FY 2018 Results Presentation

London, 14 March 2019
Agenda

- Introduction

Part 1: FY 2018 and Industrial Plan
  - Executing the Industrial Plan
    - Alessandro Profumo, CEO
  - FY2018 Results & Outlook
    - Alessandra Genco, CFO

Part 2: Focus on businesses
  - Electronics: a gem in the crown
    - Norman Bone, MD Electronics Division
  - Helicopters: delivering on promises
    - Gian Piero Cutillo, MD Helicopters Division
  - Aircraft: a strong strategy to deliver the Industrial Plan in a high growth market
    - Lucio Valerio Cioffi, MD Aircraft Division
  - DRS: growth outlook
    - William J. «Bill» Lynn III, CEO of Leonardo DRS
  - Q&A
Executing the Industrial Plan

Alessandro Profumo

Chief Executive Officer

London, 14 March 2019
Strong progress towards Industrial Plan objectives
Building long term sustainable future

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

ORDERS AHEAD OF PLAN

<table>
<thead>
<tr>
<th></th>
<th>FY2017A</th>
<th>Original FY2018 Guidance</th>
<th>Revised FY2018 Guidance</th>
<th>FY2018A</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ bn</td>
<td>11.6</td>
<td>12.5-13.0</td>
<td>14.5-15.0</td>
<td>15.1</td>
</tr>
</tbody>
</table>

REVENUES AHEAD OF GUIDANCE

<table>
<thead>
<tr>
<th></th>
<th>FY2017A</th>
<th>FY2018 Guidance</th>
<th>FY2018A</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ bn</td>
<td>11.7</td>
<td>11.5-12.0</td>
<td>12.2</td>
</tr>
</tbody>
</table>

EBITA AT UPPER END OF THE RANGE

<table>
<thead>
<tr>
<th></th>
<th>FY2017A</th>
<th>FY2018 Guidance</th>
<th>FY2018A</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ mln</td>
<td>1,077</td>
<td>1,075-1,125</td>
<td>1,120</td>
</tr>
</tbody>
</table>

FOCF AT UPPER END OF REVISED RANGE

<table>
<thead>
<tr>
<th></th>
<th>FY2017A</th>
<th>Original FY2018 Guidance</th>
<th>Revised FY2018 Guidance</th>
<th>FY2018A</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ mln</td>
<td>537</td>
<td>ca. 100</td>
<td>300-350</td>
<td>336</td>
</tr>
</tbody>
</table>
Industrial Plan delivering the growth required for sustainable performance
2018 Orders and Revenues above Guidance range

Outstanding achievement in 2018 delivered by:

- Growth ahead of our market:
  - Driven by DRS, (i.e. Mounted Family of Computer Systems and “Trophy” Active Protection Systems)

- Success in international markets:
  - € 3 bn NH90 Qatar contract
  - EFA Qatar
  - M346 Poland
  - NATO Joint Electronic Warfare Core Staff
  - Land & Naval systems
  - Up to $ 1.4 bn IDIQ MH-139 contract in US

- Support and services:
  - Contract with the UK MoD for the integrated operational support of the Apache
  - Aircraft Customer Support & Service

1 Excluding NH90 orders

Outperformance on Plan

ORDERS AHEAD OF PLAN

\[ \text{CAGR} = 6\% \]

\[ \begin{align*}
\text{FY2017A} & & & \text{FY2018A} & & & \text{FY2019E} & & \text{FY2020E} & & \text{FY2021E} & & \text{FY2022E} \\
11.6 & & & & & & 15.1 & & & & & &
\end{align*} \]

ca. € 70 bn 2018-2022 cumulated orders

Illustration at Plan growth rate
Growth in international markets
Well positioned in key-high growth markets

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

Moving to deliver strong growth, profitability and cash

**ELECTRONICS**
- Addressing the largest part of the A&D market
- Bringing businesses together to address Customer evolving requirements
- Better able to address international opportunities
- Clear path to double digit profitability and strong cash generation

**HELICOPTERS**
- On track for sustainable growth
- Significant progress in 2018
- Good commercial momentum
- Delivering operational improvement
- On track for double digit RoS in 2020

**AIRCRAFT**
- Strong backlog to leverage on
- Well established platforms (i.e. EFA, JSF)
- Strong portfolio and Customer Services
- Double digit profitability and cash generative

**DRS**
- Delivering above market growth
- Market opportunities in line with DoD priorities
- Well positioned in key contracts and products
- Top line growth supporting double digit profitability over the plan
Profitability to deliver growth benefits to the bottom line

**What we have done…**

- Delivering on cost control initiatives:
  - €220 mln annual savings achieved

- Early retirement plan signed with Italian union:
  - involving 1,100 employees plus 65 managers

- Leap 2020 programme to optimise supply chain on track

**…What we are planning to do**

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

Leonardo confirms the strong commitment to invest approximately 12% of revenues in R&D
Aerostructures: still draining cash but clear recovery path defined

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

<table>
<thead>
<tr>
<th>2018</th>
<th>2019 - onward</th>
</tr>
</thead>
<tbody>
<tr>
<td>One off payments</td>
<td>-</td>
</tr>
<tr>
<td>B787</td>
<td>reducing as per contract</td>
</tr>
<tr>
<td>A220</td>
<td>reduction of unit production cost by $30%$</td>
</tr>
<tr>
<td>Additional Work Packages</td>
<td>growing contribution</td>
</tr>
</tbody>
</table>

- Normalization of payment terms to suppliers & probation costs
- Customer advances repayment
- Old claims payment
- Price upward revision as per Global Settlement from 2022 on
- Loss making programme
- Cash out for non quality issues
- Fixing industrial processes
- Price renegotiation
- Growing contribution

~$283$ mln
## 2019 Guidance in line with Industrial Plan

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY2018E at January ’18</th>
<th>FY2018E at July ’18</th>
<th>FY2018A</th>
<th>FY2019 Guidance</th>
</tr>
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<tbody>
<tr>
<td>New Orders (€ bn)</td>
<td>12.5 - 13.0</td>
<td>14.0 - 14.5</td>
<td>15.124</td>
<td>12.5 - 13.5</td>
</tr>
<tr>
<td>Revenues (€ bn)</td>
<td>11.5 - 12.0</td>
<td>11.5 - 12.0</td>
<td>12.240</td>
<td>12.5 - 13.0</td>
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<td>1.120</td>
<td>1.175 - 1.225</td>
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<td>FOCF (€ mln)</td>
<td>ca. 100</td>
<td>300 - 350</td>
<td>336</td>
<td>ca. 200</td>
</tr>
<tr>
<td>Group Net Debt (€ bn)</td>
<td>ca. 2.6</td>
<td>ca. 2.4</td>
<td>2.4</td>
<td>ca. 2.3</td>
</tr>
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<td>FOCF (€ mln)</td>
<td>ca. 2.3</td>
</tr>
<tr>
<td>Group Net Debt (€ bn)</td>
<td>ca. 2.8*</td>
</tr>
</tbody>
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2018 exchange rate assumptions: €/USD 1.25 and €/GBP 0.90

Including IFRS16 effect of ca. € 0.4 - 0.5 bn
On target to deliver the Industrial Plan communicated in January 2018

- **Return to top-line growth**
  - ca. € 70bn
  - 2018-2022 cumulated orders
  - Well on track

- **Strict cost control, reinvested in growth**
  - ca. € 200mln
  - Annualised savings
  - Achieved in 2018

- **Sustainable improvement in profitability**
  - ca. 10%
  - Ros by 2020
  - On track

- **Focus on cash and a stronger capital structure**
  - ca. 50%
  - Avg. 2015-2018 Cash Flow Conversion; Accelerating FOCF from 2020
  - Cash conversion exceeding target

- **5%–6%**
  - 5 year Revenue CAGR
  - Strict cost control, reinvested in growth

- **80%**
  - Reinvested in competitiveness & capability

- **8%–10%**
  - 5 year EBITA CAGR
  - Sustainable improvement in profitability

- **Investment grade**
  - Credit rating
  - Focus on cash and a stronger capital structure
### Sustainability as a base of the Industrial Plan

<table>
<thead>
<tr>
<th>Being able to attract and nurture talents</th>
<th>Building a solid and reliable supply chain</th>
<th>Promoting operational eco-efficiency</th>
<th>Financing a responsible business model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>40%</strong> new hires under 30 on the total hires in 2022</td>
<td><strong>LEAP2020</strong> Implementation of Supply Chain Partnership programme by 2020</td>
<td><strong>-6%</strong> reduction of total water withdrawal by 2020</td>
<td><strong>ISO37001</strong> certification of anti-bribery management system</td>
</tr>
<tr>
<td><strong>32%</strong> new hires women on the total hires in 2022</td>
<td><strong>Group governance and assessment on Conflict Minerals of 100% of supply chain by 2021</strong></td>
<td><strong>-7%</strong> reduction of total waste produced by 2020</td>
<td><strong>Commercial advisors and sales promoters trained by 2019</strong></td>
</tr>
<tr>
<td><strong>Over 100</strong> cumulated hours of training for each employee in the 2018-2022 period</td>
<td><strong>100% of procurement and supply chain employees trained on ESG topics by 2020</strong></td>
<td><strong>80% of employees in sites ISO14001-certified by 2020</strong></td>
<td><strong>Strengthening employees’ awareness on whistleblowing</strong></td>
</tr>
</tbody>
</table>
My vision for Leonardo
Strengthening multi-country presence in Aerospace, Defence & Security with growing international presence in the right markets

Leading in our strengths
- Civil Helicopters
- Defence Electronics
- Training suppliers
- Customer Support

Driving value in the portfolio
- Strong foothold in fighter
- Leverage economies of scale
- European JVs
FY 2018 Results & Outlook

Alessandra Genco
Chief Financial Officer

London, 14 March 2019
FY 2018 Highlights

Delivering growth

- Delivering growth: Orders and Revenues above Guidance
  - Orders at €15.1 bn, up 32% in constant currency, driven by NH90 Qatar and strong commercial performance across the portfolio
  - Revenues at €12.2 bn, up 5% in constant currency

- Delivering profitability and cash, at high end of Guidance range
  - EBITA at €1,120 mln, RoS at 9.2% (RoS at 9.4% excluding TX tender costs), including pass-through activities
  - Net Result at €510 mln, up 83% YoY, benefitting from lower financial expenses and income taxes
  - FOCF at €336 mln, in line with raised Guidance
  - Net Debt at €2.4 bn

2019 Guidance: reflects continuous progress towards Industrial Plan targets
Order intake

Strong performance, up 32% in constant currency, mainly due to NH90 order

<table>
<thead>
<tr>
<th>NH90 Qatar contract (booked in 3Q18)</th>
<th>Higher DRS contribution</th>
<th>EFA Qatar order offseting Aerostructures</th>
<th>ORDER BACKLOG</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ mln</td>
<td>+96.9%</td>
<td>+11.0%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>11,595</td>
<td>6,823</td>
<td>2,569</td>
<td>476</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2018</th>
<th>ca. € 36bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book to Bill</td>
<td>&gt; 1</td>
</tr>
</tbody>
</table>

FY2017: Helicopters, Electronics, Defence and Security Systems, Aeronautics, Eliminations & Other

<table>
<thead>
<tr>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,124</td>
</tr>
</tbody>
</table>

ca. 15,280

+31.8% YoY

ca. 156 negative forex

+30.4% YoY

33% Helicopters

33% Electronics, Defence and Security Systems

34% Aeronautics

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Revenues
Growth and positive momentum in Helicopters & DRS

177 new units delivered up 19% compared to 149 in FY17

Higher production volumes

EFA Kuwait and F35 offsetting Aerostructures and EFA «core»

Helicopters
Electronics, Defence and Security Systems
Aeronautics
Eliminations & Other

FY2017 IFRS15 restated
11,734
Helicopters
3,810
Electronics, Defence and Security Systems
5,953
Aeronautics
2,896
Eliminations & Other
419
FY 2018
12,240

Revenues
€ mln
+10.8%
+7.3%
-6.4%

ca. 12,369
+5.4% YoY

ca. 129 negative forex

+4.3% YoY

177 new units delivered up 19% compared to 149 in FY17

Higher production volumes

EFA Kuwait and F35 offsetting Aerostructures and EFA «core»

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177 new units delivered up 19% compared to 149 in FY17

Higher production volumes

EFA Kuwait and F35 offsetting Aerostructures and EFA «core»

177 new units delivered up 19% compared to 149 in FY17

Higher production volumes

EFA Kuwait and F35 offsetting Aerostructures and EFA «core»
EBITA and Profitability

Solid performance across all businesses

€ mln

FY2017 IFRS15 restated

1,077
(RoS 9.2%)

Helicopters

359
(RoS 9.4%)

Electronics, Defence and Security Systems

522
(RoS 8.8%)

Aeronautics

328
(RoS 11.3%)

Aircraft offsetting ATR

58

Space

147

Corporate & Other

1,120
(RoS 9.2%)

ca. 1,133

FY 2018

+5.2% YoY

ca. 13 negative forex

+4.0% YoY

1 RoS 9.1% excluding TX costs
2 RoS 9.4% excluding TX costs
Net Result +83% YoY
Below the line benefitting from lower financial charges and taxes

FY 2017 RESTATED

<table>
<thead>
<tr>
<th>€ mln</th>
<th>EBITA</th>
<th>Restruct. costs</th>
<th>PPA</th>
<th>EBIT</th>
<th>Net fin. expenses</th>
<th>Income taxes</th>
<th>Net Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,077</td>
<td></td>
<td>135</td>
<td>98</td>
<td>844</td>
<td>436</td>
<td>129</td>
<td>279</td>
</tr>
</tbody>
</table>

FY 2018

<table>
<thead>
<tr>
<th>€ mln</th>
<th>EBITA</th>
<th>Restruct. costs</th>
<th>PPA</th>
<th>Underlying ordinary EBIT</th>
<th>ART. 4 ONE-OFF</th>
<th>EBIT</th>
<th>Net fin. expenses</th>
<th>Income taxes</th>
<th>Results of discontinued operations</th>
<th>Net Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,120</td>
<td></td>
<td>137</td>
<td>98</td>
<td>885</td>
<td>170</td>
<td>715</td>
<td>230</td>
<td>64</td>
<td>89</td>
<td>510</td>
</tr>
</tbody>
</table>

- EBIT including ca. € 170 mln of one-off early retirement costs accounted for in 2Q 2018
- Lower net financial expenses due to buy-back transactions completed in 2017 and lower cost of funding
- Lower income taxes mainly due to impact of US tax reform accounted for in 2017
- Net Result benefitting from the release of part of the risk provision set aside against guarantees given upon disposal of Ansaldo Energia
Investing where opportunities are

**INVESTMENTS 2019-2023**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helicopters</td>
<td>36%</td>
</tr>
<tr>
<td>Electronics, Defence and Security Systems</td>
<td>32%</td>
</tr>
<tr>
<td>Aeronautics</td>
<td>32%</td>
</tr>
</tbody>
</table>

**PRODUCTS & TECHNOLOGIES**

- **M345 HET**
- **M346 FA**
- **Emergency M-S VIP Transport Offshore**
- **Radar: ATC, maritime and land surveillance**
- **Sensors**
- **Drones**

Focus on key products and technologies in order to achieve the target growth and guarantee medium-long term business sustainability.

Investments in security, physical and IT infrastructures in order to preserve the Company's competitiveness.
FOCF higher than old plan, stepping up in 2020

- 2018-2019 FOCF higher than in old plan
- 2019 FOCF reflecting EFA Kuwait cash absorption
- Cash drain due to:
  - Aerostructures underperformance
  - Winding down of contract advances

Material step up in 2020 FOCF driven by:
- EFA Kuwait deliveries
- Improving profitability throughout the Group
- Growing cash flow conversion rate beyond 2019

FOCF

<table>
<thead>
<tr>
<th>Year</th>
<th>New Plan</th>
<th>Old Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018A</td>
<td>336</td>
<td></td>
</tr>
<tr>
<td>FY2019E</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>FY2020E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2021E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2022E</td>
<td></td>
<td></td>
</tr>
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Cash flow conversion rate* = 58%

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

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Reduced gross debt and cost of funding

- **Reduced Gross Debt by 20%**
  one year earlier than forecasted through cash generation

- **Diversified Funding Pool**

**GROSS DEBT**

<table>
<thead>
<tr>
<th>Year</th>
<th>ca. 4.6</th>
<th>-20% (~ 0.9)</th>
<th>ca. 3.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Reimbursements</td>
<td>2017-2019</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Debt Issuances</td>
<td>2017-2019</td>
<td>1.4</td>
<td></td>
</tr>
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**COST OF FUNDING**

<table>
<thead>
<tr>
<th>Year</th>
<th>5.4%</th>
<th>-25%</th>
<th>-30%</th>
</tr>
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<tbody>
<tr>
<td>FY2016A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2020E Old Plan</td>
<td>4.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2020E New Plan</td>
<td>3.8%</td>
<td></td>
<td></td>
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1 Excluding IFRS 16 adjustments

Committed to investment grade
2019 Guidance in line with Industrial Plan

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

Including IFRS16 effect of ca. € 0.4 - 0.5 bn
Electronics: a gem in the crown

Norman Bone
MD Electronics Division

London, 14 March 2019
Key Messages

- Our biggest Division, addressing the largest part of the A&D market
- Bringing Business Units together to make them stronger, through:
  - Internationalisation
  - Focus on performance
  - Product Development Synergies

- High quality businesses with real momentum
- Delivering on promises to execute to schedule

- Significant opportunity ahead
  - Double digit profitability
  - Cash conversion well above Group average
  - CAGR in excess of market trend
  - Delivering long term sustainable growth
Agenda

1. The change
2. The rationale
3. The journey
4. The plan
5. The benefit
Creating the biggest division in the our portfolio...

- On 1st February 2019 Leonardo creates a new Electronics Division, which brings together the former:
  - Airborne and Space Systems Division
  - Land and Naval Defence Electronics Division
  - Defence Systems Division
  - Automation Systems and Traffic Control Systems Lines of Business (both formerly under Security and Information Systems Division)

- Automation managed separately
  - Long term strategic direction
  - Execution issues to be addressed

- Cyber outside division – specific focus area

- Addressed historical inconsistencies
  - E.g. air traffic control

- Created the right structure to enhance commercial performance
The rationale of the change…

- Evolving customer engagement approaches
- Increasingly complex end user mission requirements
- International cooperation / partnerships
- System and service solution offerings
- Need to maximise synergies and optimise investment
Airborne and Space Systems: Successful transformation from good to great

- Typhoon
  - 65% of Typhoon avionics
  - 50% of divisional revenues

- Identified our product strategy
  - Developing single use products
  - Developing platform agnostic products

- Built strategic partnerships
  - E.g. Large Platform Primes

- Merchant supplier status

- Delivered on promises
  - Took strong engineering
  - …and embedded project management disciplines

- Clear financial benefits
  - Revenues up 40%
  - FOCF improved 4x

Continuous improvement leading to sustainable growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (€ mln)</th>
<th>FOCF (€ mln)</th>
<th>EBITA (€ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our path to double digit profitability…

2019 EBITA – ROS (%)

- Airborne and Space Systems
- Defence Systems
- Land and Naval Defence Electronics
- Security and Information Systems

TARGET

SIZE = REVENUES

Consistency of delivery to underpin the Industrial Plan
...by driving best practices and focusing on delivery

2019 EBITA – FOCF

FOCF

2019 EBITA – FOCF

SIZE = REVENUES

Airborne and Space Systems

Land and Naval Defence Electronics

Defence Systems

Security and Information Systems

Helping to achieve the Industrial Plan
How we are going to do it…

Fully focused on people, delivery and execution

- Organised for partnerships
- Become more International
- Coherent market offerings
- Change the culture
- Empower our people
- PROCESS
- Drive efficiencies
- Address the cost base
- Promulgate best practice
- MARKET
- PEOPLE
Achieving our full potential…

**ELECTRONICS ACCESSIBLE MARKET**

<table>
<thead>
<tr>
<th></th>
<th>Current (€ bn)</th>
<th>2021 (€ bn)</th>
<th>Growth (~28%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leonardo captured market</td>
<td>24.5</td>
<td>31.3</td>
<td>6.8</td>
</tr>
</tbody>
</table>

**LEVERAGING SUCCESS AND EXPLOITING OPPORTUNITIES**

- Longevity of Typhoon
- Tempest
- Future Capabilities
- Future Support Models
- Partnerships
- Addressing the Export Market
Key Messages

- Our biggest Division, addressing the largest part of the A&D market
- Bringing Business Units together to make them stronger, through:
  - Internationalisation
  - Focus on performance
  - Product Development Synergies
- High quality businesses with real momentum
- Delivering on promises to execute to schedule
- Significant opportunity ahead
  - Double digit profitability
  - Cash conversion well above Group average
  - CAGR in excess of market trend
  - Delivering long term sustainable growth
Helicopters: delivering on promises

Gian Piero Cutillo
MD Helicopters Division

London, 14 March 2019
Helicopters on track for sustainable growth
Fully aligned to Industrial Plan ambition and objectives

- Winning in opportunistic military market
- No.1 in slightly growing civil market – 40% value share
- Growth supported by increasingly international Customer base
- Progress underpinned by stronger offer for Customer Support & Training
- Targeted investment in our future products and services
- Increased financial discipline and agile industrial response
- Growth delivering positive economic results with improving profitability
Winning in highly opportunistic military market

Significant contracts awards in military market in 2018

**€3bn**

NH90 Qatar contract
- 28 NH90 (16 for land operations and 12 for naval missions), Customer Support & Training and Infrastructure
- Leonardo to act as prime contractor

**$1.4bn**

MH-139 by U.S. Air Force
- To replace UH-1N fleet
- Indefinite Delivery Indefinite Quantity contract for up to 84 helicopters, training devices and associated support equipment (Soft Backlog)
- Initial operational capability by 2021

**€ 280 mln**

AW169M with Guardia di Finanza
- Launch customer for the AW169M, with purchase of 22 helicopters for homeland security and rescue operation
- Includes training, spare parts and options for additional €100 mln
Winning in a highly opportunistic market
Focused sales effort in critical geographies

GLOBAL MILITARY MARKET

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total market value $</td>
<td>~15 bn per year</td>
<td>~11-14 bn per year</td>
</tr>
<tr>
<td>Combat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naval</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility/Multi-Role Heavy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility/Multi-Role Medium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility/Multi-Role Light</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

~40% Leonardo addressable market

FOCUSED EFFORT ON KEY GEOGRAPHIES

- Opportunistic market, slight contraction in the market expected:
  - Military budget constraints & committed programmes tailing off
  - Limited visibility on new procurement cycles timing
- Leonardo current addressable market is ~40% of global market

- Leonardo focused sales effort on key campaigns:
  - Consolidating of the current Customers base
  - Penetrating new geographies
  - Leveraging on competitive dual use and specialised platforms

Indicative and not exhaustive
# No.1 in Civil market

Significant contracts awarded in civil market in 2018

<table>
<thead>
<tr>
<th><strong>15 AW139s</strong></th>
<th><strong>SINO-US</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; €150 mln order with SINO-US (China)</td>
<td></td>
</tr>
<tr>
<td>Framework agreement for the supply of additional 160 helicopters, accounting for more than €1 bn</td>
<td></td>
</tr>
<tr>
<td>Additional 26 helicopters sold in China</td>
<td></td>
</tr>
<tr>
<td>70% market share in the fast growing Chinese HEMS market</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>21 AW139s</strong></th>
<th><strong>Saudi Aramco</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore and Search and Rescue configurations</td>
<td></td>
</tr>
<tr>
<td>Deliveries in the 2018-2020 period</td>
<td></td>
</tr>
</tbody>
</table>

**Success in all dual-use platforms**

- Strong market recognition of all our Civil platforms (AW119, AW109 family, AW169, AW139 and AW189)
- Significant sales to multiple customers leveraging our configurability and operational capability in multiple roles
No.1 in Civil market
Leonardo focus on attractive segments

Slight recovery of the Civil Market
- 2018 market growth +4%
- Growth has been achieved mainly in the 3,2-10 tonnes class and, secondly, in the Short Light Single
- EMS and VIP experienced higher positive momentum

40% value share in 2018 (vs < 35% in 2017)
- No.1 OEM in US civil revenues – second year in a row
- > 40% share in the VIP multiengine market
- Trekker increasing penetration in Light Twin
- Targeted presence in light classes – Utility, EMS and VIP
No.1 in Civil market
Leonardo focus on attractive segments

- ~ 5% CAGR expected in the next five years
- US and EU will remain the most important markets
- Asia expected to grow materially
- Leonardo focused on attractive roles, segments and geographies:
  - EMS/SAR, VIP and Utility
  - In the 3.2 – 10 tonnes class, expected to grow with a 6% CAGR, our product family (AW169, AW139, AW189) offers best value for money
  - Higher Trekker contribution
  - Investing in key geographies

Source: Internal analysis on Leonardo Helicopters reference civil market (based on deliveries evaluated at standard prices); Re-evaluated at Economic Condition 2018

CIVIL HELICOPTERS MARKET FORECAST
Market Value $ bn

- Short Light Single <3.2t
- Light Twin <3.2t
- Intermediate >5t and <7t
- Long Light Single <3.2t
- Light Intermediate >3.2t and <5t
- Super Medium >7t and <10t
- Medium/Heavy >10t and <16t

AW Family ~5%
CAGR ~5%
+4%
Growth supported by an increasingly international Civil customer base…
… strengthening in new geographies, especially in Asia
Progress underpinned by Customer Support & Training offer

Strengthened our offer in 2018

- **Customer satisfaction**: ranked 1st in Product Support by 2019 Pro-Pilot Survey
- **Digital services**: new and enhanced portfolio with a community of 10,000+ user
- **Advanced services**: 450+ civil helicopters enrolled into Power by the Hour
- **Expanding global footprint**: 100+ Service & Repair Centres
  - New Gulf of Mexico Support Center in Lousiana
  - New warehouse in Vergiate
- **Customer proximity**: 100+ onsite technical representatives
- **Mission effectiveness and safety**: featuring new training systems assets and portfolio in 2018
  - 41,000+ Simulator Training Hours flown (vs 2,900 in 2006)
  - 10,000+ students (vs. 600 in 2006)
Targeted investment in our future products and services
Continued innovation in Helicopters, Tiltrotors, and RUAS

- Modern helicopter range with inherent growth potential
- Going green – active MRB, electric TRB
- Studying the helicopter of the future (HEMS)

- Tiltrotors for unmatched performance
- Clean Sky2 NEXTGEN under development
- Scalable technology

- RUAS systems with unique integrated capabilities
- AWHERO progressing towards certification
- Scalable technology
Growth delivering positive economic results with improving profitability

**ORDER INTAKE**

€ bn | 2017A | 2018A
---|---|---
| 3.2 | 6.2 |

Expected materially higher than 2017 and 2018 (net of Qatar effect)

**REVENUES**

€ bn | 2017A** | 2018A
---|---|---
| 3.4 | 3.8 |

Industrial Plan objective of ≥ 5% CAGR

**DELIVERIES**

[ACs] | 2017A | 2018A
---|---|---
| 149 | 177 |

Expected in line with market growth

**EBITA**

€ bn | 2017A** | 2018A
---|---|---
| 0.28 | 0.36 |

ROS 2017A** 8.2% 2018A 9.4%

Industrial Plan objective of ≥ 10% CAGR

* Only new aircrafts; excluded preowned and kits  ** Restated
Aircraft: a strong strategy to deliver the Industrial Plan in a high growth market

Lucio Valerio Cioffi  
MD Aircraft Division

London, 14 March 2019
Great position in high growth market

- We operate in a materially high growth market
- Strong and comprehensive product range

<table>
<thead>
<tr>
<th>Strong Backlog</th>
<th>Revenues</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>~€11bn</td>
<td>~€2bn</td>
<td>&gt;10%</td>
</tr>
</tbody>
</table>

- Leveraging our strong product portfolio and enhancing services

...Strongly growing revenues and profitability
Double digit growth in military aircraft markets

REFERENCE MARKET

€ bn

2018-2023 CAGR ~14%

2018A  2023E

16

Tactical Transport and Special Missions

Trainers

Fighter

2019-2023 Target Market ca. € 130 bn

Source: Leonardo estimates based on HIS Jane’s forecast International Teal

- Fighter market
  - Opportunities in Asia, Far East and Middle-East

- Trainers market
  - Opportunities for Light Attack Versions (Dual Role Capability) and Integrated Training Services
  - Sweet spot of the Integrated Training Services (phases II, III and IV)

- Tactical Transport and Special Missions market
  - Growth sustained by replacement of old fleets and new threats
Long term Revenue visibility from very significant Backlog and additional high potential opportunities

**REVENUE GROWTH UNDERPINNED BY BACKLOG**

<table>
<thead>
<tr>
<th>FY2018A Revenues</th>
<th>FY2018A Backlog</th>
<th>2018-2023 cumulated Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ bn</td>
<td>~2</td>
<td>~11</td>
</tr>
</tbody>
</table>

**OPPORTUNITIES TO GROW BACKLOG FURTHER**

- Strong Backlog supporting long term visibility
- Over 100 market opportunities in addition to baseline business plan
- Robust growth underpinned by fighter segment, Integrated Training Systems and services
- TX was only an opportunity but the foreseen market is still there

2018-2023 CAGR ~14%
**We have the right portfolio to deliver growth**

Best in class aircraft portfolio ready to serve market demands

<table>
<thead>
<tr>
<th>International Collaborations (Fighters)</th>
<th>Trainers</th>
<th>Tactical transport &amp; Special missions</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROFIGHTER</td>
<td>JSF F-35</td>
<td>M-366 AJT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IFTS (2019)</td>
</tr>
<tr>
<td>F-35 MRO&amp;U HUB</td>
<td></td>
<td>M-345 HET (2020)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M-346 LFFA (2021)</td>
</tr>
</tbody>
</table>

Leading the evolution of customer assets and processes through continuous service innovation and partnership approach based on a Customer-Centric Attitude
From platforms to services: complimentary meaningful and profitable growth

- Delivering **world-class services** and **capabilities** to our customers
- > 1,100 aircraft supported in ~30 countries worldwide
- Industrial collaborations worldwide
- ~25% of aircraft division turnover and more than 30% of its profitability
- Full spectrum of **support, services** and “enlarged” **training solutions** for proprietary and non-proprietary products (e.g. F35 MRO&U, C-130J, AWACS)
- Increase use of **digitalisation** (big data analysis and customer demand forecasting)
- Opportunities related to **continuous functional upgrade** of the existing platforms (such as C-27J) to support our customers in competing against new operational scenarios
We are thinking and working on the future…

EUROMALE 2025

Technologies

- Hybrid/Electric Propulsion
- Virtual Pilot
- Highly automated Assembly

• Digital Twin
• Integrated Vehicle Health Management (IVHM)

Eurofighter Long Term Evolution

European 6th Generation Fighter

A real collaboration among the European industry with customers to provide future growth opportunities
Strong Outlook

- **Great growth potential** in the markets we serve supported by a strong and comprehensive product range
- **Very significant backlog** with plenty of opportunities to make it biggest still
- **Best-in-class aircrafts** already in the market, complemented by our integrated training services
- **Balanced portfolio** set to deliver growth over the start, medium and longer term
- **Cash flow generation** with solid double digit profitability

Confidence in translating growth into profitability and cash flow generation
DRS: growth outlook

William J. «Bill» Lynn III
CEO of Leonardo DRS

London, 14 March 2019
DRS contributing to Leonardo’s Industrial Plan targets

- **US defence Budget continues to increase**
  - Projected increases in U.S. defence spending supports sustained revenue growth throughout the five-year plan

- **DRS well positioned in the market**
  - DRS revenue growth outperforming U.S. defence market
  - Product alignment within Pentagon’s major priorities driving results
  - Opportunity to accelerate growth through International sales to U.S. allies

- **Profitability growth**
  - Current profits growing at double digit rates
  - Stable 7-8% margins through 2018 (excluding TX bid costs)
  - Converting existing ‘soft Backlog’ will increase revenue faster than costs
  - Transitioning development programmes into higher margin production programmes
  - Identifying additional efficiencies to reduce costs

*DRS poised to continue growth and expand margins*
U.S. defence budget provides opportunity for continued DRS growth through 2023

- **FY 2020 Pentagon budget provides $718 bn, an increase of +4.9% over FY 2019**
  - $104.3 bn supporting R&D programmes and $143 bn for procurement of new equipment

- **DRS will benefit from opportunities in the Army Procurement budget of $25 bn through:**
  - Advanced electronics
  - Network systems
  - Vehicle protection systems
  - Aircraft survivability

- **DRS will benefit from opportunities in the Navy Procurement budget of $61 bn through:**
  - Shipboard electronics
  - Power and propulsion
  - Aircraft survivability

**DRS well positioned to capitalise on U.S. defence budget increases**
Growth: DRS outperforming US defence market

**NEW ORDERS CONTINUE ABOVE MARKET**

<table>
<thead>
<tr>
<th>Year</th>
<th>$ mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,923</td>
</tr>
<tr>
<td>2017</td>
<td>2,015</td>
</tr>
<tr>
<td>2018</td>
<td>2,878</td>
</tr>
</tbody>
</table>

**REVENUE TRENDS EXCEED US defence MARKET**

<table>
<thead>
<tr>
<th>Year</th>
<th>$ mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,753</td>
</tr>
<tr>
<td>2017</td>
<td>1,947</td>
</tr>
<tr>
<td>2018</td>
<td>2,339</td>
</tr>
</tbody>
</table>

**DRS ALIGNED IN HIGH GROWTH SEGMENTS**

- **Army Electronics & Sensors**
  - Product alignment within Army’s key modernization priorities fuelling continued growth
  - **2018 Revenue Growth** – 26%
  - **2017 Revenue Growth** – 35%

- **Naval Systems**
  - Provides power propulsion and control technology as well as shipboard electronics and computing on the Navy’s highest priority platforms
  - **2018 Revenue Growth** – 32%
  - **2017 Revenue Growth** – 7%

- **Long Range Electro-Optics/Infrared**
- **Platform Computing**
- **Protection & Countermeasures**

- **Naval Computing & Combat Systems**
- **Propulsion Systems**
- **Power Conversion, & Distribution**
Driving Improving Profitability

**DOUBLE DIGIT EBITA GROWTH**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITA (excluding TX Investment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>128</td>
</tr>
<tr>
<td>2017</td>
<td>153</td>
</tr>
<tr>
<td>2018</td>
<td>174</td>
</tr>
</tbody>
</table>

$\text{m}ln$

**MARGIN EXPANSION**

- **Stable EBITA 7-8% margins excluding TX investment 2016-2018**

- **Creating efficiencies to improve profit**
  - Eliminated management layers
  - Facility optimizations
  - Portfolio shaping
  - Focused investing

- **Product life-cycle transition from development type efforts to production on our ‘soft Backlog’ supports margin expansion**

- **Increased EBITA margins drive free cash flow generation**

**DRS to deliver +10% operating margins during the plan period**
SECTOR RESULTS
Helicopters
Well positioned to capture growth opportunities

<table>
<thead>
<tr>
<th></th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>1,443</td>
<td>1,523</td>
<td>5.5%</td>
<td>3,153</td>
<td>6,208</td>
<td>96.9%</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,025</td>
<td>1,154</td>
<td>12.6%</td>
<td>3,438</td>
<td>3,810</td>
<td>10.8%</td>
</tr>
<tr>
<td>EBITA</td>
<td>50</td>
<td>142</td>
<td>104.0%</td>
<td>201</td>
<td>350</td>
<td>27.3%</td>
</tr>
<tr>
<td>Ros</td>
<td>4.9%</td>
<td>12.3%</td>
<td>+7.4 p.p.</td>
<td>8.2%</td>
<td>9.4%</td>
<td>+1.2 p.p.</td>
</tr>
</tbody>
</table>

2019 OUTLOOK

- Well placed in most attractive segments
- Profitability strengthening; back to double digit in 2020
- Continuing industrial processes optimisation to improve competitiveness

DELIVERIES BY PROGRAMME

- FY2017 = 149 new units
- FY2018 = 177 new units

© Leonardo - Società per azioni
Electronics, Defence & Security Systems

Remain strong

### Electronics EU

<table>
<thead>
<tr>
<th></th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>1,345</td>
<td>2,448</td>
<td>82.0%</td>
<td>4,388</td>
<td>4,409</td>
<td>0.5%</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,331</td>
<td>1,408</td>
<td>5.8%</td>
<td>3,855</td>
<td>4,011</td>
<td>4.0%</td>
</tr>
<tr>
<td>EBITA</td>
<td>203</td>
<td>176</td>
<td>-13.3%</td>
<td>408</td>
<td>394</td>
<td>-3.4%</td>
</tr>
<tr>
<td>RoS</td>
<td>15.3%</td>
<td>12.5%</td>
<td>-2.8 p.p.</td>
<td>10.6%</td>
<td>9.8%</td>
<td>-0.8 p.p.</td>
</tr>
</tbody>
</table>

### DRS

<table>
<thead>
<tr>
<th></th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>475</td>
<td>930</td>
<td>95.8%</td>
<td>2,016</td>
<td>2,880</td>
<td>42.9%</td>
</tr>
<tr>
<td>Revenues</td>
<td>629</td>
<td>788</td>
<td>26.9%</td>
<td>1,947</td>
<td>2,339</td>
<td>20.1%</td>
</tr>
<tr>
<td>EBITA</td>
<td>61</td>
<td>67</td>
<td>9.8%</td>
<td>146</td>
<td>151</td>
<td>3.4%</td>
</tr>
<tr>
<td>RoS</td>
<td>9.7%</td>
<td>8.4%</td>
<td>-1.3 p.p.</td>
<td>7.5%</td>
<td>6.5%</td>
<td>-1.0 p.p.</td>
</tr>
<tr>
<td>EBITA excluding TX costs</td>
<td>63</td>
<td>67</td>
<td>6.3%</td>
<td>153</td>
<td>169</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

**2019 OUTLOOK**

- 2019 revenue volumes expected to increase
- Profitability improvement
- DRS benefitting from positive market trends

Avg. exchange rate €/$ @ 1.8525 in FY2018
Avg. exchange rate €/$ @ 1.1293 in FY2017
Aeronautics

Aircrafts positive outlook offsetting lower ATR and Aerostructures

<table>
<thead>
<tr>
<th></th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>652</td>
<td>1,149</td>
<td>76.2%</td>
<td>2,615</td>
<td>2,569</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Revenues</td>
<td>918</td>
<td>871</td>
<td>-5.1%</td>
<td>3,093</td>
<td>2,896</td>
<td>-6.4%</td>
</tr>
<tr>
<td>EBITA</td>
<td>116</td>
<td>161</td>
<td>38.8%</td>
<td>311</td>
<td>328</td>
<td>5.5%</td>
</tr>
<tr>
<td>RoS</td>
<td>12.6%</td>
<td>16.5%</td>
<td>-0.8 p.p.</td>
<td>10.1%</td>
<td>11.3%</td>
<td>-0.8 p.p.</td>
</tr>
<tr>
<td>EBITA excluding TX costs</td>
<td>107</td>
<td>161</td>
<td>50.5%</td>
<td>311</td>
<td>335</td>
<td>7.7%</td>
</tr>
<tr>
<td>RoS excluding TX costs</td>
<td>11.7%</td>
<td>16.5%</td>
<td>-0.8 p.p.</td>
<td>10.1%</td>
<td>11.6%</td>
<td>-0.8 p.p.</td>
</tr>
</tbody>
</table>

2019 OUTLOOK

- Higher revenues compared to 2018
  - Aircraft production increase (especially correlated to the EFA Kuwait contract)
- Good levels of profitability supported by
  - Solid Aircraft performance
  - Aerostructures unsatisfactory levels benefitting from efficiency improvement
Space

Stable outlook

2019 OUTLOOK

- Revenues and operating profit expected in line with 2018
## 4Q/FY 2018 Results

### Group Performance

<table>
<thead>
<tr>
<th></th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
<th>2017 Restated</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orders</td>
<td>3,050</td>
<td>5,734</td>
<td>57.1%</td>
<td>11,595</td>
<td>15,124</td>
<td>30.4%</td>
</tr>
<tr>
<td>Backlog</td>
<td>33,507</td>
<td>38,118</td>
<td>7.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>3,686</td>
<td>4,000</td>
<td>8.5%</td>
<td>11,734</td>
<td>12,240</td>
<td>4.3%</td>
</tr>
<tr>
<td>EBITA</td>
<td>383</td>
<td>488</td>
<td>27.4%</td>
<td>1,077</td>
<td>1,120</td>
<td>4.0%</td>
</tr>
<tr>
<td>RoS</td>
<td>10.4%</td>
<td>12.2%</td>
<td>+1.8 p.p.</td>
<td>9.2%</td>
<td>9.2%</td>
<td>-</td>
</tr>
<tr>
<td>EBIT</td>
<td>282</td>
<td>343</td>
<td>21.6%</td>
<td>844</td>
<td>715</td>
<td>-15.3%</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>7.7%</td>
<td>8.6%</td>
<td>+0.9 p.p.</td>
<td>7.2%</td>
<td>5.8%</td>
<td>-1.4 p.p.</td>
</tr>
<tr>
<td>Net result before extraordinary transactions</td>
<td>14</td>
<td>257</td>
<td>1736%</td>
<td>279</td>
<td>421</td>
<td>50.9%</td>
</tr>
<tr>
<td>Net result</td>
<td>14</td>
<td>247</td>
<td>1665%</td>
<td>279</td>
<td>510</td>
<td>82.8%</td>
</tr>
<tr>
<td>EPS (€ cents)</td>
<td>0.080</td>
<td>0.427</td>
<td>379.5%</td>
<td>0.482</td>
<td>0.881</td>
<td>82.8%</td>
</tr>
<tr>
<td>FOCF</td>
<td>1,509</td>
<td>1,136</td>
<td>-24.7%</td>
<td>537</td>
<td>337</td>
<td>-37.2%</td>
</tr>
<tr>
<td>Group Net Debt</td>
<td></td>
<td></td>
<td></td>
<td>2,579</td>
<td>2,351</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Headcount</td>
<td>45,134</td>
<td>46,462</td>
<td>2.9%</td>
<td></td>
<td></td>
<td></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.
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 rentals

- The Group will apply this principle starting from 1st January 2019

- The estimated impact on the Group Financial Debt at 1 January 2019 will be ca. € 0.4 bn
Successful financing achievements

- **Term Loan Facility** signed in November 2018 to refinance existing debt:
  - €500 mln credit line
  - 5 years maturity
  - 110 basis points above 6 months Euribor
  - Bullet redemption of total amount at maturity
  - Same terms and conditions of Revolving Credit Facility

- **European Investment Bank (EIB) loan** for €300 mln signed in November 2018:
  - To fund projects aimed to support innovation and technological development
  - 4 main areas:
    - Development of technologically advanced products
    - Cyber Security
    - Advanced Manufacturing
    - Production efficiency
Solid Financial Position as end of December 2018

DEBT MATURITY
Average life: ≈ 6 years¹

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>

*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

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Availability of adequate committed liquidity lines as at 31 December 2018

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

- 31 December cash balance of € 2.0 bn
- Credit lines worth € 2.5 bn (confirmed and unconfirmed)
- The Revolving Credit Facility signed on 14 February 2018 amounts at € 1.8 bn with a margin of 75bps and will expire in 2023
- Bank Bonding lines of approximately € 2.6 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 31/12/2018
2  Average. Expected to be renewed at maturity
## Development costs capitalised as intangible assets as at 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Self Funded National Security</th>
<th>Self Funded Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>01 January 2018 restated</strong></td>
<td>1,641</td>
<td>459</td>
<td>2,100</td>
</tr>
<tr>
<td>Gross R&amp;D capitalised</td>
<td>196</td>
<td>47</td>
<td>243</td>
</tr>
<tr>
<td>Depreciation and write offs</td>
<td>-78</td>
<td>-33</td>
<td>-111</td>
</tr>
<tr>
<td>Disposals</td>
<td>0</td>
<td>-1</td>
<td>-1</td>
</tr>
<tr>
<td>Other Changes</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td><strong>Net R&amp;D capitalised</strong></td>
<td>119</td>
<td>17</td>
<td>136</td>
</tr>
<tr>
<td><strong>31 December 2018</strong></td>
<td>1,760</td>
<td>476</td>
<td>2,236</td>
</tr>
</tbody>
</table>

1 IFRS15 restated
CEO REMUNERATION
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 behavior
- Attracting / retaining resources regarded by the Company as key performers
- Complying with transparency and merit system embedded in Leonardo strategy
- Including Sustainability/ESG objectives, consistently with business strategy

CEO REMUNERATION

- Fixed Remuneration: 42%
- Short-Term Variable Remuneration: 30%
- Long-Term Variable Remuneration: 28%
- Equity: 0%
CEO performance: Management by Objectives

MBO remuneration is paid in cash on a yearly basis

**TARGETS**

- **Group EBITA**
  - 30% of REM

- **Group FOCF**
  - 30% of REM

- **Sustainability**
  - 10% of REM - ON/OFF
  - Linked to the inclusion of Leonardo in Dow Jones Sustainability Indexes

- **Industrial Plan Objectives**
  - 30% of REM
  - 3 specific KPIs
    1. 2018 business performance of Helicopters and Aerostructures
    2. Technology Innovation: implementation of strategic projects, creation of UAVs Business Unit and Training Academy business case
    3. Book to Bill ≥1
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

**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)

**TSR Relative** 50%

- **Award max**: 100% of bonus ≥ TSR of company at the Top 4 position
- **Award target**: 50%, 5th-6th position
- **Award min**: 25% 7th position

Relative (peer): Saab, Bae Systems, Thales, Cobham, Meggitt, L-3, Textron, Huntington Ingalls, CNH, Prysmian, Saipem, Fincantieri

**TOTAL BONUS**
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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