1H 2019 Results Presentation

Alessandro Profumo
Chief Executive Officer

Alessandra Genco
Chief Financial Officer

Investor Relations and Credit Rating Agencies

Rome, 30 July 2019
Agenda

> Executing the Industrial Plan  
  *Chief Executive Officer*

> 1H 2019 Results & Outlook  
  *Chief Financial Officer*

> Appendix
Solid 1H 2019 performance

- First half results in line with expectations

- Strong commercial performance across all businesses
  - Orders up 34% YoY at € 6.1 bn

- Further step forward in executing our Industrial Plan
  - Helicopters well on the way to achieving the plan
  - Aircraft in robust shape and Aerostructures reducing losses
  - Defence Electronics solid performance with Leonardo DRS performing well in strong US market

- 2019 Guidance confirmed
Benefits of sharper commercial strategy and management efforts

Strong demand for our products

• Across all businesses

• Domestic and international

• Civil and military

• Progress on Customer Support

- € 300 mln M-345 contract with Italian Air Force
- € 380 mln AW101 contract with the Polish Ministry of National Defence
- NH90 contract with Spanish Ministry of Defence
- Mounted Family of Computer Systems (MFoCS II) for U.S. Army
Agenda

- Executing the Industrial Plan  
  *Chief Executive Officer*

- 1H 2019 Results & Outlook  
  *Chief Financial Officer*

- Appendix
Solid 1H 2019 performance

• Good progress on top line growth
  o Orders up 34% YoY at € 6.1 bn
  o Revenues up 7% YoY at € 6.0 bn
  o EBITA up 4% YoY at € 487 mln with RoS at 8.2%
  o Net Result up 229% at € 349 mln
  o FOCF at € (1.1) bn

• 2019 Guidance confirmed
Order Intake

Strong performance across the Group

Governmental contracts (NH90 Spain and AW101 Poland)
+28.4% YoY

Strong contribution from Leonardo DRS (MFOCS II)
+44.2% YoY

Mainly Aircraft (EFA and M345)
+17.9% YoY

1H 2019

€ mln

1H 2018

Helicopters
1,707

Defence Electronics & Security
3,396

Aeronautics
1,331

Eliminations & Other
(289)

1H 2019

6,145

ORDER BACKLOG
1H 2019 ca. € 36 bn

- Helicopters
- Defence Electronics & Security
- Aeronautics

ca. € 100 mln positive forex

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Revenues

Positive momentum in Defence Electronics in US and EU

Governmental programmes offsetting lower civil deliveries

+3.6% YoY

Driven by Airborne Systems and Leonardo DRS

+13.4% YoY

In line with 1H18

-2.6% YoY

€ mln

5,589

1H 2018

Helicopters

1,895

Defence Electronics & Security

2,860

Aeronautics

1,389

Eliminations & Other

(182)

5,962

1H 2019

ca. € 80 mln positive forex
EBITA and Profitability

Solid performance across all businesses, with lower contribution from JVs

- Driven by military, CS&T and benefit from UK pension scheme changes +30.7% YoY
- Higher volumes in Europe and US +10.1% YoY
- Aircraft and Aerostructures partially offsetting ATR -1.6% YoY
- Lower activities and higher development costs in Manufacturing -38.1% YoY
- Investments in corporate costs as backbone for growth and centralisation of activities -120.6% YoY

€ mln

470 (RoS 8.4%)

200 (RoS 10.6%)

228 (RoS 8.0%)

121 (RoS 8.7%)

13

(75)

487 (RoS 8.2%)

ca. € 5 mln positive forex

1H 2019 Results Presentation

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Net Result
Below the line benefitting from lower restructuring and PPA

- EBIT up 92.5%, driven by lower restructuring costs and lower PPA
- Net Result benefitting from the release of the risk provision set against guarantees given upon disposal of transportation business of AnsaldoBreda
# FY 2019 Guidance confirmed

<table>
<thead>
<tr>
<th></th>
<th>FY2018A</th>
<th>FY2019 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEW ORDERS</strong></td>
<td>€ bn</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15.124</td>
<td>12.5 - 13.5</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td>€ bn</td>
<td>12.240</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td>€ bn</td>
<td>1.120</td>
</tr>
<tr>
<td><strong>FOCF</strong></td>
<td>€ mln</td>
<td>336</td>
</tr>
<tr>
<td><strong>GROUP NET DEBT</strong></td>
<td>€ bn</td>
<td>2.351</td>
</tr>
</tbody>
</table>

*Including IFRS16 effect of ca. € 0.4 - 0.5 bn

2018 exchange rate assumptions: €/USD 1.25 and €/GBP 0.90

*Including IFRS16 effect of ca. € 0.4 - 0.5 bn
SECTOR RESULTS
Helicopters
Well positioned to capture growth opportunities

<table>
<thead>
<tr>
<th></th>
<th>2Q 2018</th>
<th>2Q 2019</th>
<th>% Change</th>
<th>1H 2018</th>
<th>1H 2019</th>
<th>% Change</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>718</td>
<td>1,019</td>
<td>+41.9%</td>
<td>1,329</td>
<td>1,707</td>
<td>+28.4%</td>
<td>6,208</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,080</td>
<td>1,082</td>
<td>+0.2%</td>
<td>1,830</td>
<td>1,895</td>
<td>+3.6%</td>
<td>3,810</td>
</tr>
<tr>
<td>EBITA</td>
<td>100</td>
<td>144</td>
<td>+44.0%</td>
<td>153</td>
<td>200</td>
<td>+30.7%</td>
<td>359</td>
</tr>
<tr>
<td>RoS</td>
<td>9.3%</td>
<td>13.3%</td>
<td>+4.0 p.p.</td>
<td>8.4%</td>
<td>10.6%</td>
<td>+2.2 p.p.</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

2019 OUTLOOK

- Well placed the most attractive segments
- Profitability strengthening: 1H2019 benefitted from high military and customer support contribution and agreed changes to UK pension scheme. Effects not expected to repeat in 2H
- Back to double digit by 2020
- Continuing industrial processes optimisation to improve competitiveness
Helicopters

**DELIVERIES BY PROGRAMME**

1H2019 = 61 new units

1H2018 = 77 new units

**REVENUES BY CUSTOMER/SEGMENT**

1H2019

- Civil: 72%
- Military/Governamental: 28%
- OE: 65%
- CS&T/Other: 35%

1H2018

- Civil: 60%
- Military/Governamental: 40%
- OE: 62%
- CS&T/Other: 38%
## Defence Electronics & Security
### Remain strong

#### ELECTRONICS - EU

<table>
<thead>
<tr>
<th></th>
<th>2Q 2018</th>
<th>2Q 2019</th>
<th>% Change</th>
<th>1H 2018</th>
<th>1H 2019</th>
<th>% Change</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>708</td>
<td>1,185</td>
<td>+67.4%</td>
<td>1,330</td>
<td>2,008</td>
<td>+51.0%</td>
<td>4,409</td>
</tr>
<tr>
<td>Revenues</td>
<td>955</td>
<td>997</td>
<td>+4.4%</td>
<td>1,744</td>
<td>1,871</td>
<td>+7.3%</td>
<td>4,011</td>
</tr>
<tr>
<td>EBITA</td>
<td>113</td>
<td>96</td>
<td>-15.0%</td>
<td>168</td>
<td>172</td>
<td>+2.4%</td>
<td>394</td>
</tr>
<tr>
<td>RoS</td>
<td>11.8%</td>
<td>9.6%</td>
<td>-2.2 p.p.</td>
<td>9.6%</td>
<td>9.2%</td>
<td>-0.4 p.p.</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

#### LEONARDO DRS

<table>
<thead>
<tr>
<th></th>
<th>2Q 2018</th>
<th>2Q 2019</th>
<th>% Change</th>
<th>1H 2018</th>
<th>1H 2019</th>
<th>% Change</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>826</td>
<td>797</td>
<td>-3.5%</td>
<td>1,250</td>
<td>1,577</td>
<td>+26.2%</td>
<td>2,880</td>
</tr>
<tr>
<td>Revenues</td>
<td>504</td>
<td>605</td>
<td>+20.0%</td>
<td>959</td>
<td>1,129</td>
<td>+17.7%</td>
<td>2,339</td>
</tr>
<tr>
<td>EBITA</td>
<td>24</td>
<td>36</td>
<td>+50.0%</td>
<td>46</td>
<td>63</td>
<td>+37.0%</td>
<td>151</td>
</tr>
<tr>
<td>RoS</td>
<td>4.8%</td>
<td>6.0%</td>
<td>+1.2 p.p.</td>
<td>4.8%</td>
<td>5.6%</td>
<td>+0.8 p.p.</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

### 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)

Avg. exchange rate €/$ @ 1.1298 in 1H2019
Avg. exchange rate €/$ @ 1.2108 in 1H2018
Aeronautics
Aircrafts positive outlook offsetting lower ATR

<table>
<thead>
<tr>
<th></th>
<th>2Q 2018</th>
<th>2Q 2019</th>
<th>% Change</th>
<th>1H 2018</th>
<th>1H 2019</th>
<th>% Change</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>406</td>
<td>877</td>
<td>+116.0%</td>
<td>1.129</td>
<td>1.331</td>
<td>+17.9%</td>
<td>2,569</td>
</tr>
<tr>
<td>Revenues</td>
<td>787</td>
<td>745</td>
<td>-5.3%</td>
<td>1.426</td>
<td>1.389</td>
<td>-2.6%</td>
<td>2,896</td>
</tr>
<tr>
<td>EBITA</td>
<td>76</td>
<td>84</td>
<td>+10.5%</td>
<td>123</td>
<td>121</td>
<td>-1.6%</td>
<td>328</td>
</tr>
<tr>
<td>RoS</td>
<td>9.7%</td>
<td>11.3%</td>
<td>+1.6 p.p.</td>
<td>8.6%</td>
<td>8.7%</td>
<td>+0.1 p.p.</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

**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 benefiting from efficiency improvement in line with expectations
## Space
### Pressure on Manufacturing

<table>
<thead>
<tr>
<th></th>
<th>2Q 2018</th>
<th>2Q 2019</th>
<th>% Change</th>
<th>1H 2018</th>
<th>1H 2019</th>
<th>% Change</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITA</td>
<td>14</td>
<td>12</td>
<td>-14.3%</td>
<td>21</td>
<td>13</td>
<td>-38.1%</td>
<td>58</td>
</tr>
</tbody>
</table>

### 2019 OUTLOOK

- Continued downturn in telecommunication market expected to affect Manufacturing activities
APPENDIX
## 1H 2019 Results

### Group Performance

<table>
<thead>
<tr>
<th></th>
<th>2Q 2018</th>
<th>2Q 2019</th>
<th>% Change</th>
<th>1H 2018</th>
<th>1H 2019</th>
<th>% Change</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Orders</strong></td>
<td>2,440</td>
<td>3,627</td>
<td>+48.6%</td>
<td>4,604</td>
<td>6,145</td>
<td>+33.5%</td>
<td>15,124</td>
</tr>
<tr>
<td><strong>Backlog</strong></td>
<td></td>
<td></td>
<td></td>
<td>32,611</td>
<td>36,321</td>
<td>+11.4%</td>
<td>36,118</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>3.138</td>
<td>3.237</td>
<td>+3.2%</td>
<td>5,589</td>
<td>5,962</td>
<td>+6.7%</td>
<td>12,240</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td>317</td>
<td>324</td>
<td>+2.2%</td>
<td>470</td>
<td>487</td>
<td>+3.6%</td>
<td>1,120</td>
</tr>
<tr>
<td><strong>RoS</strong></td>
<td>10.1%</td>
<td>10.0%</td>
<td>-0.1 p.p.</td>
<td>8.4%</td>
<td>8.2%</td>
<td>-0.2 p.p.</td>
<td>9.2%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>119</td>
<td>306</td>
<td>+157.1%</td>
<td>240</td>
<td>462</td>
<td>+92.5%</td>
<td>715</td>
</tr>
<tr>
<td><strong>EBIT Margin</strong></td>
<td>3.8%</td>
<td>9.5%</td>
<td>+5.7 p.p.</td>
<td>4.3%</td>
<td>7.7%</td>
<td>+3.4 p.p.</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Net result before extraordinary transactions</strong></td>
<td>56</td>
<td>175</td>
<td>+212.5%</td>
<td>106</td>
<td>252</td>
<td>+137.7%</td>
<td>421</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>56</td>
<td>272</td>
<td>+385.7%</td>
<td>106</td>
<td>349</td>
<td>+229.2%</td>
<td>510</td>
</tr>
<tr>
<td><strong>EPS (€ cents)</strong></td>
<td>0.098</td>
<td>0.473</td>
<td>+382.7%</td>
<td>0.185</td>
<td>0.607</td>
<td>+228.1%</td>
<td>0.888</td>
</tr>
<tr>
<td><strong>FOCF</strong></td>
<td>248</td>
<td>64</td>
<td>-74.2%</td>
<td>-809</td>
<td>-1,050</td>
<td>-29.8%</td>
<td>336</td>
</tr>
<tr>
<td><strong>Group Net Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td>3,474</td>
<td>4,098</td>
<td>+18.0%</td>
<td>2,351</td>
</tr>
<tr>
<td><strong>Headcount</strong></td>
<td></td>
<td></td>
<td></td>
<td>45,989</td>
<td>48,755</td>
<td>+6.0%</td>
<td>46,462</td>
</tr>
</tbody>
</table>

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.
Solid Financial Position as at end of June 2019

DEBT MATURITY
Average life: ≈ 5.5 years (1)

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

Repayment Conditions of New Debt Instruments

CREDIT RATING

<table>
<thead>
<tr>
<th></th>
<th>As of today</th>
<th>Before last review</th>
<th>Date of review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody's</td>
<td>Ba1 / Stable Outlook</td>
<td>Ba1 / Positive Outlook</td>
<td>October 2018*</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>BB+ / Stable Outlook</td>
<td>BB+ / Negative Outlook</td>
<td>April 2015</td>
</tr>
<tr>
<td>Fitch</td>
<td>BBB- / Stable Outlook</td>
<td>BB+ / Positive Outlook</td>
<td>October 2017</td>
</tr>
</tbody>
</table>

* 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
Availability of adequate committed liquidity lines as at end of June 2019

• In order to cope with possible swings in financing needs, Leonardo can leverage:
  
  o 30 June cash balance of €1.2 bn
  o Credit lines worth €2.5 bn (confirmed and unconfirmed)
  o The Revolving Credit Facility signed on 14 February 2018 amounts at €1.8 bn with a margin of 75bps and will expire in 2023
  o Bank Bonding lines of approximately €3.3 bn to support Leonardo’s commercial activity

<table>
<thead>
<tr>
<th>Tenor</th>
<th>July 2023</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>75 bps (1)</td>
<td>~30 bps (2)</td>
</tr>
</tbody>
</table>

(1) Based on rating as of 30/06/2019
(2) Average. Expected to be renewed at maturity
IFRS 16

- IFRS 16 redefines recording methods of operating leases in the financial statements imposing a single recognition method for all types of leasing, with the consequent recognition in the balance sheet of the tangible assets and liabilities for future payments.

- The main impacts deriving from the application of the new principle are:
  - recording of non-current assets equal to rights of use on tangible and intangible assets against existing leasing contracts
  - recognition of financial liabilities equal to the present value of future lease payment

- The Group has applied this principle starting from 1st January 2019.

- The estimated impact on the Group Financial Debt for FY 2019 will be ca. € 0.4-0.5 bn.
CEO REMUNERATION
Balanced Remuneration Policy
Aligned with shareholders interests

- Convergence of interests between management and shareholders

- Clear link between pay and degree of achievement of targets

- Aligning the remuneration package with international market best practices

- Including Sustainability/ESG objectives, consistently with business strategy

- Meeting the investors’ expectations regarding management remuneration

- Complying with transparency and merit system embedded in Leonardo strategy

- Attracting / retaining resources regarded by the Company as key performers

- Reducing risk-oriented behavior
CEO performance: Management by Objectives

MBO remuneration is paid in cash on a yearly basis

GATES

- GROUP EBITA: 85% of budget
- GROUP FOCF: 100% of budget

TARGETS

GROUP EBITA

- 30% of REM

GROUP FOCF

- 30% of REM

INDUSTRIAL PLAN OBJECTIVES

- 30% of REM
  - 2 specific KPIs
  1. Progress in the Industrial Plan with focus on Electronics and Cyber Security
  2. Book to Bill ≥1

SUSTAINABILITY

- 10% of REM - ON/OFF
  - Linked to the inclusion of Leonardo in Dow Jones Sustainability Indexes
Remuneration scheme: methodology

• **CLAW-BACK CLAUSE**
  o Leonardo is entitled to request repayment of the variable remuneration paid in the event of erroneous or falsified calculation

• **SEVERANCE**
  o No severance payment for early termination and non renewal of mandate
  o CEO severance not higher than 2 years fixed remuneration
  o He will receive the total remuneration (fixed and variable elements) as would have been until the natural expiry of the term of office (12 months in May 2019, descending down to zero upon natural expiry)

• **TSR PEER Group (LTIP)**
  o Leonardo’s performance will be measured in relation to a “peer Group” selected on comparability
    o Aerospace and Defence companies
    o Industrial companies in the FTSE MIB
Long Term Incentive Plan (LTIP)

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

- **FREQUENCY**
  - 3 year cycles assigned yearly on a rolling basis

- **AWARD**
  - Max 67.4% € 620.000 CEO

- **LOCK UP**
  - 1 year

- **VESTING PERIOD**
  - 3 year

- **PAYOUT**
  - Shares only for Top Management, Executives with Strategic Responsibilities and other Top Executive
  - Shares & Cash for other Beneficiaries
LTIP Performance conditions

**Return on Sales of the Group**

25%

Return on Sales measured as average of the final values of each year during the vesting period of the Plan.

**Net Financial Position of the Group**

25%

- **Award_min**: Minimum threshold of 5% below budget (50% of bonus)
- **Award_max**: Maximum threshold equal to the budget (100% bonus)

**Positioning**

- 1 - 4
- 5 - 6
- Median = 7
- < 7

**Bonus**

- 100%
- 50%
- 25%
- 0%

**Relative (peer)**

- Saab, Bae Systems, Thales, Cobham, Meggitt, L-3, Textron, Huntington Ingalls, CNH, Prysmian, Saipem, Fincantieri
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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