FY 2016 Results & 2017-2021 Industrial Plan

Mauro Moretti  
CEO & General Manager

Gian Piero Cutillo  
Chief Financial Officer

London, 16 March 2017
2013 – 2016 KEY ACHIEVEMENTS
(CEO and General Manager)

2016 RESULTS AND OUTLOOK
(CFO)

2017-2021 INDUSTRIAL PLAN: DEVELOPMENT AND GROWTH
(CEO and General Manager)
Key messages

- Great evidence of the good progress we have made on our journey
  - We have changed
  - We have delivered on promises and targets.....
  - We are in a better place ....
  - And we are now going to move forward .... and develop and grow

- 2016 was another year of very good performance...That enables us to restart proposing a dividend payment of €14 cents per share

- And we are committed to continuing to deliver more progress in the future: Development and Growth
Delivering on our promises
Key achievements 2013-2016

**ASSESS**
4Q 2014

- Detailed analysis of competitive positioning and performance of all business/product lines
- New Organisational and Operating Model and new «Leonardo» brand
- Material step up in profitability and Net Result…
- Streamlining industrial process (Engineering, Supply Chain, Manufacturing)
- … and cash flow generation
- Strengthening the order book with increased attention on the quality of orders
- Focus on core A,D&S business and product portfolio rationalisation
- Disposal of non-core business completed (Transportation, DRS lines and Fata)
- Strengthening the core business: increased stake in Avio

**STRENGTHEN**
2015 – 2016

**DEVELOPMENT & GROWTH**
2017 - 2021

**INDUSTRIAL EFFICIENCY**

**CUSTOMER FOCUS**

**CORE BUSINESS GROWTH**

**SUSTAINABILITY**
So this is what I told you we would do in January 2015…

More balanced and flexible Capital Structure to support DEVELOPMENT
... and this is what we delivered
2016 vs. 2013

Profitability
- EBITA +43%
  From €878mln to €1,252mln
- RoS +400bp
  From 6.4% to 10.4%
- SG&A -25%
  From €1,278mln to €961mln

Below the line
- Much lower volatility
  -368%
  From €809mln to €173mln

Net Result
- +190%
  From -€649mln to €545mln

Operating WC
- -13%
  From ca. €6bn to ca. €5.2bn
  On track to achieve >15% reduction by 2017

Investments
- -56%
  From €962mln to €427mln
  Self-financing Index
  From 0.6 to 1

Net Equity
- +19%
  From €3.7bn to €4.4bn

Net Debt
- -27%
  From €3.9bn to €2.8bn

FOCF
- +421%
  From -€220mln to €706mln
Finmeccanica in 2013*

EBITA (€M) - EBITA%
Leonardo today*

*Space sector consolidated under the Equity Method

EBITA (€M) - EBITA%
2013 – 2016 KEY ACHIEVEMENTS
(CEO and General Manager)

2016 RESULTS AND OUTLOOK
(CFO)

2017-2021 INDUSTRIAL PLAN: DEVELOPMENT AND GROWTH
(CEO and General Manager)
Key messages

- Strong delivery of Industrial Plan
- Continued benefits from a stronger, more solid and better balanced portfolio
  - ca. €20bn of new orders, book to bill at 1.7x
- Aeronautics and Electronics, Defence & Security Systems continue to outperform vs expectation
- Helicopters ended 2016 strongly, even in though market conditions
- Resulting in another year of delivery in line with guidance
  - Orders, revenues and EBITA as expected, with major step up in net result due to lower below the line, financial charges and taxes
- FOCF at €706mln, higher compared to the original expectation, due to the net impact of the first advance payment for the Eurofighter Kuwait. Total 2016-2017 cumulated net impact reconfirmed at ca. EUR 600 million
- Net debt at €2.8bn despite negative forex effect
- Continued progress expected in 2017
New Orders

All the Sectors with book-to-bill above 1

New orders benefitting from the €7.95bn Eurofighter Kuwait contract

Also excluding the EFA-Kuwait, Aeronautics (M346, ATR and B787) increases YoY offsetting decline in Electronics, Defence and Security Systems (due €/£ translation effect) and Helicopters.
Revenues
Lower YoY due to change in perimeter, shortfall in Helicopters and forex

- 18.8%
- 3.3%
+0.4%
- 7.6%
% Ch. vs. FY2015

Net of ca. €300mln of negative exchange rate
Profitability improvement
EBITDA improving trend continues, margin 150bp higher YoY

EBITDA per capita +50% vs 2013, at 40k
**Profitability improvement**
*All Sectors above 10% RoS*

- EBITA increases despite lower volumes and negative impact of €/GBP
- Continuous improvement in Electronics, Defence & Security Systems and Aeronautics
- Delivering on promises in Helicopters: profitability at ca.12% showing resiliency in challenging market conditions

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helicopters</td>
<td>430 (RoS 11.8%)</td>
<td>558 (RoS 10.2%)</td>
</tr>
<tr>
<td>Electronics, Defence and Security Systems</td>
<td>1,208 (RoS 9.3%)</td>
<td>347 (RoS 11.1%)</td>
</tr>
<tr>
<td>Aeronautics</td>
<td>1,252 (RoS 10.4%)</td>
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<tr>
<td>Space</td>
<td>77</td>
<td></td>
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<tr>
<td>Corporate &amp; Others</td>
<td>(160)</td>
<td></td>
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</table>
SG&A
Target exceeded and further optimisation to come

- SG&A reduction target of >10% from 2013 to 2015 exceeded, leveraging on cost cutting initiatives
- Additional 7% reduction achieved in 2016 vs 2015

- Further optimisation expected in 2017-2021 thanks to the full implementation of the “One Company”
- SG&A to remain below 8% of Revenues
Net Result Improvement

More than doubled on lower below the line and net financial expenses

**FY2015**

<table>
<thead>
<tr>
<th></th>
<th>€ Mln</th>
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<tbody>
<tr>
<td>EBITA</td>
<td>1,208</td>
</tr>
<tr>
<td>Restr./Non-rec.</td>
<td>(226)</td>
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<tr>
<td>PPA</td>
<td>(98)</td>
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<tr>
<td>EBIT</td>
<td>884</td>
</tr>
<tr>
<td>Net financial expenses</td>
<td>(438)</td>
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<tr>
<td>Income Taxes</td>
<td>(193)</td>
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<tr>
<td>Net Result before ext. tr.</td>
<td>253</td>
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**FY2016**

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<thead>
<tr>
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<tr>
<td>EBITA</td>
<td>1,252</td>
</tr>
<tr>
<td>Restr./Non-rec.</td>
<td>(173)</td>
</tr>
<tr>
<td>PPA</td>
<td>(97)</td>
</tr>
<tr>
<td>EBIT</td>
<td>982</td>
</tr>
<tr>
<td>Net financial expenses</td>
<td>(279)</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>(158)</td>
</tr>
<tr>
<td>Net Result before ext. tr.</td>
<td>545</td>
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</table>

- “Below the line” materially reduced, with volatility fully under control
- Significant reduction of net financial expenses
  - Lower financial costs from Bond buy back and renegotiation of the RCF (July 2015)
  - Positive effect of fair value
- Lower tax rate
Net Invested Capital streamlining
*Target exceeded on investments and on track to deliver Working Capital reduction*

**Working Capital net of Customer Advances**
- Customer Advances expected to decrease YoY (approx -6% per year), excluding EFA Kuwait
- Net of Customer advances impact, initiatives put in place lead to an operating working capital reduction
- Reducing trend also in 2016.
- More to be done but on track to reach 2017 target, before taking into account the impact of EFA Kuwait ramp-up

**Material rationalisation of Investments (CAPEX + R&D)**
- >20% reduction target and already 1x self-financing index target achieved in 2015.
- 2016 temporary reduction in the level of investments
- From 2017 onwards investments expected to remain broadly flat at ca. €550-600mln
- Investments aimed at sustaining the business in the future confirmed, key programmes not delayed
Balance Sheet solidity

Financial position and Credit Rating (as of end of December 2016)

FINANCIAL POSITION
Bond 4.292
EIB Loan 278
Cash Available (2.167)
Other financial assets/liabilities 442

Average life: ≈ 7 years

Debt maturity profile

(€mil)

As of today
Moody's  Ba1 / Stable Outlook
S&P  BB+ / Stable Outlook
Fitch  BB+ / Positive Outlook

Before last review
Moody's  Ba1 / Negative Outlook
S&P  BB+ / Negative Outlook
Fitch  BB+ / Stable Outlook

Date of review
Moody's  August 2015
S&P  April 2015
Fitch  October 2016
## FY2017 Guidance

**New Orders:** increasingly selective with tighter return criteria, to reduce execution risk and improve quality of results

**Revenues:** expected to be broadly flat

**EBITA:** further improvement confirmed also in profitability

**Below the line:** further reduction of the non-recurring items

**FOCF:** 2016-2017 cumulative net effect of the EFA Kuwait advance payment confirmed at around €600 mln

**Net Debt:** down ca. €300 mln, including the acquisition of Daylight Solutions and the proposed payment of dividend for €0.14 p.s.

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<tr>
<th></th>
<th>FY2016A</th>
<th>FY2017E*</th>
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<tbody>
<tr>
<td><strong>New orders</strong></td>
<td>€ bn</td>
<td>20.0</td>
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<tr>
<td><strong>Revenues</strong></td>
<td>€ bn</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td>€ mln</td>
<td>1,252</td>
</tr>
<tr>
<td><strong>FOCF</strong></td>
<td>€ mln</td>
<td>706</td>
</tr>
<tr>
<td><strong>Group Net Debt</strong></td>
<td>€ bn</td>
<td>2.8</td>
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(*) Assuming €/$ exchange rate at 1.15 and €/£ at 0.85
Development and Growth based on solid foundation

- Leonardo is now a much different Group…
  - More focused
  - Better balanced between Sectors
  - With improved financial solidity
- … based on solid foundations for Development and Growth
2013 – 2016 KEY ACHIEVEMENTS
(CEO and General Manager)

2016 RESULTS AND OUTLOOK
(CFO)

2017-2021 INDUSTRIAL PLAN: DEVELOPMENT AND GROWTH
(CEO and General Manager)
The new phase: Development and Growth
2017 – 2021 Industrial Plan

INDUSTRIAL EFFICIENCY

LEADING INNOVATION

CUSTOMER FOCUS

SUSTAINABILITY

Supportive market environment

Strong order backlog

Financial flexibility
Strong Foundations
A supportive market environment

**PROCUREMENT e RD&TE (2016 – 2021) – VALUES %**

Fonte: IHS Jane’s and Leonardo estimates
Exchange rate $/€= 0,9012

- Defence spending expected to grow 3%
- Italy expected to decline and internationalisation is key
- Fastest growth in new markets (i.e. China, India, Middle East)

- Specific opportunities
  - European Defence Fund
  - Potential acceleration of US defence spending
  - Under spend of NATO countries
Strong Foundations
Robust Order Book

AERONAUTICS
- Eurofighter Kuwait
- B787

ELECTRONICS, DEFENCE & SECURITY SYSTEMS
- Italian Naval Law
- FSOM (avionic support services for the Typhoon aircraft)
- IFF (Identification Friend or Foe)

HELICOPTERS
- AW Family
- New Exploration and Escort helicopter
- UK IOS and Customer support
Strong Foundations
*Capital strenght to invest*

**Disciplined financial strategy in using our resources**

- Investment grade
- Debt reduction
- Strategic investments
- Shareholders’ remuneration
# Development & Growth Actions

## Four Growth Pillars

<table>
<thead>
<tr>
<th>INDUSTRIAL EFFICIENCY (CENTRES OF EXCELLENCE)</th>
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<tbody>
<tr>
<td>✔ Continuing on the efficiency path</td>
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<tr>
<td>✔ Engineering, exploiting commonalities of transversal technologies</td>
</tr>
<tr>
<td>✔ Manufacturing, focusing on centers of excellence</td>
</tr>
<tr>
<td>✔ Increase the centralisation of Procurement</td>
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<tr>
<td>✔ Extending unified ICT system to suppliers / Client</td>
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<table>
<thead>
<tr>
<th>CUSTOMER FOCUS</th>
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<tbody>
<tr>
<td>✔ «One Company» model established in UK</td>
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<tr>
<td>✔ One single international presence focused on key countries</td>
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<tr>
<td>✔ Affordability and Customer Intimacy to fulfill customer needs and increase competitiveness</td>
</tr>
<tr>
<td>✔ Integrated offering and focus on service/through-life solutions</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CORE BUSINESS GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Enhancing innovative technologies</td>
</tr>
<tr>
<td>✔ Organic growth by focusing on products/systems of excellence</td>
</tr>
<tr>
<td>✔ Evaluating options of external growth</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>SUSTAINABILITY</th>
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</thead>
<tbody>
<tr>
<td>✔ Responsible business conduct (reputation and reliability)</td>
</tr>
<tr>
<td>✔ LT value creation of Supply Chain, Engineering and Manufacturing</td>
</tr>
<tr>
<td>✔ HR evolution (talent development)</td>
</tr>
</tbody>
</table>
Industrial Efficiencies
To be leveraged from phase 1; more opportunities in phase 2

2014 – 2016 actions

- Common rules
- One single centralized process (register, supplier portal, black list)
- Direct costs efficiency (saving equipment, sub-supplies and materials)
- “Should Cost” approach to reduce unit costs
- Reduce controllable costs and Material handling

Further opportunities

- Continue to execute on long-term efficiency programmes
- Further benefits to be extracted
- Fully leverage the One Company
- To deliver Group synergies
- Specific opportunities
  - Procurement centralisation
  - Aeronautics manufacturing
  - In sourcing
  - Asset optimisation across divisions (skills, facilities)
  - Centers of excellence

EBITA from €878mln to €1,252mln +43%
ROS from 6.4% to 10.4% (+400 bp)
EBITA per Capita + 70%

RoS to 11% by mid-term of the plan
Customer focus
At the heart of our growth agenda

INTERNATIONALISATION

CUSTOMER INTIMACY

AFFORDABILITY & COMPETITIVE PRODUCT PORTFOLIO

NEW BUSINESS MODELS

CUSTOMER FOCUS
Core Business Growth
Opportunities in Existing Programmes

AERONAUTICS

Leader in trainers, also leveraging on new business models (i.e. Service)

- Areas of excellence in proprietary platforms (i.e. trainers)
- Reference role in major international cooperation programs (i.e. EFA, MALE)
- Complete portfolio of cutting edge products and services in Training
- Further strengthen the role in international cooperation programs
- Develop the activities of Customer Support & Service

HELICOPTERS

Becoming a technology leader to play a key role in the industry consolidation process

- Portfolio of innovative and competitive products
- Higher profitability compared to peers
- Negative conjuncture linked to the market environment
- Continue to invest in dual-use platforms to compete on international markets (i.e. AW149 - Exploration and Escort helicopter, AW189/169)
- Further strengthen the Customer Support & Service
Core Business Growth  
*Opportunities in Existing Programmes*

**ELECTRONICS, DEFENCE & SECURITY SYSTEMS**

*European leader with enhanced capacity of international penetration*

- Technologies and solutions in all domains (land, sea, air, cyber), with some areas of excellence
- Consolidated position in Europe; significant results achieved in export markets
- Leverage on industrial cooperation projects to enhance positioning in the European consolidation process

**SPACE**

*Strengthen positioning by managing effectively the value chain*

- Review the business model by managing more effectively the value chain in technological developments and rapidly changing competitive environment (new player)
- Consolidate role in launchers (Avio)
Core Business Growth
Underpinned By Key Innovations Across Our Divisions

**Main Medium-Long Term Drivers**

**Networked Capabilities**
- Battlefield of Things
- Manned-Unmanned Integration
- Advanced platforms with networked capabilities

**New Technologies**
- Directed Energy Weapons
- Nano Devices
- Cyber Security

**New Human Machine Interactions**
- Wearable Technologies
- Human Machine Interfaces
- Augmented Reality

Innovation is vital to compete in increasingly challenging markets
Core business growth
Complimented by acquisitions

- Acquiring full control of “Sistemi Dinamici” to further strengthening the unmanned business

- Increase stake in Avio from 14% to about 28%, aimed at boosting the space launchers sector

- Acquisition of the US company Daylight Solutions, leader in Quantum Cascade Lasers sector, aimed at reinforcing the opto-electronics segment of Leonardo DRS
Medium-Term Targets
*Development & Growth*

- Book to bill at ca. 1x
- 2017-2021 Revenues CAGR of 3%-5% driven by
  - new orders, despite challenging markets
  - strong backlog (i.e. large orders in Aeronautics and Electronics expected to contribute by 2018)
- Continuous improvement in profitability, with RoS at 11% by the mid-point of the Plan driven by
  - higher volumes
  - continued focus on efficiency
- Solid and flexible financial structure due to improved cash generation and material reduction in debt
- We remain committed to a disciplined financial strategy
  - aiming at going back to an “investment grade” credit rating
  - pursuing a better balance between reducing leverage, sustaining organic and external investment and shareholders return
Q&A
SECTOR RESULTS
**FY2016 Sector results**

*Helicopters*

<table>
<thead>
<tr>
<th>€ Mln</th>
<th>Orders</th>
<th>2016</th>
<th>1,029</th>
<th>113.7%</th>
<th>2016</th>
<th>3,737</th>
<th>3,910</th>
<th>(4.4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>1,074</td>
<td>1,267</td>
<td>(15.2%)</td>
<td>3,639</td>
<td>4,479</td>
<td>(18.8%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EBITA</td>
<td>145</td>
<td>177</td>
<td>(18.1%)</td>
<td>430</td>
<td>558</td>
<td>(22.9%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ROS %</td>
<td>13.5%</td>
<td>14.0%</td>
<td>(0.5) p.p.</td>
<td>11.8%</td>
<td>12.5%</td>
<td>(0.7) p.p.</td>
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</table>

**Strong order intake in Q4, as expected, in challenging market conditions, mainly due to the UK AW159 IOS and the new exploration and escort helicopter for Italian Army**

**Revenues down due to persisting tough market conditions (i.e. O&G and other civil segments) and earlier production issues with the new AW169 now resolved**

**Impressively resilient margins of just under 12%, driven by continued focus on efficiencies**

**For the FY2017, in a still challenging environment, we expect revenues almost in line with 2016, underpinned by a strong backlog and the entry in full operation of the new AW169. Profitability solidly at double digit, in line with 2016**
**FY2016 Sector results**  
*Electronics, Defence & Security Systems*

<table>
<thead>
<tr>
<th></th>
<th>4Q</th>
<th>FY</th>
<th>% Change</th>
<th>% Change</th>
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<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>%</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Orders</strong></td>
<td>2,487</td>
<td>3,174</td>
<td>(21.6)%</td>
<td>6,726</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>1,901</td>
<td>1,865</td>
<td>1.9%</td>
<td>5,468</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td>289</td>
<td>258</td>
<td>12.0%</td>
<td>558</td>
</tr>
<tr>
<td><strong>ROS %</strong></td>
<td>15.2%</td>
<td>13.8%</td>
<td>1.4 p.p.</td>
<td>10.2%</td>
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</table>

**Of which DRS:**

<table>
<thead>
<tr>
<th></th>
<th>4Q</th>
<th>FY</th>
<th>% Change</th>
<th>% Change</th>
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<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>%</td>
<td>2016</td>
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<tr>
<td><strong>Orders</strong></td>
<td>439</td>
<td>483</td>
<td>(9.1)%</td>
<td>1,923</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>583</td>
<td>508</td>
<td>14.8%</td>
<td>1,753</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td>65</td>
<td>33</td>
<td>97.0%</td>
<td>128</td>
</tr>
<tr>
<td><strong>ROS %</strong></td>
<td>11.1%</td>
<td>6.5%</td>
<td>4.6 p.p.</td>
<td>7.3%</td>
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</table>

- Good commercial performance, with book to Bill at 1.2x
- Sharp improvement in profitability due to benefits from Industrial Plan actions and profitability recovery in some areas
- DRS top line affected by change in perimeter
- Cost savings actions offsetting lower profitability in DRS due to change in mix of activities
- 2017 Revenues and Profitability expected to be substantially in line with 2016, despite a more competitive environment and the winding down of some profitable programmes, supported by benefits coming from industrial processes improvements
- For DRS we continue to expect positive trend in business growth and a further increase in profitability

Avg. exchange rate €/$ @1.1069 in 2016  
Avg. exchange rate €/$ @1.0951 in 2015

*Now includes Defence Systems as a Division, DRS and MBDA*
**FY2016 Sector results**

*Aeronautics*

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<tr>
<td></td>
<td></td>
<td>368</td>
<td>482</td>
<td>(23.7%)</td>
<td>1,070</td>
<td>978</td>
<td>9.4%</td>
<td></td>
<td>149</td>
<td>149</td>
<td>0.0%</td>
<td></td>
<td>13.9%</td>
<td>15.2%</td>
<td>(1.3) p.p.</td>
<td>11.1%</td>
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<td>Orders</td>
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<td>EBITA</td>
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- Very good order intake even excluding the Eurofighter Kuwait (€ 7.95bn)
- *Aircrafts* revenue increase offsetting slight decline in Aerostructures
- Significant improvement in EBITA driven by *Aerostructures*
- 2017 revenues expected in line with 2016 and “double digit” profitability confirmed. Profitability benefitting from efficiency-improvement and cost reduction actions aimed at offsetting the winding down of some military programmes and lower contribution from ATR
FY2016 Sector results

Space

<table>
<thead>
<tr>
<th></th>
<th>4Q</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>EBITA</td>
<td>34</td>
<td>10</td>
</tr>
</tbody>
</table>

Increase in Manufacturing volumes driven by Telecommunication and Earth Observation; Space Services in line with 2016

EBITA materially recovered, as expected

2017 Profitability expected in line with 2016, with growing Manufacturing Revenues
APPENDIX
**FY2016 results**

*Group Performance*

<table>
<thead>
<tr>
<th></th>
<th>4Q</th>
<th>FY</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>% Change</td>
</tr>
<tr>
<td>New Orders</td>
<td>4,447</td>
<td>4,580</td>
<td>(2.9%)</td>
</tr>
<tr>
<td>Backlog</td>
<td>3,968</td>
<td>3,994</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Revenues</td>
<td>714</td>
<td>692</td>
<td>3.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>18.0%</td>
<td>17.3%</td>
<td>0.7 p.p.</td>
</tr>
<tr>
<td>EBITA</td>
<td>15.9%</td>
<td>14.4%</td>
<td>1.5 p.p.</td>
</tr>
<tr>
<td>ROS %</td>
<td>12.8%</td>
<td>11.6%</td>
<td>1.2 p.p.</td>
</tr>
<tr>
<td>EBIT</td>
<td>351</td>
<td>285</td>
<td>23.2%</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>8.8%</td>
<td>7.1%</td>
<td>1.7 p.p.</td>
</tr>
<tr>
<td>Net result before extraordinary transactions</td>
<td>202</td>
<td>103</td>
<td>96.1%</td>
</tr>
<tr>
<td>Group Net result</td>
<td>153</td>
<td>365</td>
<td>(58.1%)</td>
</tr>
<tr>
<td>EPS (€ cents)</td>
<td>0.267</td>
<td>0.632</td>
<td>(57.8%)</td>
</tr>
<tr>
<td>FOCF</td>
<td>1,094</td>
<td>1,242</td>
<td>(11.9%)</td>
</tr>
<tr>
<td>Group Net Debt</td>
<td>2,845</td>
<td>3,278</td>
<td>(13.2%)</td>
</tr>
<tr>
<td>Headcount</td>
<td>45,631</td>
<td>47,156</td>
<td>(3.2%)</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.
**FY2016 results**

*Development costs capitalised as intangible assets at 31 December 2016*

<table>
<thead>
<tr>
<th></th>
<th>Self Funded National Security</th>
<th>Self Funded Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Jan 2016 Opening Balance</td>
<td>1,437</td>
<td>520</td>
<td>1,957</td>
</tr>
<tr>
<td>Gross R&amp;D capitalised</td>
<td>160</td>
<td>44</td>
<td>204</td>
</tr>
<tr>
<td>Depreciation and write offs</td>
<td>-126</td>
<td>-65</td>
<td>-191</td>
</tr>
<tr>
<td>Disposals</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net R&amp;D capitalised</td>
<td>34</td>
<td>-21</td>
<td>13</td>
</tr>
<tr>
<td>Reclassifications and exchange differences</td>
<td>1</td>
<td>-9</td>
<td>-8</td>
</tr>
<tr>
<td>31 Dec 2016</td>
<td>1,472</td>
<td>490</td>
<td>1,962</td>
</tr>
</tbody>
</table>
Availability of adequate committed liquidity lines

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

- 31 December cash balance of approx. €2.2 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

FY2016 results
Liquidity Position (as of end December 2016)

<table>
<thead>
<tr>
<th>Tenor</th>
<th>REVOLVING CREDIT FACILITY</th>
<th>UNCONFIRMED CREDIT LINES</th>
<th>CASH IN HAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>100 bps&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>≈ 25 bps&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

- Tenor:
  - July 2020
  - 18 months

(1) Based on rating as of 31/12/2016
(2) Average. Expected to be renewed at maturity

As of 31 December 2016: €2.167 billion
Undrawn at 31 December 2016: €725 million

Helicopters

2015 REVENUES BY CUSTOMER/SEGMENT

- Military/Governmental: 66%
- CS&T /Other: 34%
- Commercial: 39%
- OE: 61%

2016 REVENUES BY CUSTOMER/SEGMENT

- Military/Governmental: 66%
- CS&T /Other: 41%
- Commercial: 34%
- OE: 59%

UNITS ORDERED

- 2015: 170
- 2016: 176

UNITS DELIVERED

- 2015: 167
- 2016: 174
Acquisition of Daylight Solutions

- Significant step forward in achieving the objectives of Growth and Development of the Industrial Plan 2017-2021
- Leonardo DRS extends leadership in infrared technology and supply of dual-use integrated solutions for civil and military customers
- Leonardo DRS will pay US$150 million for 100% of the equity of Daylight Solutions, valuing the company at approximately 9x EV/EBITDA 2017E
- Purchase price includes an earn-out, to be released upon achievement of certain financial and operating targets for the year 2017
- Following the closing of the transaction, Daylight Solutions will be one of eight Leonardo DRS lines of business
- The acquisition is subject to closing conditions, including
  - approval of the stockholders of Daylight Solutions
  - receipt of regulatory approvals (U.S. antitrust authorities, Committee on Foreign Investment in the United States)
Market environment

Domestic defence budgets - Italy continues to decline

- In 2016 defense budget at 1.15% of GDP, below the NATO target set at 2%
- Main item remain 'Personnel', while 'Investments' (Research, Development and Acquisition) is more limited, not in line with NATO and European trends
- "White Paper on International Security and Defense" (April 2015) not yet implemented

- Defence spending expected to grow, according to SDSR Strategic Defence and Security Review 2015
- The weaker pound makes the acquisition of programs abroad more expensive
- Brexit could make 2% GDP target difficult to maintain
- Economy growth rate already lower than envisaged by the "SDSR"

- Defence Spending will rise with the Trump Administration, although not yet clarified, with particular benefits for Navy and Air Force
- The Trump Administration has inaugurated a new relationship with Aerospace and Defense industry and intends to achieve significant cost reductions on major aeronautic programmes
On 15 Dec. 2016, the European Council welcomed the "package" of initiatives presented by the European Commission known as "EDAP» (European Defence Action Plan) in order to

- make most effective the spending of the Member States in common defence capabilities
- strengthening European citizens security
- promote a competitive and innovative industrial base

The initiative is based on the following pillars/steps

- European Defence Fund
- Investment Supply Chain
- Common European Market

Launch of these initiatives makes the future and choices increasingly dependent on the international context and the European co-operation
### Market environment

**What if all the NATO countries reach the 2% GDP target?**

<table>
<thead>
<tr>
<th>NATO countries</th>
<th>Total 2016 Budget</th>
<th>Δ &quot;NATO 2% Target&quot;</th>
<th>Total</th>
<th>Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>43,864</td>
<td>11,316</td>
<td>55,180</td>
<td>25.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>39,743</td>
<td>33,980</td>
<td>73,723</td>
<td>85.5%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8,952</td>
<td>8,342</td>
<td>17,294</td>
<td>93.2%</td>
</tr>
<tr>
<td>Turkey</td>
<td>11,935</td>
<td>6,032</td>
<td>17,967</td>
<td>50.5%</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td><strong>18,271</strong></td>
<td><strong>22,723</strong></td>
<td><strong>40,994</strong></td>
<td><strong>124.4%</strong></td>
</tr>
<tr>
<td>Spain</td>
<td>10,816</td>
<td>17,582</td>
<td>28,398</td>
<td>162.6%</td>
</tr>
<tr>
<td>Belgium</td>
<td>4,206</td>
<td>5,918</td>
<td>10,124</td>
<td>140.7%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1,809</td>
<td>2,620</td>
<td>4,429</td>
<td>144.8%</td>
</tr>
<tr>
<td>Denmark</td>
<td>3,535</td>
<td>3,045</td>
<td>6,580</td>
<td>86.1%</td>
</tr>
<tr>
<td>USA</td>
<td>664,058</td>
<td></td>
<td>664,058</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>59,699</td>
<td></td>
<td>59,699</td>
<td>✓</td>
</tr>
<tr>
<td>Poland</td>
<td>10,496</td>
<td></td>
<td>10,496</td>
<td>✓</td>
</tr>
<tr>
<td>Greece</td>
<td>4,773</td>
<td></td>
<td>4,773</td>
<td>✓</td>
</tr>
<tr>
<td>Estonia</td>
<td>467</td>
<td></td>
<td>467</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Leonardo estimates based on NATO Budget, 2016

Among the largest EU countries Italy has the largest gap with the 2% GDP target

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Reaching the 2% GDP in Italy would positively and materially impact Leonardo military revenues, not only by preserving the national industrial base but also by supporting potential export opportunities.
**Market environment**

**A&D market dimension and sector evolution**

**WORLDWIDE MARKET EVOLUTION BY MACRO-BUSINESS SECTOR (2016 - 2025) - € BN**

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR % 2016-2021</th>
<th>CAGR % 2021-2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Helicopters</td>
<td>4.9</td>
<td>3.0</td>
</tr>
<tr>
<td>Military Helicopters</td>
<td>-6.8</td>
<td>-3.4</td>
</tr>
<tr>
<td>Space</td>
<td>2.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Security</td>
<td>6.13</td>
<td>0 (*)</td>
</tr>
<tr>
<td>Defence Electronics and Systems</td>
<td>4.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Military Aeronautics</td>
<td>10.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Civil Aeronautics</td>
<td>3.3</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Source: Leonardo estimates/ IHS Jane’s, 2016

**KEY TRENDS (2016 – 2025)**

**Helicopters**
- Average annual value of ca. € 19 bn (ca. € 30 bn, including logistics and after-sales services), confirmed growth in civil / commercial and a reduction in military due to the completion of ongoing programs (mainly in US) and the lack of new programs in the given period

**Space**
- Average annual value of ca. € 100 bn, growing, with demand driven by Institutional, supported by missions for Earth observation, communications and navigation, and increasingly oriented towards end-to-end solutions including ‘service’. Expected growth forecasts in satellites constellations in LEO orbit and small / medium-sized satellites (500 to 2,000 kg) for TLC

**Security and IT Systems**
- Average annual value of ca. € 100 bn, with demand mainly driven by ‘Security’ (70% of the total), which benefits from border protection needs, also to monitor key areas and respond to emergencies (i.e. natural disasters, illegal immigration)

**Defence Electronics and Systems**
- Average annual value of ca. € 127 bn. Defence Electronics is characterized by the increasing demand for (i) integrated and interoperable solutions for C4ISR modernization, and (ii) TBM (Tactical Ballistic Missile) solutions; Defence Systems show a steady growth in tracked vehicles and MBT tied to new operating requirements, as well as moderate growth for underwater systems

**Aeronautics / UAS**
- Average annual value of € 222 bn (**). Aeronautics: Civil, wide body and single aisle, retains considerable volumes (over 70% of the market), despite reduction in wide-body production rates (A380, B777, B747); volume of new orders is expected to decrease due to the completion of the demand “peak”. Growth in Military is linked to major programs deliveries (EFA, F-35, Rafale, Gripen, A-400M, etc.)
- UAS – Military Appl: highly dynamic segment driven by ISR applications, with UCAV systems that will enter into service after 2025, and growing opportunities for rotorcraft systems. Civil Appl. Significantly growing, influenced by progress in flight safety issues, certification and regulation
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.
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.