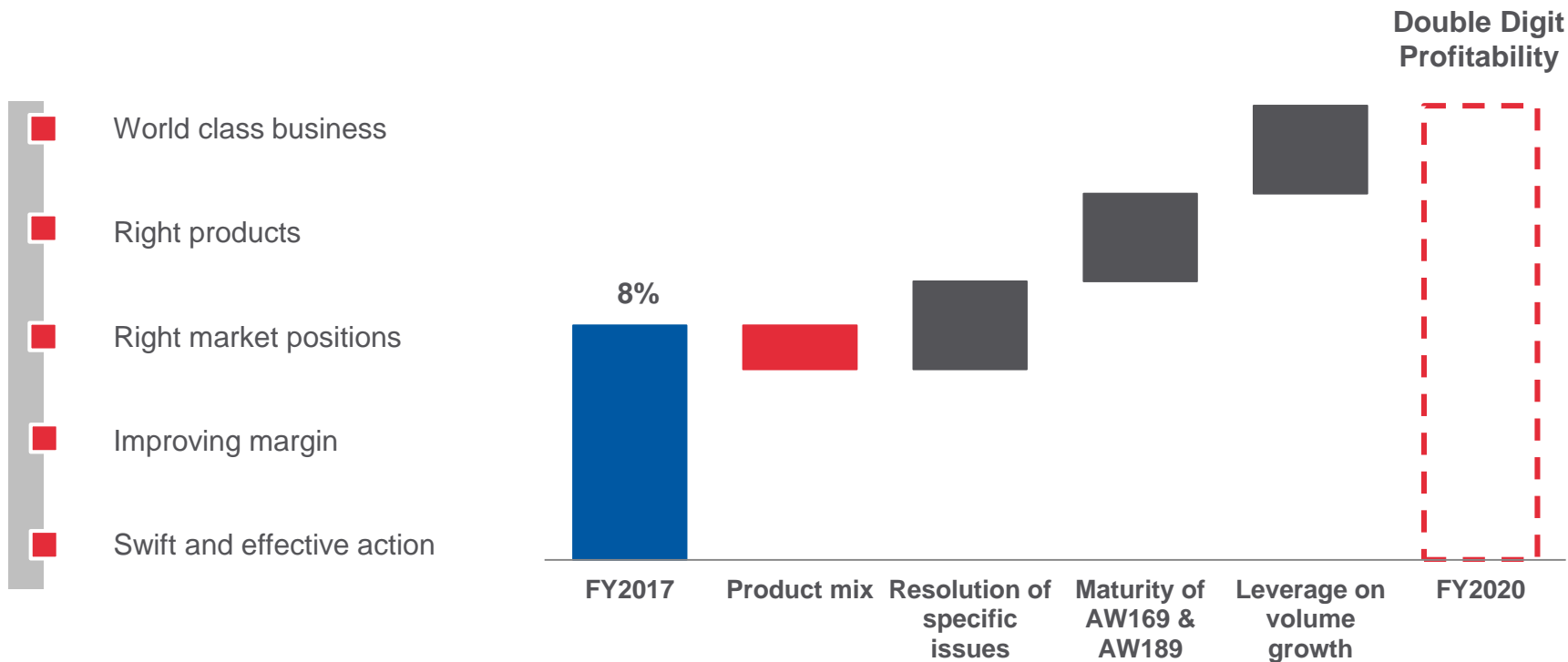
...on track to achieve 2018 targets

* Not restated, as reported in Industrial Plan

Return to double digit profitability 2020

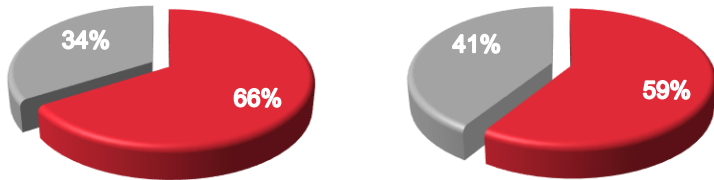
Helicopter recovery

BUILDING BLOCKS OF THE RECOVERY



Helicopters

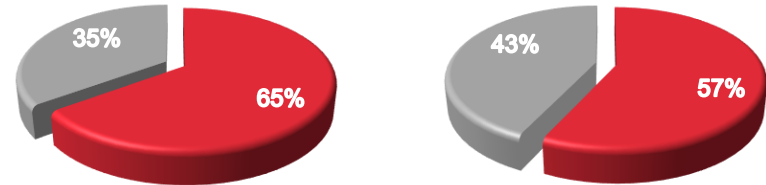
2016 REVENUES BY CUSTOMER/SEGMENT



■ Military / Governmental
■ Commercial

■ OE
■ CS&T / Other

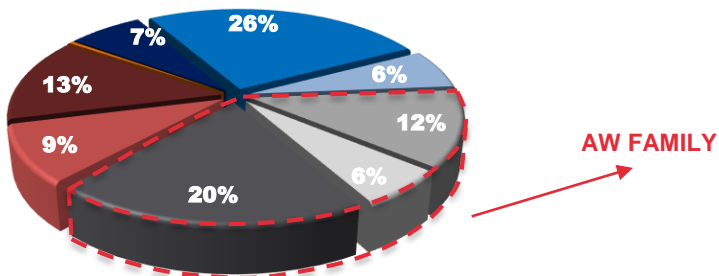
2017 REVENUES BY CUSTOMER/SEGMENT



■ Military / Governmental
■ Commercial

■ OE
■ CS&T / Other

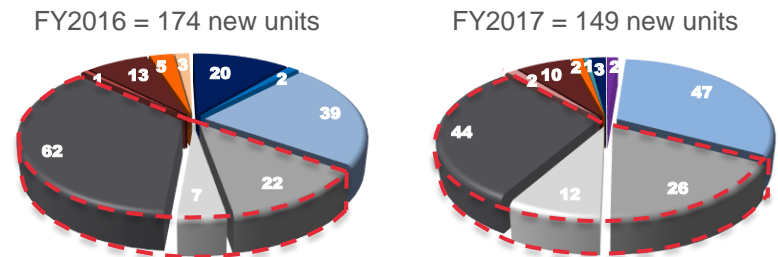
BACKLOG BY PROGRAMME



AW FAMILY

■ 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)



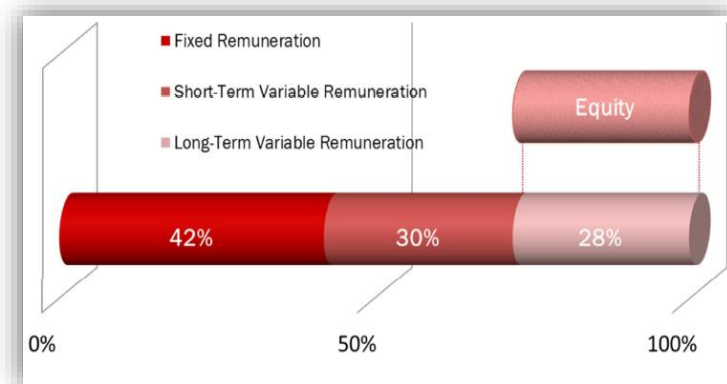
Side by side with the customer during the entire life cycle of the product, with know-how, technologies and skills

Balanced Remuneration Policy

Aligned with shareholders interests

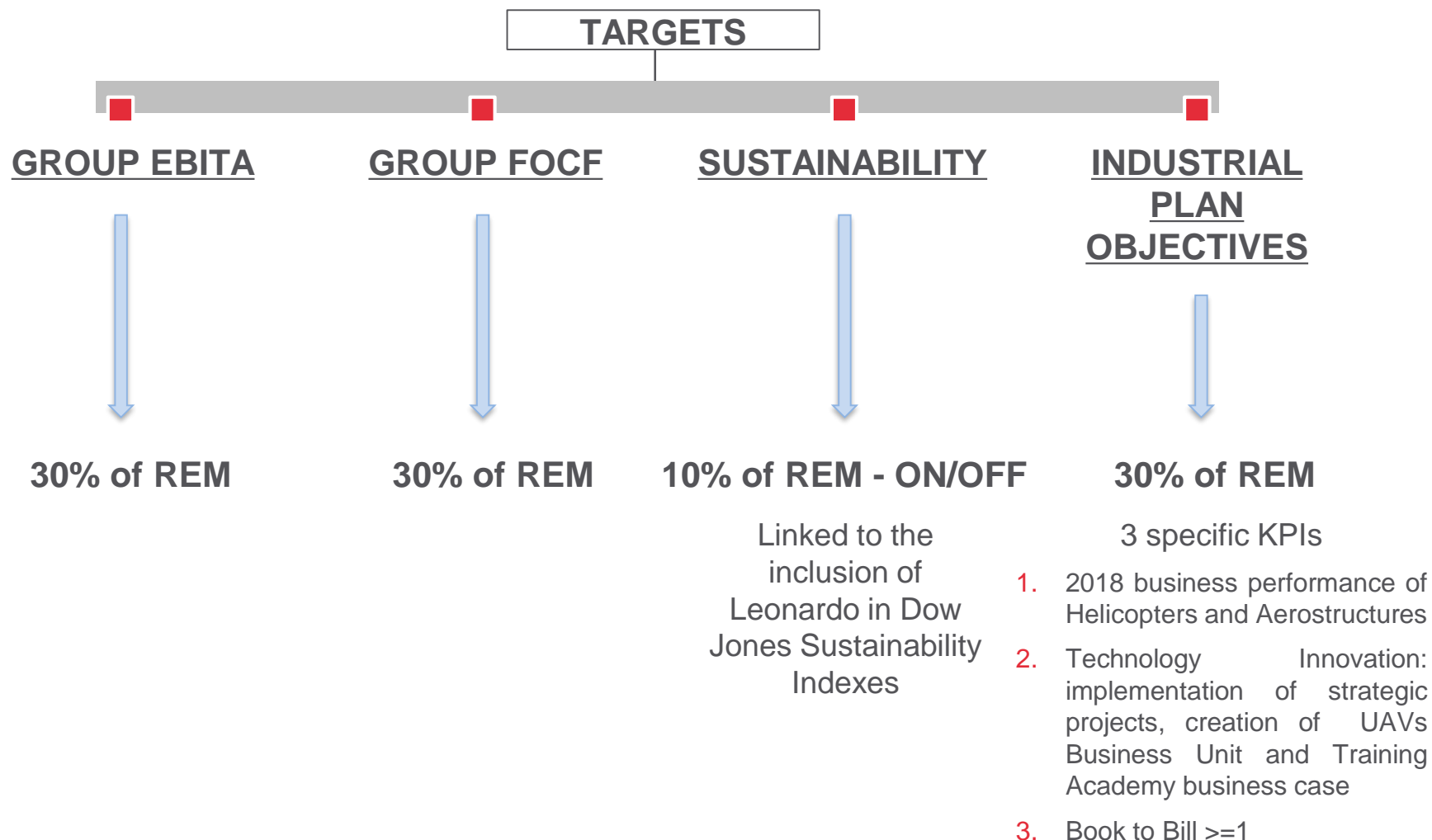
- Clear link between pay and degree of achievement of targets
- Aligning the remuneration package with international market best practices
- Reducing risk-oriented behaviour
- Attracting / retaining resources regarded by the Company as key performers
- Complying with Transparency and Merit system behind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

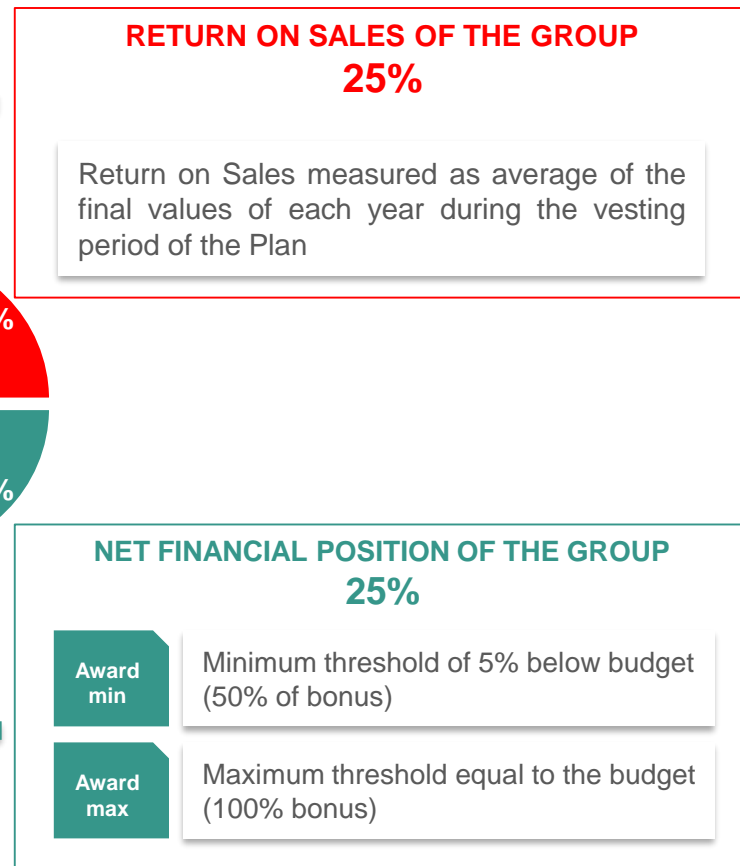
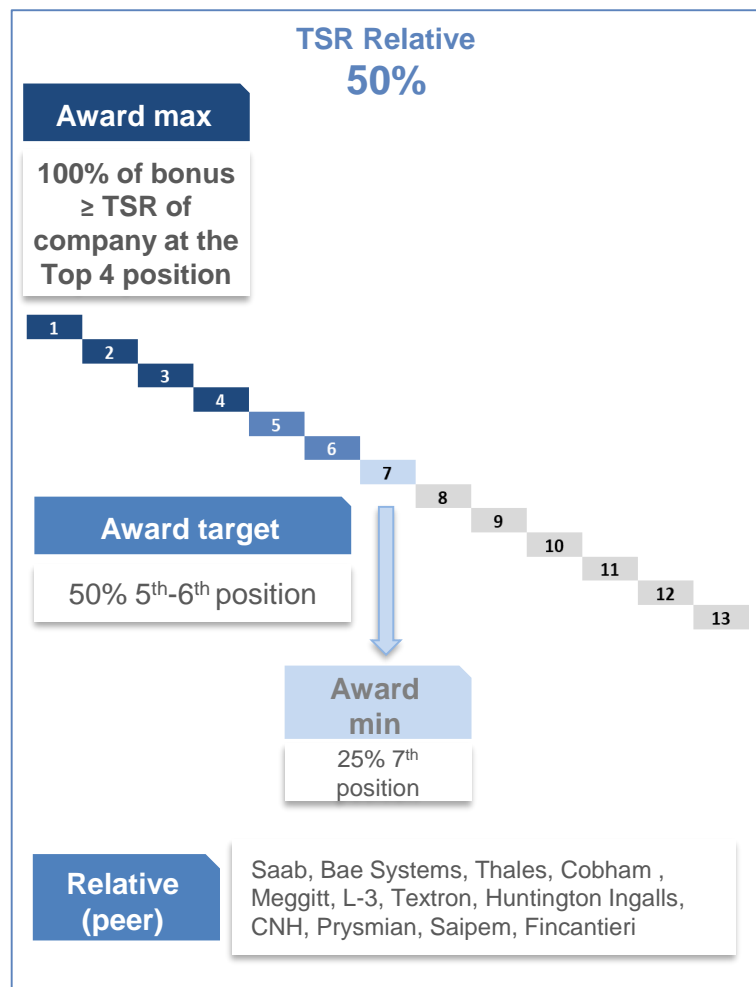
■ VESTING PERIOD

- 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.

C o n t a c t s

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Leonardo Social Hub

