



Fixed Income Investors Presentation

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May 2017





 **2013-2016: KEY ACHIEVEMENTS**

 **2017-2021 INDUSTRIAL PLAN AND OUTLOOK**

 **KEY FINANCIAL HIGHLIGHTS**

 **BOND OFFERING**

 **APPENDIX**

Key Messages

- * From Finmeccanica to Leonardo
- * 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 moving forward
- * 2016 was another year of very good performance...
- * ...And we are committed to continue delivering more progresses in the future:
Development and Growth

Delivered on our promises

Key achievements 2013-2016

ASSESS
4Q 2014

STRENGTHEN
2015 – 2016

DEVELOPMENT & GROWTH
2017 - 2021

- * 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...
 - * streamlined industrial process (Engineering, Supply Chain, Manufacturing)
- * ... and cash flow generation
- * Strengthened 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)
- * Strengthened core business: increased stake in Avio

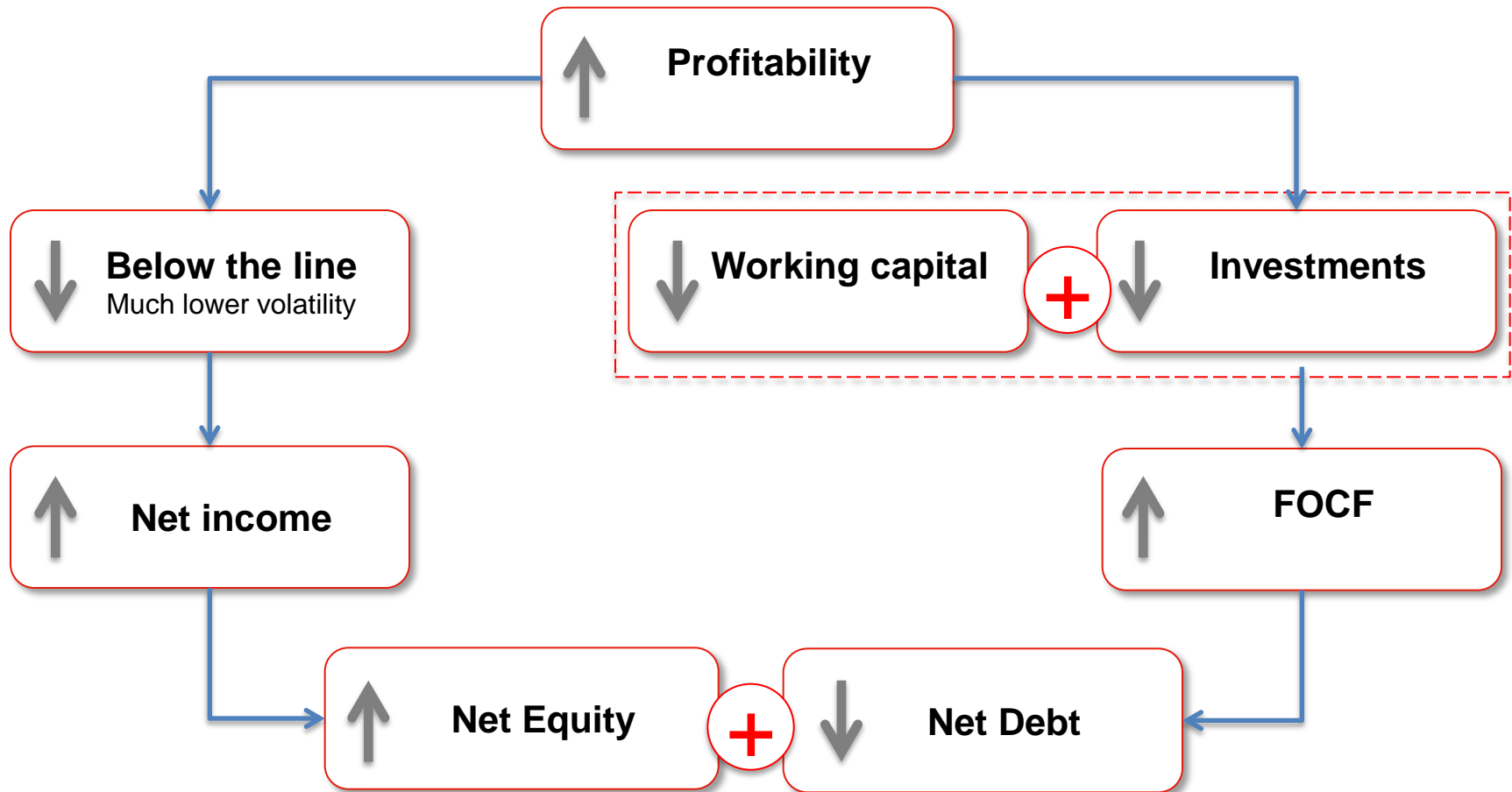
**INDUSTRIAL
EFFICIENCY**

**CUSTOMER
FOCUS**

**CORE
BUSINESS
GROWTH**

SUSTAINABILITY

Moving from Finmeccanica to Leonardo...



More balanced and flexible Capital Structure to support DEVELOPMENT

Delivered on our promises

Key achievements 2013-2016*

Profitability

EBITA +43%
From €878m to €1,252m

RoS +400bp
From 6.4% to 10.4%

SG&A -25%
€1,278m to €961m

Below the line

Much lower volatility

-368%
From €809m to €173m

Operating WC

-13%
From ca. €6bn to ca €5.2bn

On track to achieve >15%
reduction by 2017

Investments

-56%
From €962m to €427m

self-financing Index
from 0.6 to 1

Net Result

+190%
From -€649m to €545m

FOCF

+421%
From -€220m to €706m

Net Equity

+19%
From €3.7bn to €4.4bn

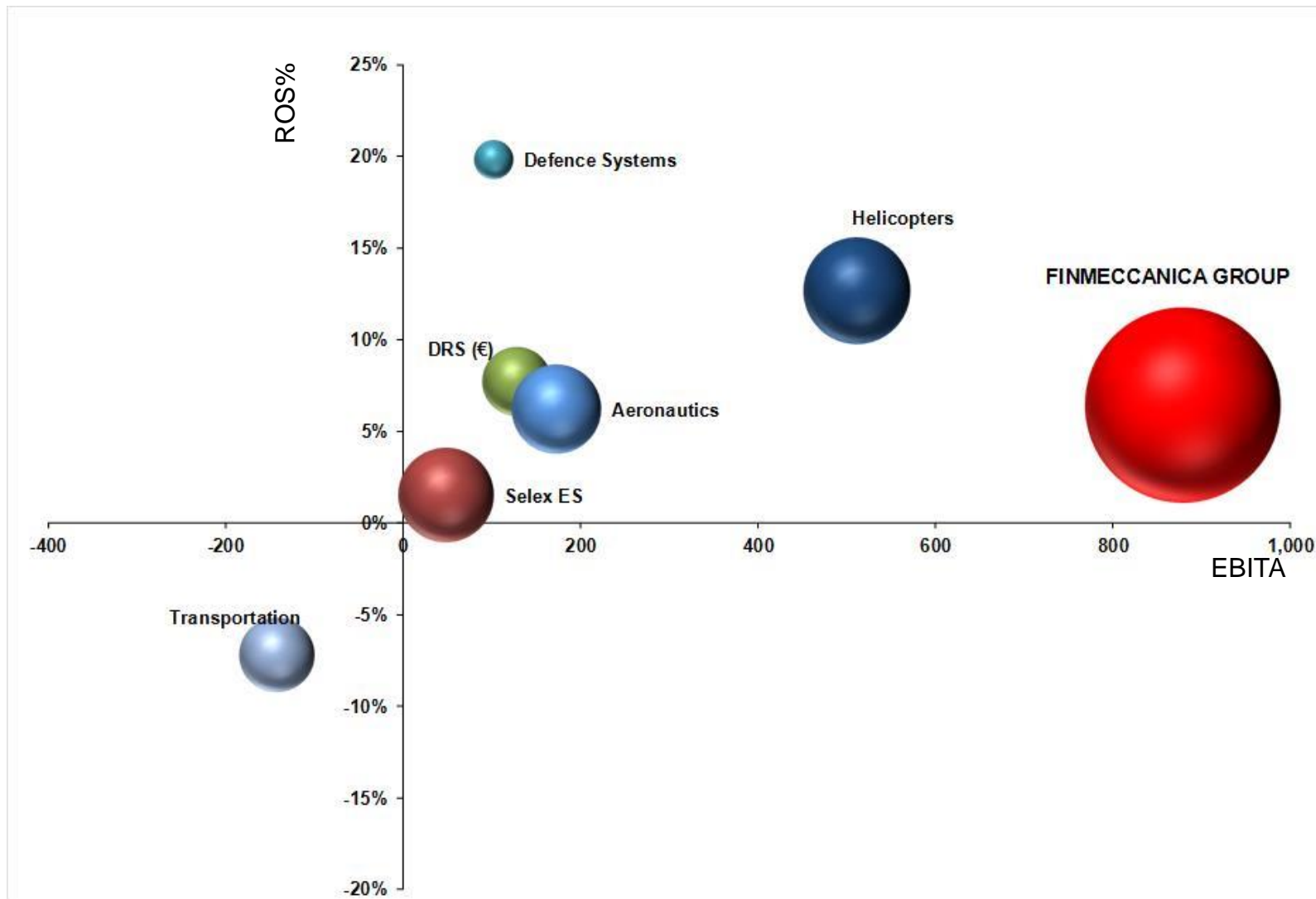
Net Debt

-27%
From €3.9bn to €2.8bn

* Data compares 2016 vs 2013 FY financials

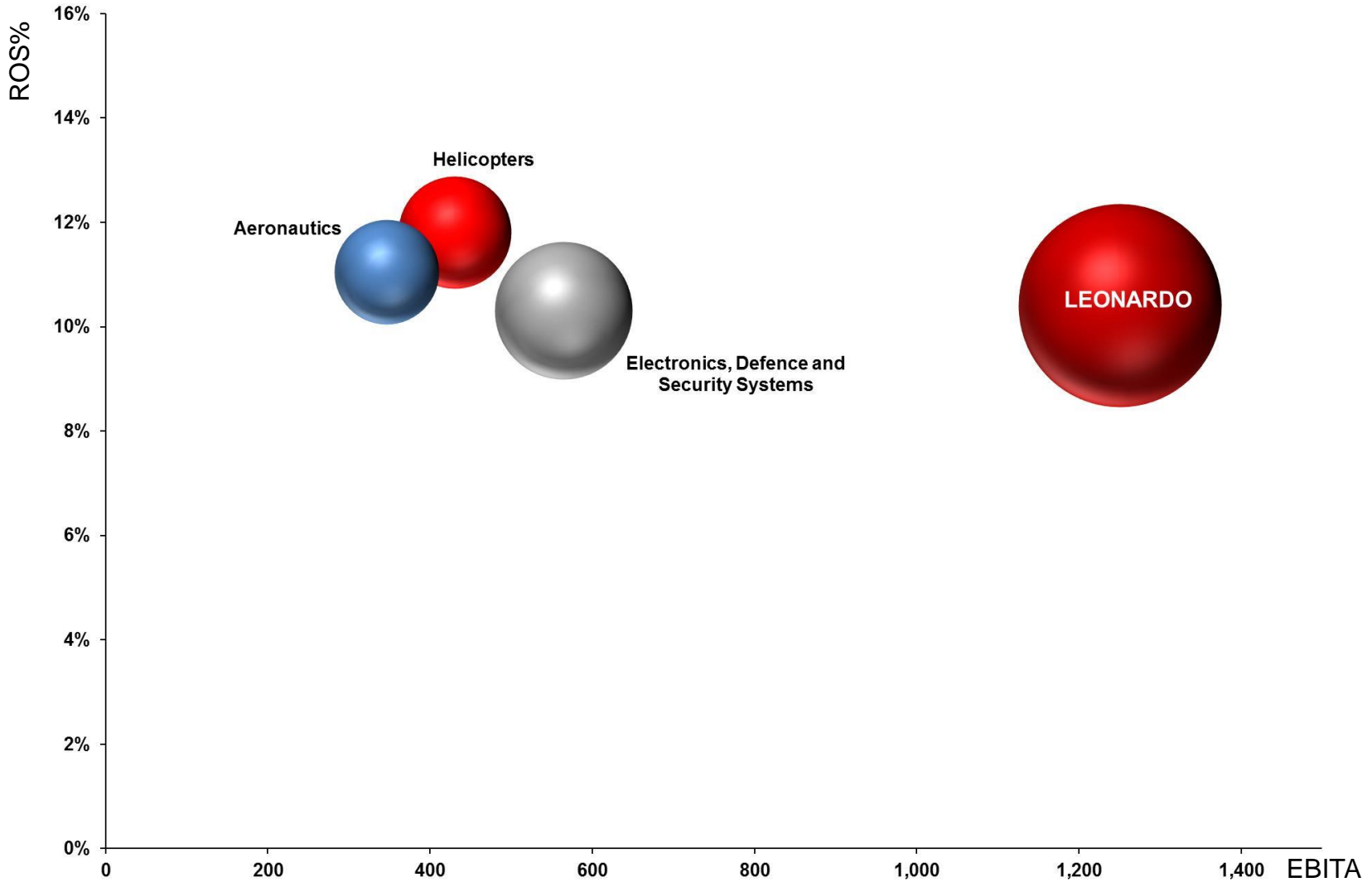
Finmeccanica in 2013*

EBITA (€M) - EBITA%



*Space sector consolidated under the Equity Method

Leonardo today*
EBITA (€M) - EBITA%



*Space sector consolidated under the Equity Method



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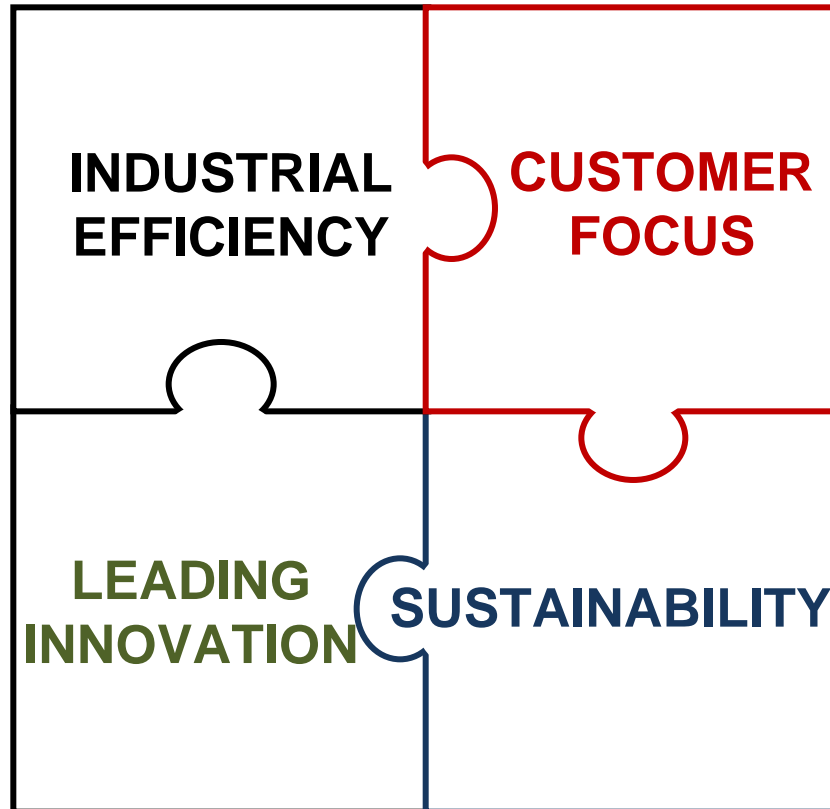
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The new phase: Development and Growth

2017 – 2021 Industrial Plan







- ✦ 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

Supportive market environment

Strong order backlog

Financial flexibility

FY2017 Guidance

- 
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. €300mln, including the acquisition of Daylight Solutions and the payment of dividend for €0.14 p.s.

		FY2016A	FY2017E*
New orders	€ bn	20.0	12.0 – 12.5
Revenues	€ bn	12.0	ca. 12.0
EBITA	€ mln	1,252	1,250 – 1,300
FOCF	€ mln	706	500 – 600
Group Net Debt	€ bn	2.8	ca. 2.5

(*) Assuming €/ \$ exchange rate at 1.15 and €/ £ at 0.85

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



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Q1 2017 Key messages

- ✱ On track and fully focused on delivering the Industrial Plan
- ✱ Good commercial performance
- ✱ Expected softer volumes after very strong Q4 (particularly in Helicopters), however ...
- ✱ Continued improvements in EBITA and profitability, driven by E,D&SS
- ✱ FOCF benefitted of Kuwait contract advance payment
- ✱ FY Guidance confirmed

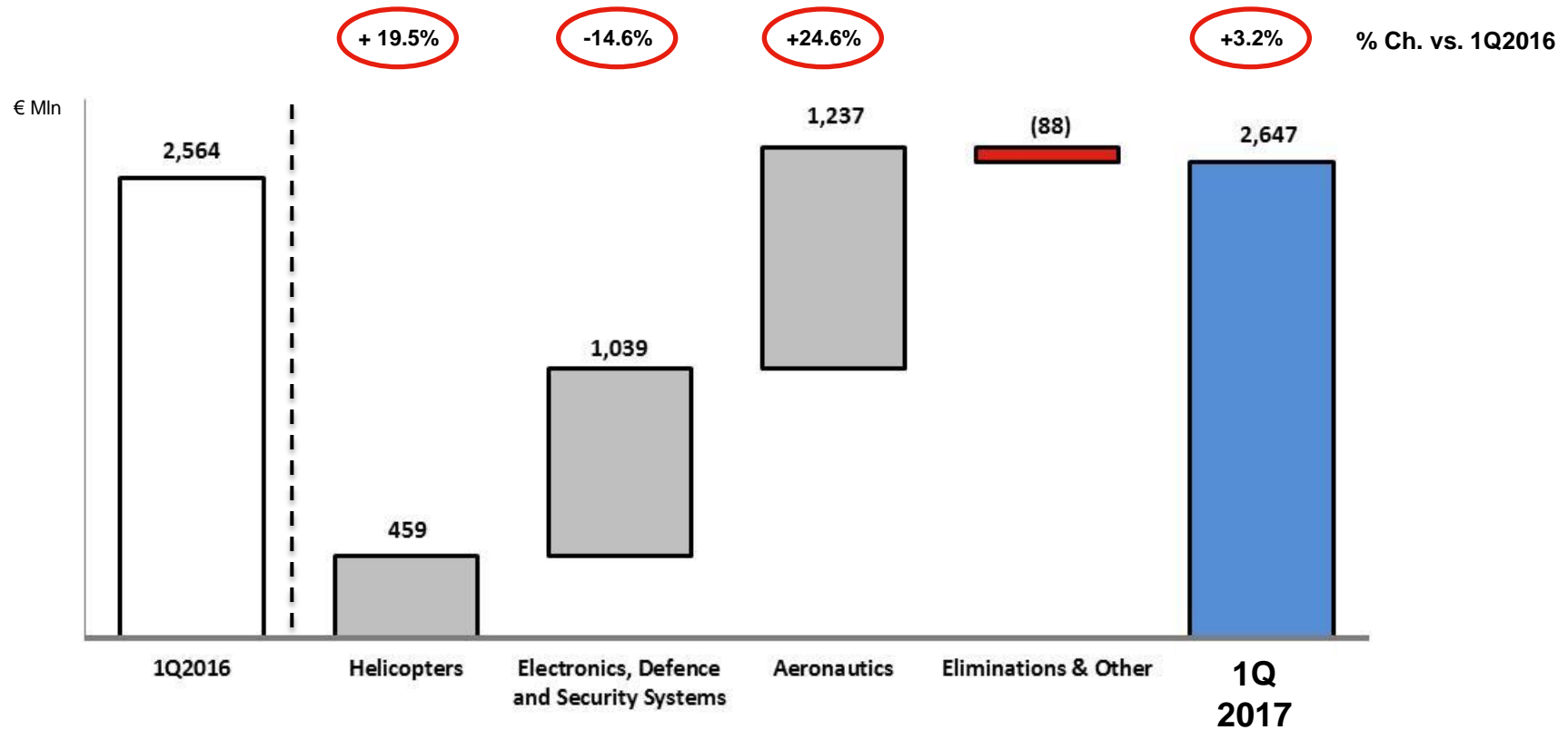
1Q2017 results

Group Performance

	€ Mln	1Q			FY
		2017	2016	% Change	2016
New Orders		2,647	2,564	3.2%	19,951
Backlog		34,832	27,863	25.0%	34,798
Revenues		2,476	2,536	(2.4%)	12,002
EBITDA		330	326	1.2%	1,907
<i>EBITDA Margin</i>		13.3%	12.9%	0.4 p.p.	15.9%
EBITA		187	164	14.0%	1,252
<i>ROS %</i>		7.6%	6.5%	1.1 p.p.	10.4%
EBIT		155	134	15.7%	982
<i>EBIT Margin</i>		6.3%	5.3%	1.0 p.p.	8.2%
Net result before extraordinary transactions		78	56	39.3%	545
Group Net result		78	64	21.9%	507
EPS (€ cents)		0.136	0.111	22.5%	0.879
FOCF		(427)	(876)	51.3%	706
Group Net Debt		3,254	4,212	(22.7%)	2,845
Headcount		45,407	46,756	(2.9%)	45,631

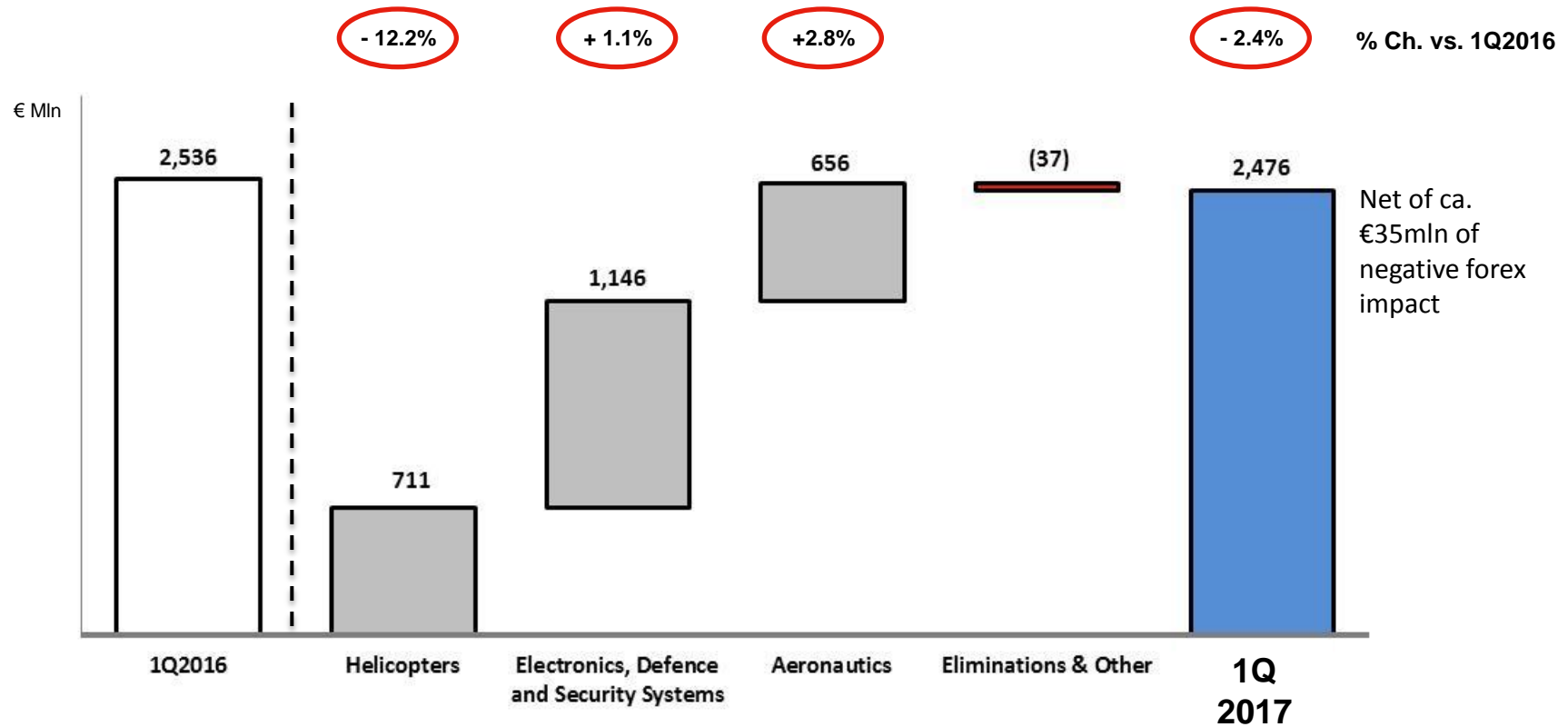
New Orders

In line or above expectations



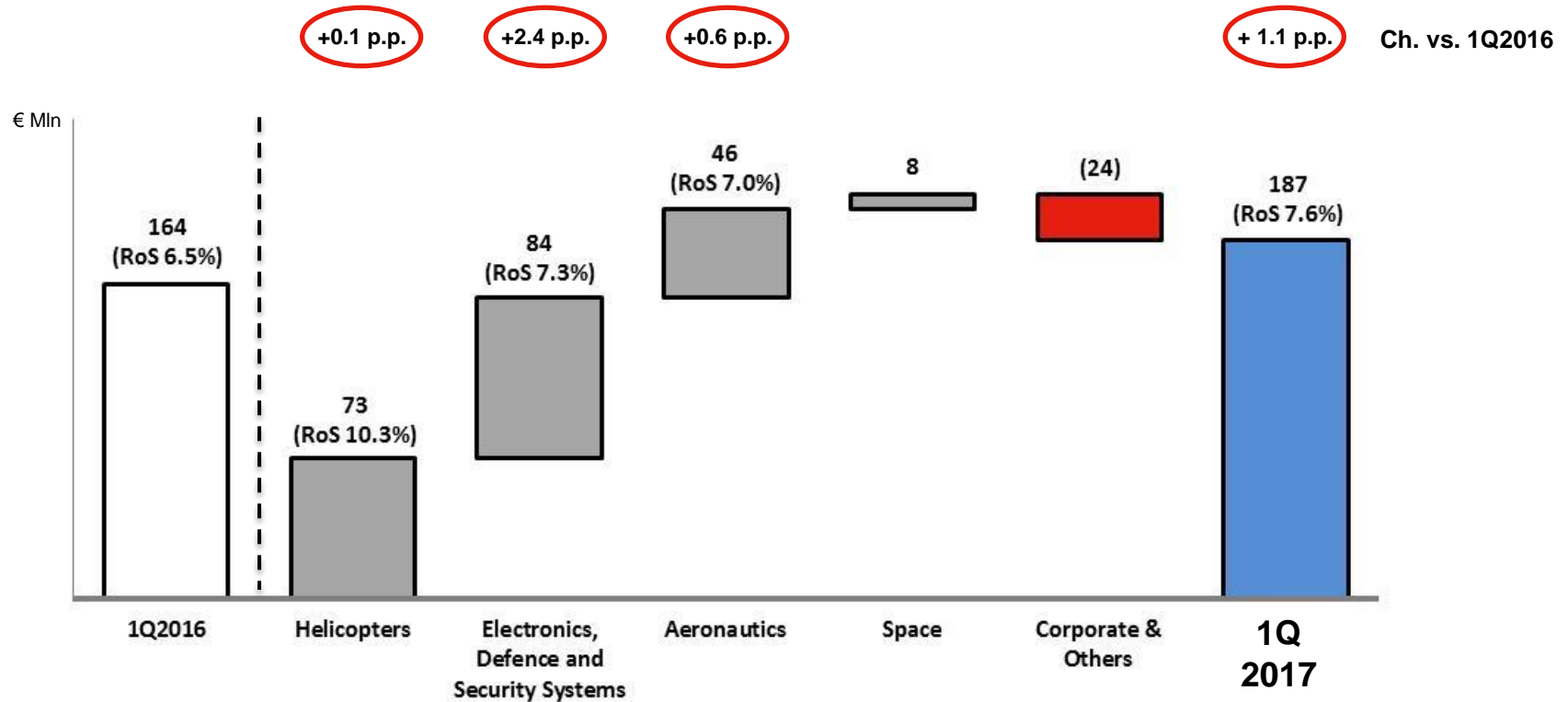
Revenues

Soft start expected

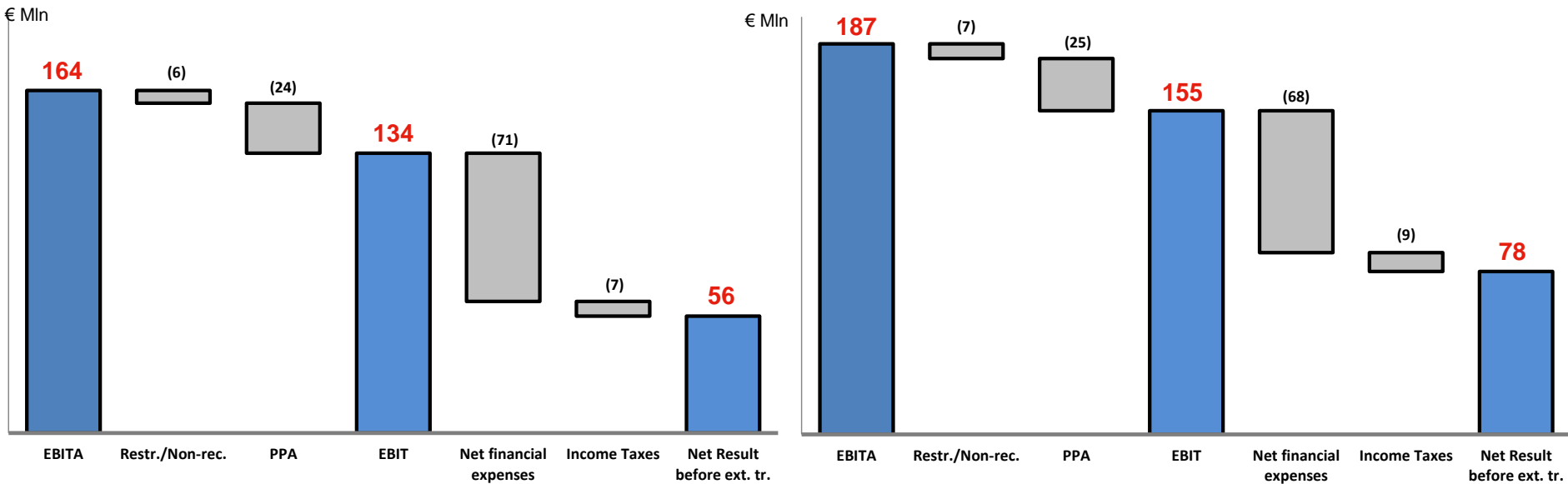


Profitability improvement

EBITA continued to improve despite lower Revenues. RoS 110bp higher



Net Result Before Extraordinary Transactions Improvement +39% YoY on higher EBITA and EBIT

1Q2016
1Q2017


Balance Sheet Solidity – Financial Position (as of end of March 2017) and Rating

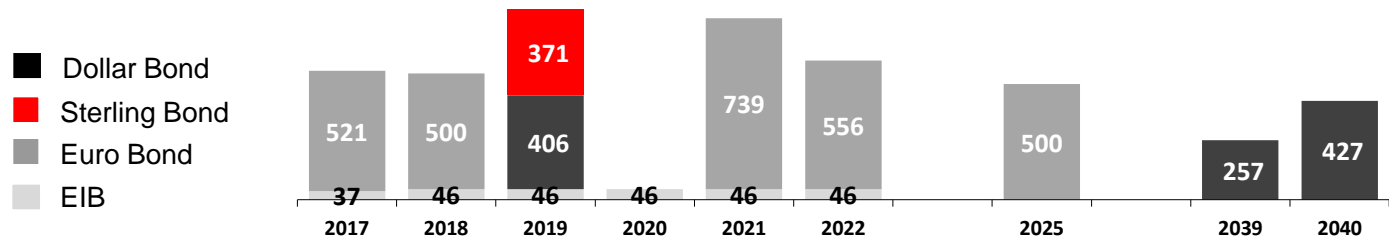
FINANCIAL POSITION

Bond	4.277
EIB Loan	268
Cash Available	(1.752)
Other financial assets/liabilities	461
	<u>3.254</u>

(€mil)

Average life: ≈ 6,5 years

Debt maturity profile



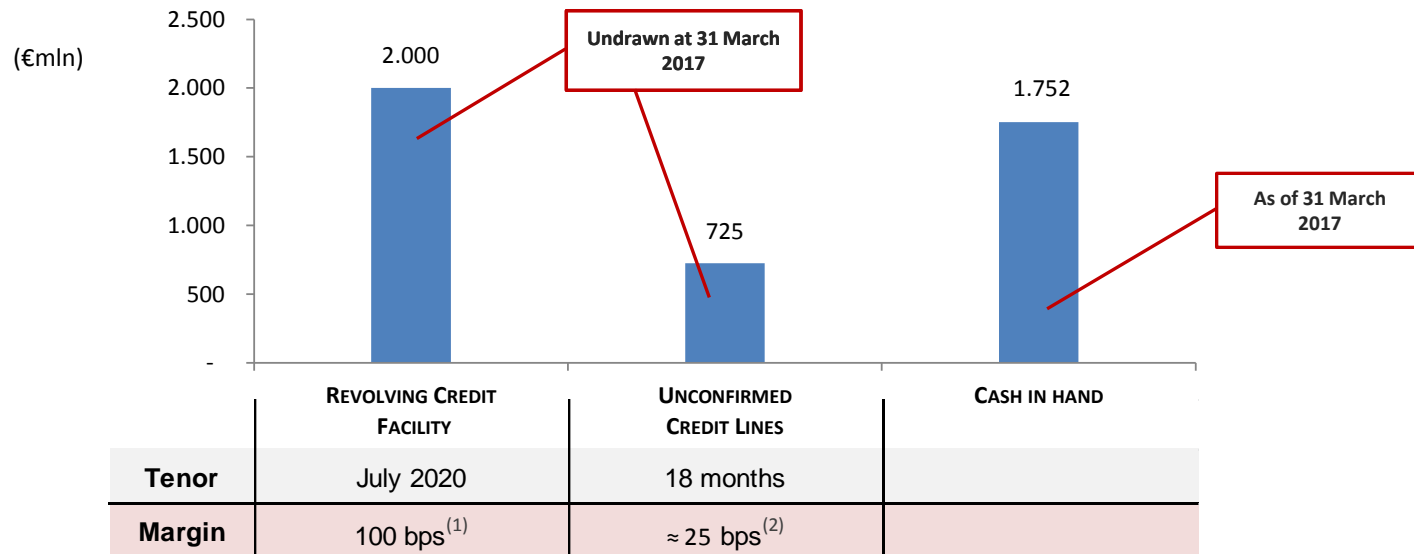
	As of today	Before last review	Date of review
Moody's	Ba1 / Positive Outlook	Ba1 / Stable Outlook	May 2017
S&P	BB+ / Stable Outlook	BB+ / Negative Outlook	April 2015
Fitch	BB+ / Positive Outlook	BB+ / Stable Outlook	October 2016

Liquidity Position (as of end of March 2017)

Strong Liquidity Position

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

- 31 March cash balance of approx. €1.8 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 €4.0 Billion to support Leonardo's commercial activity



(1) Based on rating as of 31/03/2017

(2) Average. Expected to be renewed at maturity



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Indicative Terms for New Leonardo Eurobond RegS Offering

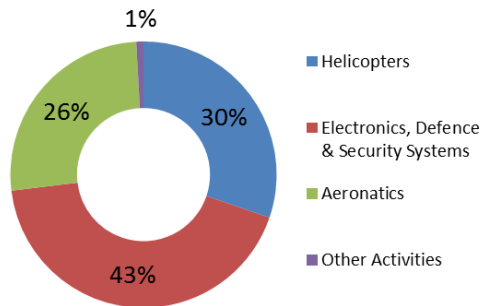
Issuer	Leonardo S.p.A.
Ratings	Ba1 <i>positive</i> ; BB+ <i>stable</i> ; BB+ <i>positive</i>
Use of Proceeds	General Corporate Purposes and Refinancing of Existing Debt
Size	Euro benchmark
Tenor	7 years
Format	Senior, Unsecured, Pari Passu, RegS Bearer
Documentation	Euro Medium Term Notes Programme (EMTN)
Denomination	Euro 100k + 1k



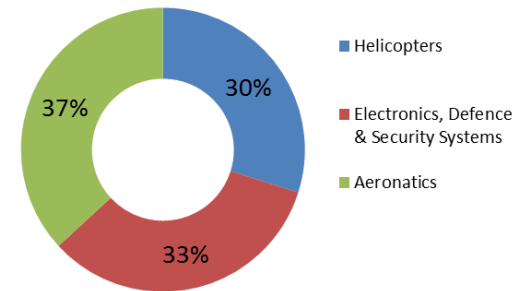
APPENDIX

FY2016 Key Data

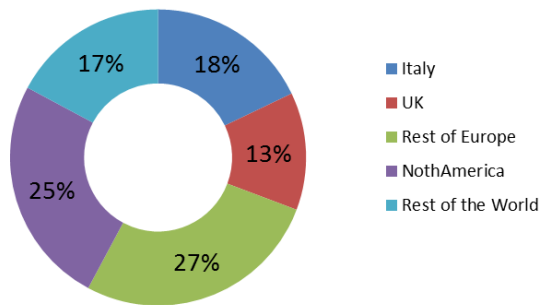
REVENUES BREAKDOWN BY SECTOR



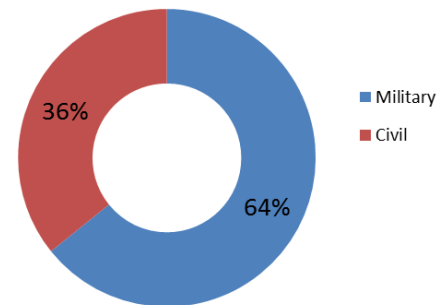
ORDER BACKLOG BREAKDOWN BY SECTOR



REVENUES BY GEOGRAPHICAL AREA



REVENUES BREAKDOWN BETWEEN MILITARY AND CIVIL MARKETS



1Q2017 Sector results

Helicopters

	1Q			FY
	2017	2016	% Change	2016
€ Mln				
Orders	459	384	19.5%	3,737
Revenues	711	810	(12.2%)	3,639
EBITA	73	83	(12.0%)	430
ROS %	10.3%	10.2%	0.1 p.p.	11.8%

- ✦ Higher orders YoY, still in markets that remain challenging and uncertain
- ✦ Softer revenues after strong 4Q, due to slower recovery of production in civil and the completion of some programmes on the AW159/Lynx lines
- ✦ Double-digit profitability solidly maintained despite lower volumes
- ✦ For 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 at double digit, in line with 2016

1Q2017 Sector results

Electronics, Defence & Security Systems*

€ Mln	1Q			FY
	2017	2016	% Change	2016
Orders	1,039	1,217	(14.6%)	6,726
Revenues	1,146	1,134	1.1%	5,468
EBITA	84	56	50.0%	558
ROS %	7.3%	4.9%	2.4 p.p.	10.2%

✿ Good commercial performance, with expected decline in *Land&Naval Defence Electronics*, partially offset by higher orders in *Airborne & Space Systems*.

✿ With revenues in line YoY, sharp improvement in profitability due to benefits from Industrial Plan actions and profitability recovery in some areas

✿ 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

Of which
DRS:

\$ Mln	1Q			FY
	2017	2016	% Change	2016
Orders	401	422	(5.0%)	1,923
Revenues	395	364	8.5%	1,753
EBITA	25	17	47.1%	128
ROS %	6.3%	4.7%	1.6 p.p.	7.3%

Avg. exchange rate €/€ @1.0647 in 1Q2017
Avg. exchange rate €/€ @1.1021 in 1Q2016

*includes Defence Systems as a Division, DRS and MBDA

1Q2017 Sector results

Aeronautics

	1Q			FY
	2017	2016	% Change	2016
€ Mln				
Orders	1,237	993	24.6%	10,158
Revenues	656	638	2.8%	3,130
EBITA	46	41	12.2%	347
ROS %	7.0%	6.4%	0.6 p.p.	11.1%

- ✦ Significant New Orders in *Aircraft* (EFA capability maintenance and support engineering services, first batch of new M-345 for AMI) and *Aerostructures* (B787, ATR)
- ✦ Higher EBITA driven by *Aircraft* (EFA)
- ✦ 2017 revenues expected in line with 2016. “Double digit” profitability confirmed, benefitting from efficiency-improvement and cost reduction actions, aimed at offsetting the winding down of some military programmes and lower contribution from ATR

1Q2017 Sector results

Space

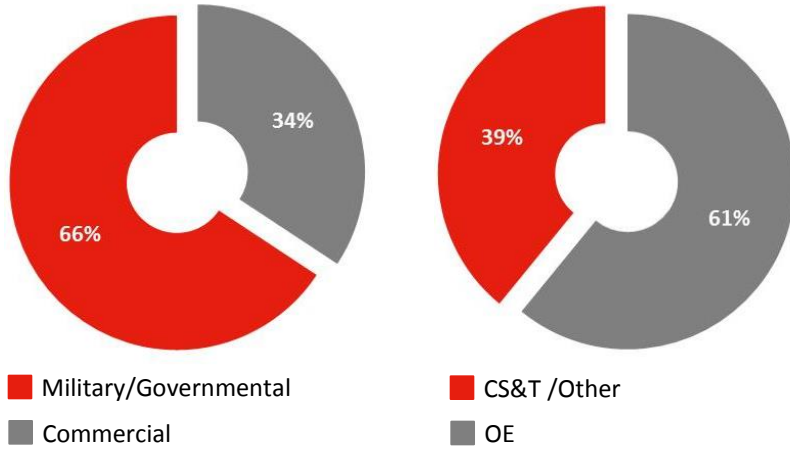
	1Q			FY
	2017	2016	% Change	2016
EBITA	8	4	100.0%	77

€ Mln

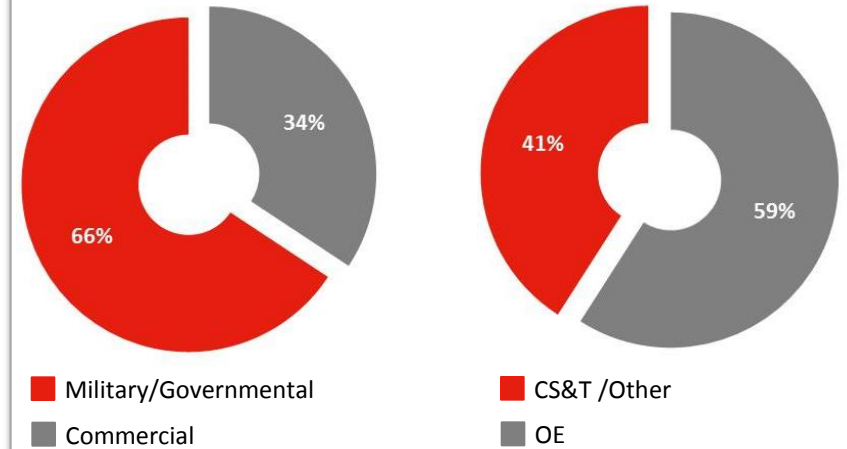
- ✦ Better results on higher volumes in Manufacturing and improvements in industrial profitability in Satellite Services
- ✦ 2017 Profitability expected in line with 2016, with growing Manufacturing Revenues

Helicopters

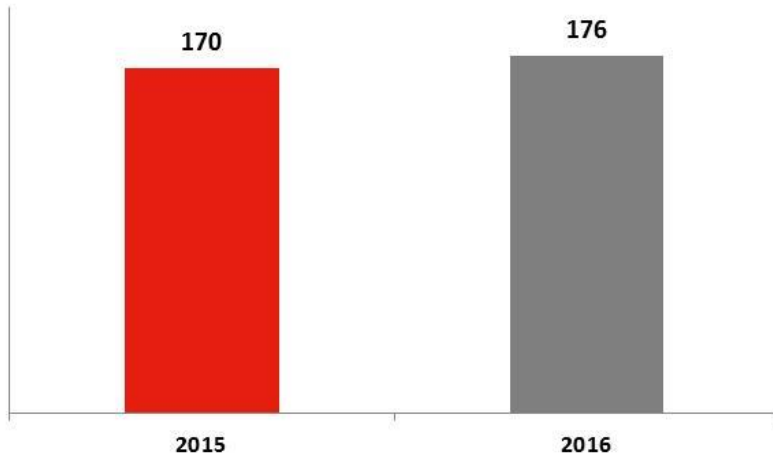
2015 REVENUES BY CUSTOMER/SEGMENT



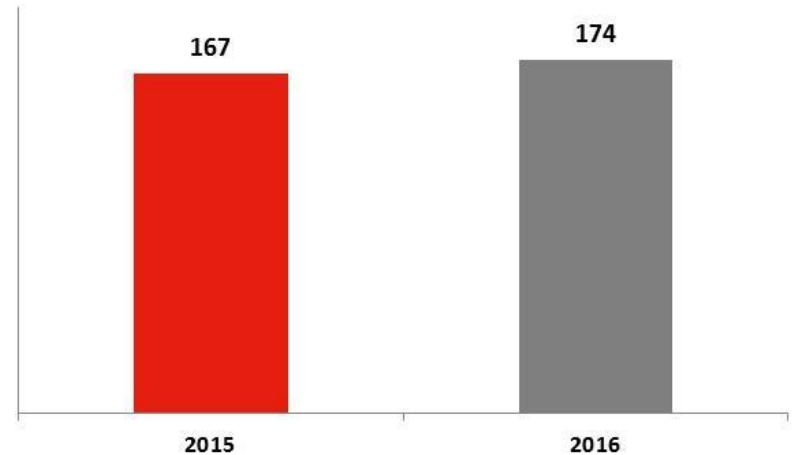
2016 REVENUES BY CUSTOMER/SEGMENT



UNITS ORDERED



UNITS DELIVERED



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)

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2016 Annual Results

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Sustainability



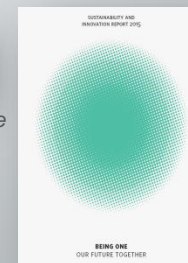
Member since 2010



Participation since 2008



Member since 2016



[Sustainability and Innovation Report 2015](#)

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