LEONARDO

1H 2019 Results Presentation

Alessandro Profumo Chief Executive Officer

Alessandra Genco Chief Financial Officer

Investor Relations and Credit Rating Agencies

Rome, 30 July 2019

Agenda

- **Executing the Industrial Plan** — ***Chief Executive Officer***
- 1H 2019 Results & Outlook — *Chief Financial Officer*
- Appendix

Solid 1H 2019 performance

- **First half results in line with expectations**

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

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

- **2019 Guidance confirmed**

Benefits of sharper commercial strategy and management efforts

Strong demand for our products

- Across all businesses
- Domestic and international
- Civil and military
- Progress on Customer Support

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

Agenda

> Executing the Industrial Plan	*Chief Executive Officer*
> **1H 2019 Results & Outlook**	***Chief Financial Officer***
> Appendix	

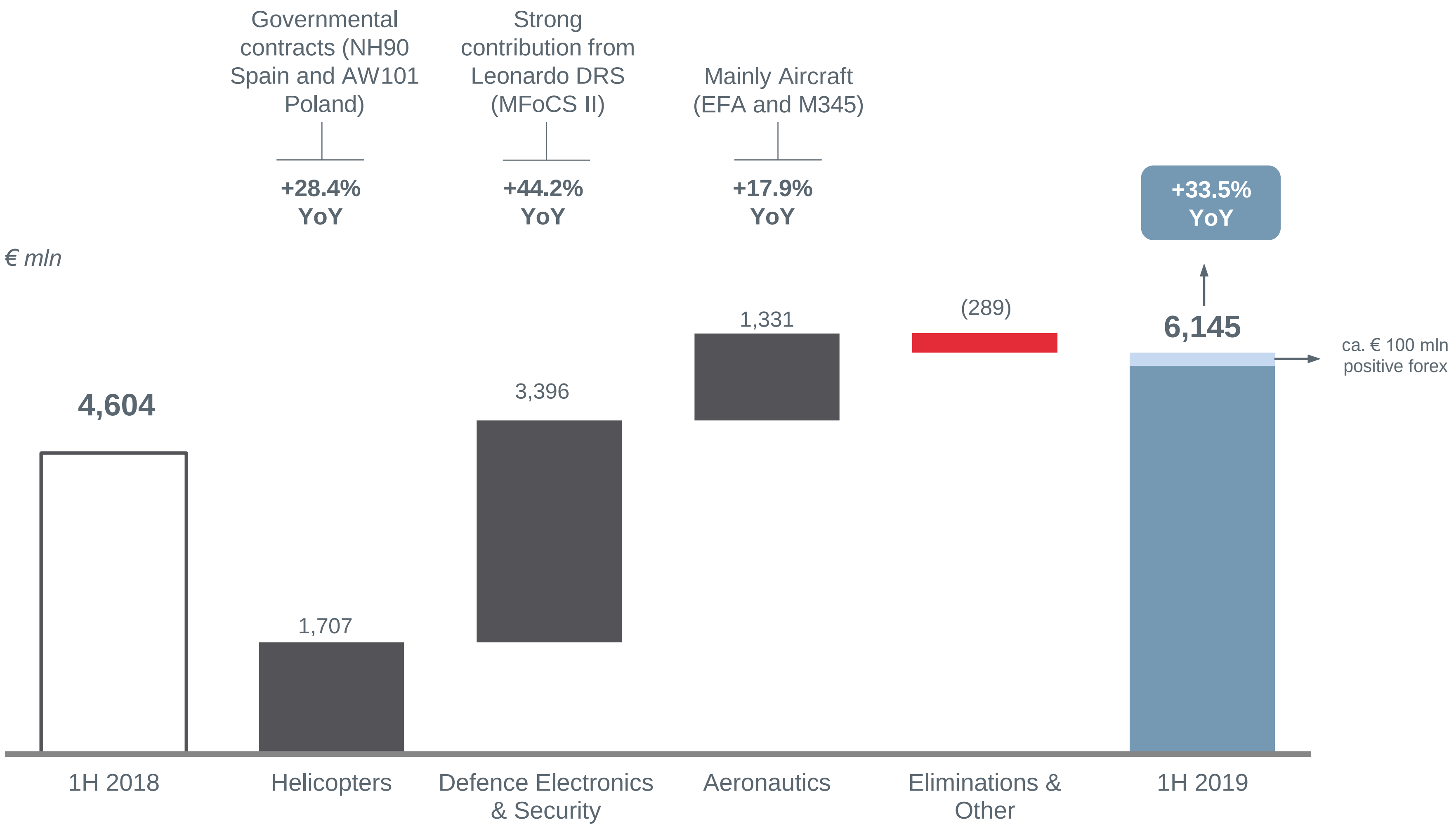
Solid 1H 2019 performance

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

- **2019 Guidance confirmed**

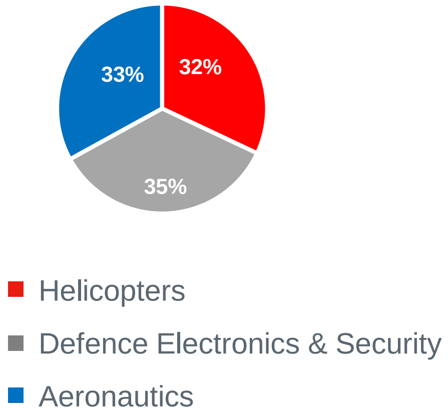
Order Intake

Strong performance across the Group



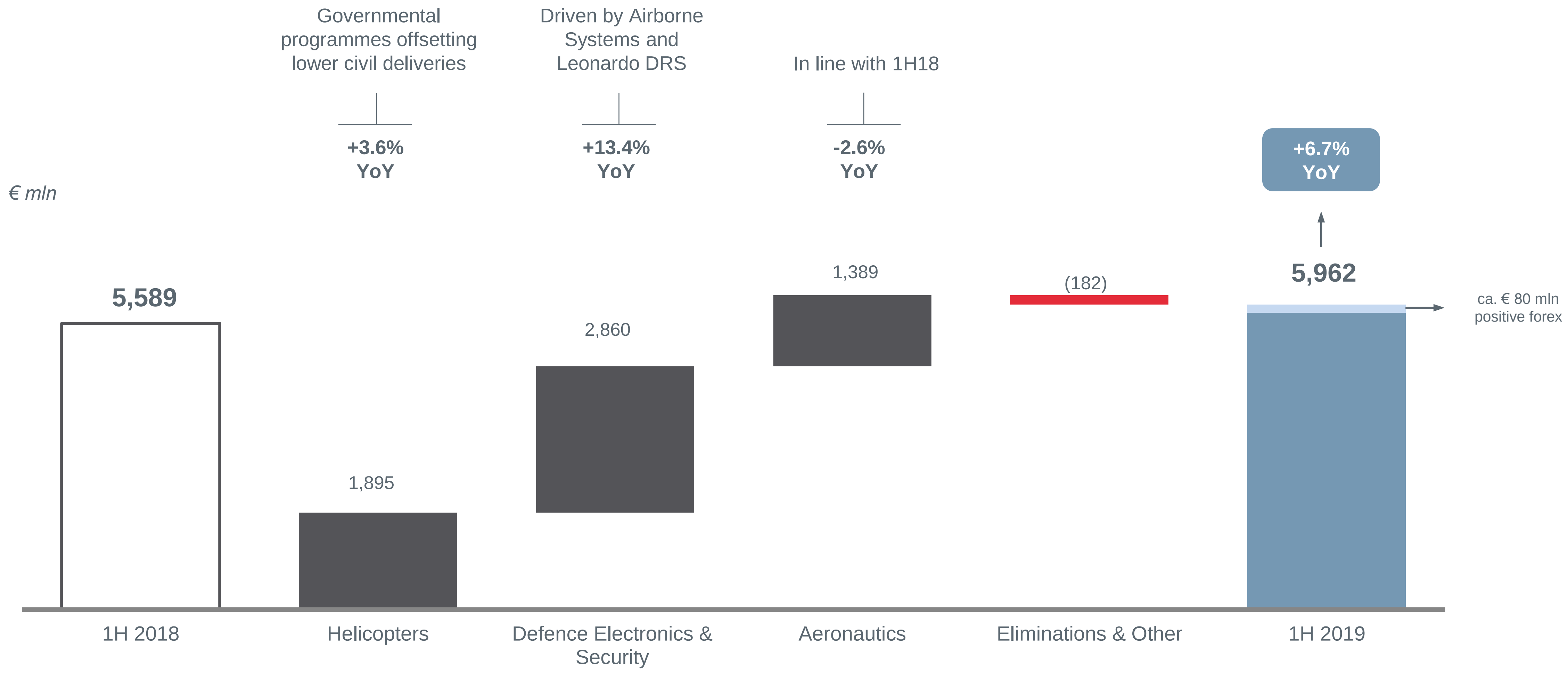
ORDER BACKLOG

1H 2019 ca. € 36 bn



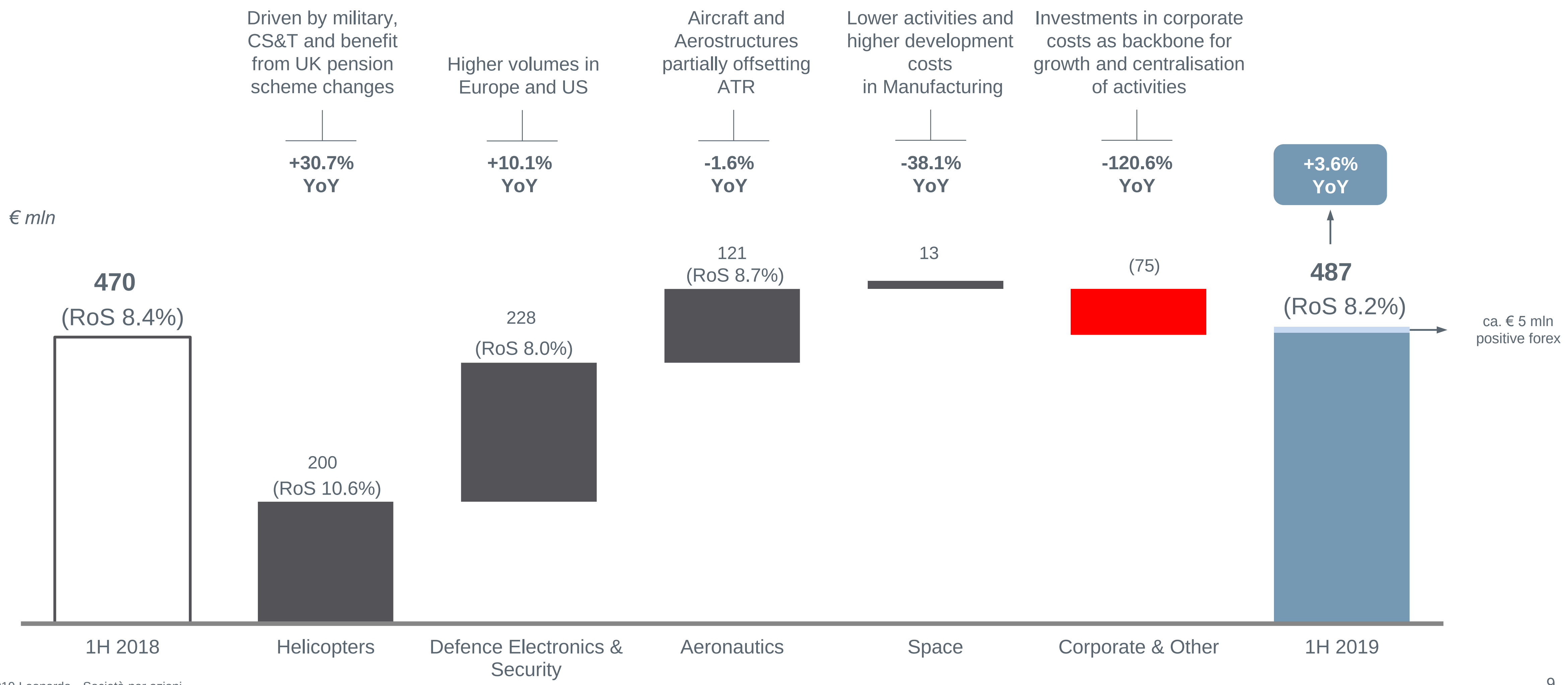
Revenues

Positive momentum in Defence Electronics in US and EU



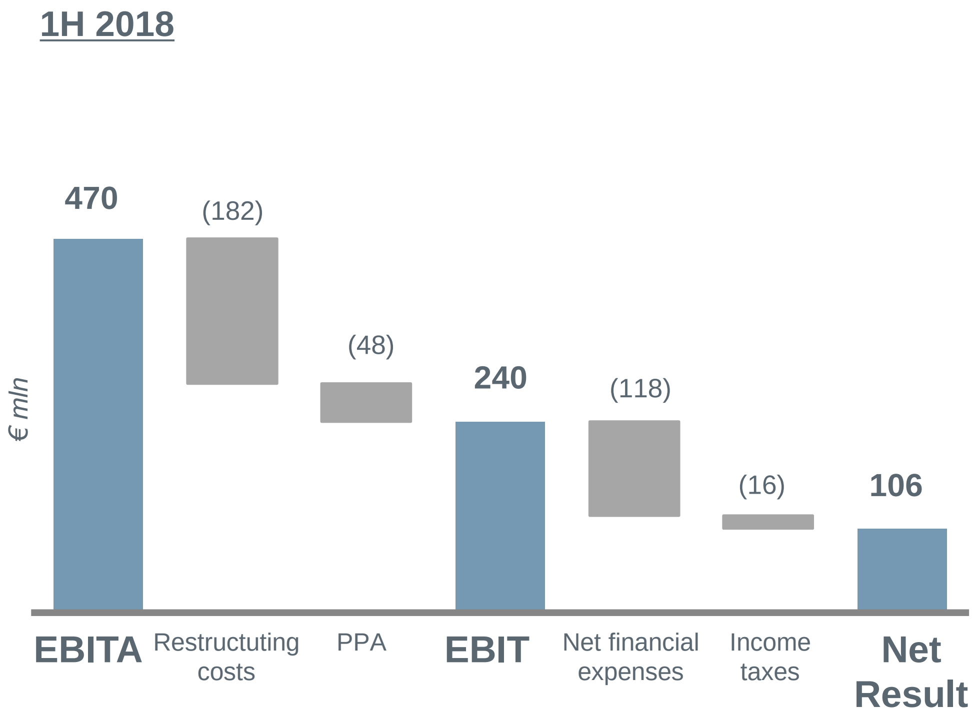
EBITA and Profitability

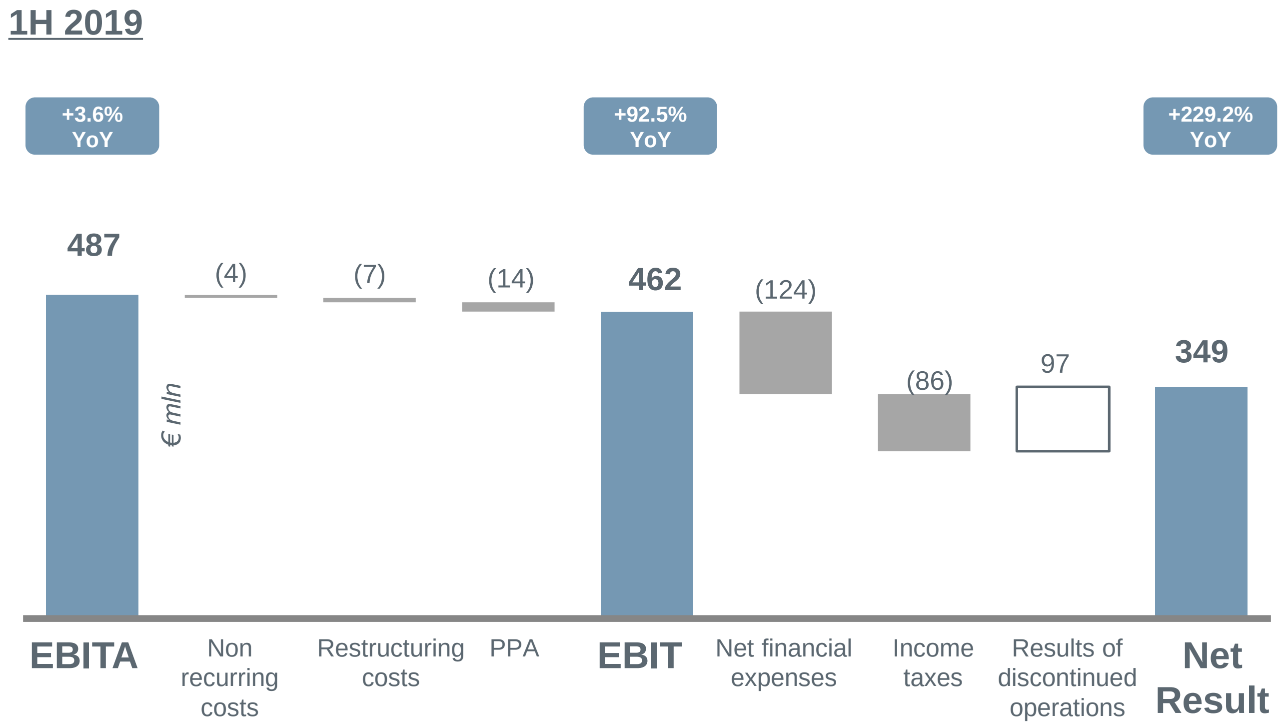
Solid performance across all businesses, with lower contribution from JVs



Net Result

Below the line benefitting from lower restructuring and PPA





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

FY 2019 Guidance confirmed

		FY2018A	FY2019 Guidance
NEW ORDERS	*€ bn*	15.124	12.5 - 13.5
REVENUES	*€ bn*	12.240	12.5 - 13.0
EBITA	*€ bn*	1.120	1.175 - 1.225
FOCF	*€ mln*	336	ca. 200
GROUP NET DEBT	*€ bn*	2.351	ca. 2.3
			ca. 2.8*

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

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

Q&A

SECTOR RESULTS

Helicopters

Well positioned to capture growth opportunities

€ mln	2Q 2018	2Q 2019	% Change	1H 2018	1H 2019	% Change	FY 2018
Orders	718	1,019	*+41.9%*	1,329	1,707	*+28.4%*	6,208
Revenues	1,080	1,082	*+0.2%*	1,830	1,895	*+3.6%*	3,810
EBITA	100	144	*+44.0%*	153	200	*+30.7%*	359
RoS	*9.3%*	*13.3%*	*+4.0 p.p.*	*8.4%*	*10.6%*	*+2.2 p.p.*	*9.4%*

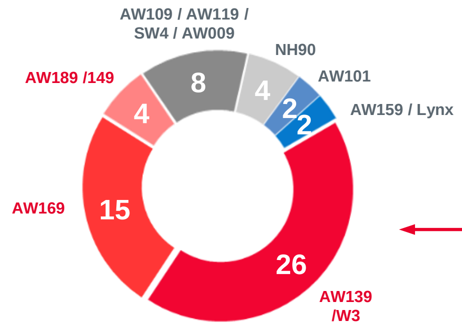
2019 OUTLOOK

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

Helicopters

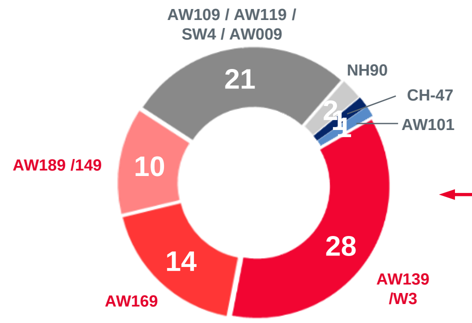
DELIVERIES BY PROGRAMME

1H2019 = 61 new units



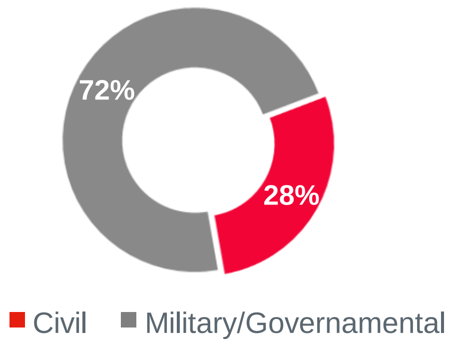
AW FAMILY

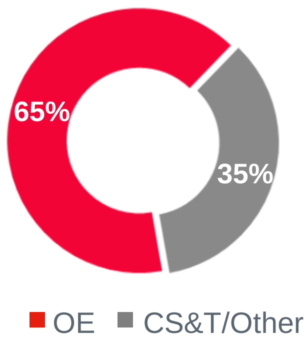
1H2018 = 77 new units



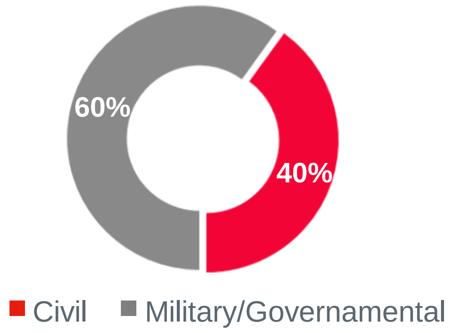
REVENUES BY CUSTOMER/SEGMENT

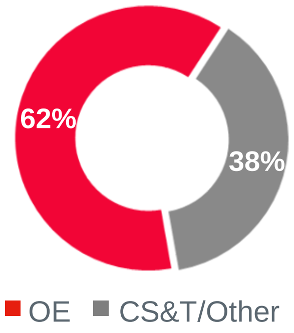
1H2019





1H2018





Defence Electronics & Security

Remain strong

ELECTRONICS - EU

€ mln	2Q 2018	2Q 2019	% Change	1H 2018	1H 2019	% Change	FY 2018
Orders	708	1,185	*+67.4%*	1,330	2,008	*+51.0%*	4,409
Revenues	955	997	*+4.4%*	1,744	1,871	*+7.3%*	4,011
EBITA	113	96	*-15.0%*	168	172	*+2.4%*	394
RoS	*11.8%*	*9.6%*	*-2.2 p.p.*	*9.6%*	*9.2%*	*-0.4 p.p.*	*9.8%*

LEONARDO DRS

$ mln	2Q 2018	2Q 2019	% Change	1H 2018	1H 2019	% Change	FY 2018
Orders	826	797	*-3.5%*	1,250	1,577	*+26.2%*	2,880
Revenues	504	605	*+20.0%*	959	1,129	*+17.7%*	2,339
EBITA	24	36	*+50.0%*	46	63	*+37.0%*	151
RoS	*4.8%*	*6.0%*	*+1.2 p.p.*	*4.8%*	*5.6%*	*+0.8 p.p.*	*6.5%*

Avg. exchange rate €/$ @ 1.1298 in 1H2019
Avg. exchange rate €/$ @ 1.2108 in 1H2018

2019 OUTLOOK

- 2019 revenue growth
- Profitability improvement
- Leonardo DRS to continue its strong performance
- Leonardo DRS Soft Backlog accounting for > 3x current Backlog (ca. $ 3 bn)

Aeronautics

Aircrafts positive outlook offsetting lower ATR

€ mln	2Q 2018	2Q 2019	% Change	1H 2018	1H 2019	% Change	FY 2018
Orders	406	877	*+116.0%*	1,129	1,331	*+17.9%*	2,569
Revenues	787	745	*-5.3%*	1,426	1,389	*-2.6%*	2,896
EBITA	76	84	*+10.5%*	123	121	*-1.6%*	328
RoS	*9.7%*	*11.3%*	*+1.6 p.p.*	*8.6%*	*8.7%*	*+0.1 p.p.*	*11.3%*

2019 OUTLOOK

- Higher revenues compared to 2018
  - Aircraft production increase (especially EFA Kuwait)
- Good levels of profitability supported by
  - Solid Aircraft performance
  - First signs of recovery in Aerostructures benefitting from efficiency improvement in line with expectations

Space

Pressure on Manufacturing

€ mln	2Q 2018	2Q 2019	% Change	1H 2018	1H 2019	% Change	FY 2018
EBITA	14	12	*-14.3%*	21	13	*-38.1%*	58

2019 OUTLOOK

- Continued downturn in telecommunication market expected to affect Manufacturing activities

APPENDIX

1H 2019 Results

Group Performance

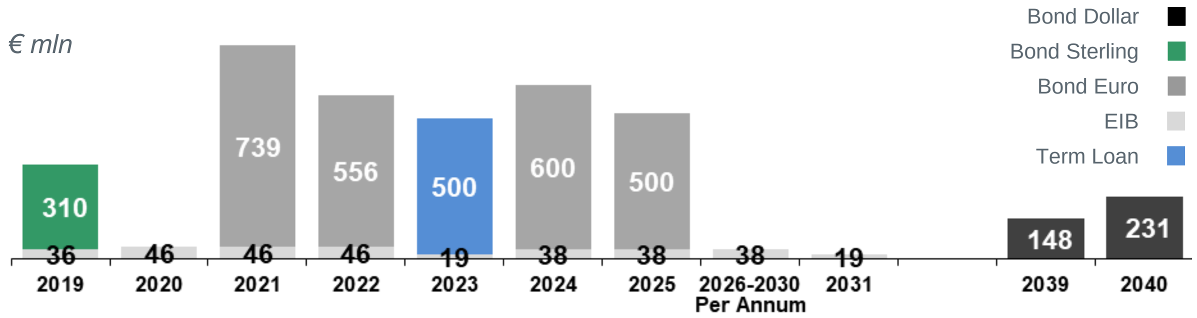
€ mln	2Q 2018	2Q 2019	% Change	1H 2018	1H 2019	% Change	FY 2018
New Orders	2,440	3,627	*+48.6%*	4,604	6,145	*+33.5%*	15,124
Backlog				32,611	36,321	*+11.4%*	36,118
Revenues	3.138	3.237	*+3.2%*	5,589	5,962	*+6.7%*	12,240
EBITA	317	324	*+2.2%*	470	487	*+3.6%*	1,120
RoS	*10.1%*	*10.0%*	*-0.1 p.p.*	*8.4%*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

Free Operating Cash-Flow (FOCF): this is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received

Solid Financial Position as at end of June 2019

DEBT MATURITY

Average life: ≈ 5,5 years (1)



Repayment Conditions of New Debt Instruments

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

CREDIT RATING

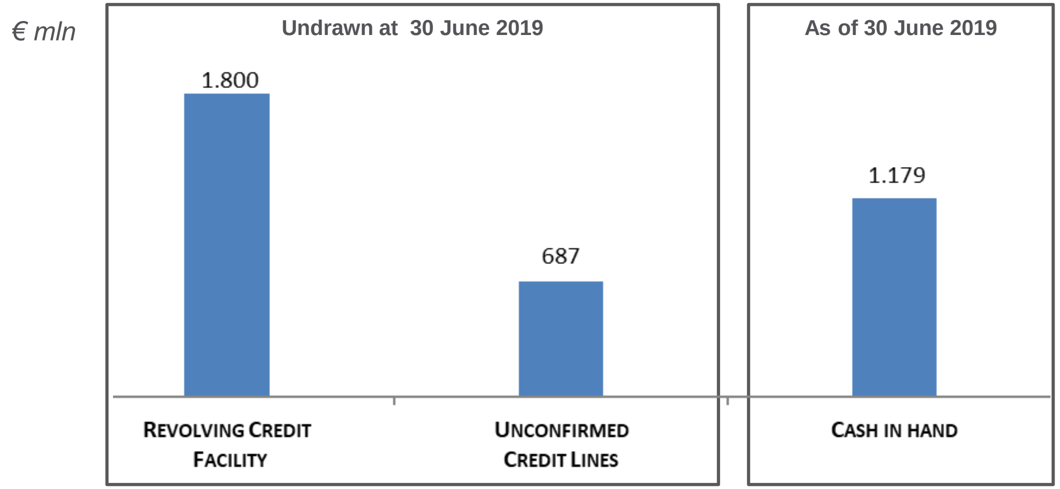
	As of today	Before last review	Date of review
Moody's	Ba1 / *Stable Outlook*	Ba1 / *Positive Outlook*	October 2018*
S&P	BB+ / *Stable Outlook*	BB+ / *Negative Outlook*	April 2015
Fitch	BBB- / *Stable Outlook*	BB+ / *Positive Outlook*	October 2017

** In May 2019, Moody's upgraded Leonardo's Baseline Credit Assessment (BCA) to ba1 from ba2 and affirmed the Ba1 Corporate Family Rating (CFR)*

(1) Excluding reimbursements due in 2019

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

- **In order to cope with possible swings in financing needs, Leonardo can leverage:**
    - 30 June cash balance of €1.2 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 €3.3 bn to support Leonardo's commercial activity



Tenor	July 2023	12 months	
Margin	75 bps (1)	~30 bps (2)	

(1) *Based on rating as of 30/06/2019*

(2) *Average. Expected to be renewed at maturity*

IFRS 16

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

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

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

- The estimated impact on the Group Financial Debt for FY 2019 will be ca. € 0.4-0.5 bn

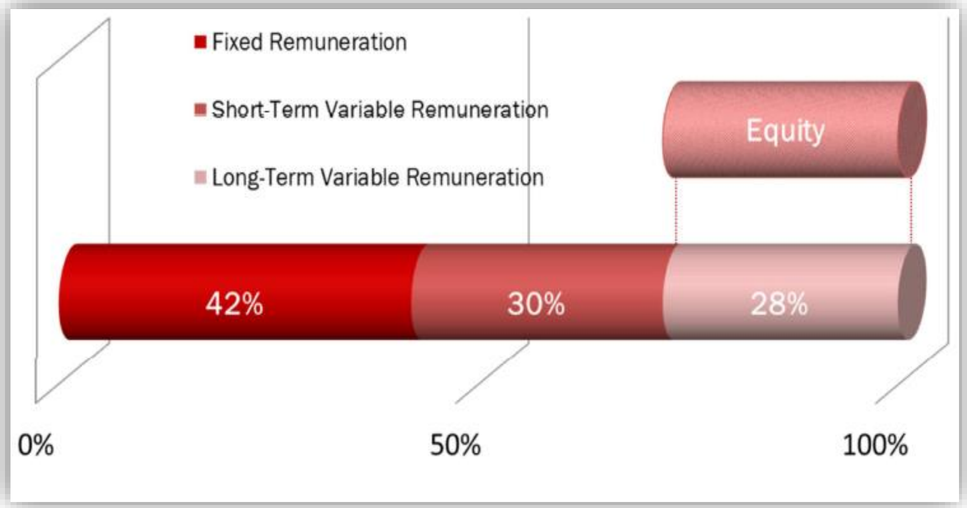
CEO REMUNERATION

Balanced Remuneration Policy

Aligned with shareholders interests

- Convergence of interests between management and shareholders
- Clear link between pay and degree of achievement of targets
- Aligning the remuneration package with international market best practices
- Including Sustainability/ESG objectives, consistently with business strategy
- Meeting the investors’ expectations regarding management remuneration
- Complying with transparency and merit system embedded in Leonardo strategy
- Attracting / retaining resources regarded by the Company as key performers
- Reducing risk-oriented behavior

CEO REMUNERATION



CEO performance: Management by Objectives

MBO remuneration is paid in cash on a yearly basis

GATES

- **GROUP EBITA** → **85% of budget**
- **GROUP FOCF** → **100% of budget**

TARGETS

GROUP EBITA	GROUP FOCF	INDUSTRIAL PLAN OBJECTIVES	SUSTAINABILITY
30% of REM	**30% of REM**	**30% of REM**	**10% of REM - ON/OFF**
		2 specific KPIs 1. Progress in the Industrial Plan with focus on Electronics and Cyber Security 2. Book to Bill ≥1	Linked to the inclusion of Leonardo in Dow Jones Sustainability Indexes

Remuneration scheme: methodology

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

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

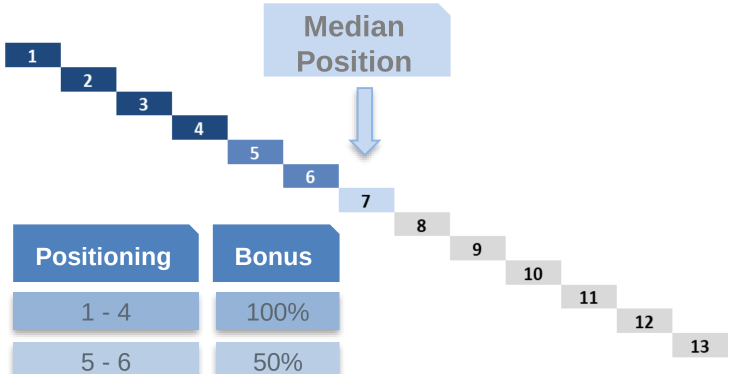
- **TSR PEER Group (LTIP)**
  - Leonardo's performance will be measured in relation to a "peer Group" selected on comparability
    - Aerospace and Defence companies
    - Industrial companies in the FTSE MIB

Long Term Incentive Plan (LTIP)

- **BENEFICIARIES**
  - Chief Executive Officer
  - Executive directors, employees and/or associates with a greatest impact on the achievement of business results (210 people)
- **FREQUENCY**
  - 3 year cycles assigned yearly on a rolling basis
- **AWARD**
  - Max 67.4% € 620.000 CEO
- **LOCK UP**
  - 1 year
- **VESTING PERIOD**
  - 3 year
- **PAYOUT**
  - Shares only for Top Management, Executives with Strategic Responsibilities and other Top Executive
  - Shares & Cash for other Beneficiaries

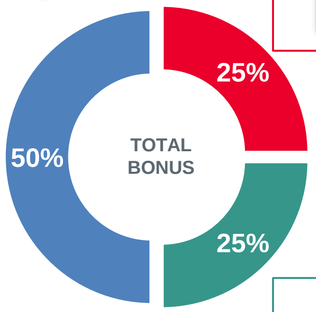
LTIP Performance conditions

TSR Relative
50%



Positioning	Bonus
1 - 4	100%
5 - 6	50%
Median = 7	25%
< 7	0%

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



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)

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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THANK **YOU**

FOR YOUR ATTENTION

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