

FY 2019 Results Presentation



—
Rome, 13 March 2020



Agenda

Part 1: Setting the business up to succeed in the long term

- Strengthen our core
 - Focus on top line growth & profitability improvement
 - Customer satisfaction...our daily effort and ultimate goal
- Transform to grow
 - Towards more efficient organisation
 - From product seller to solution provider
- Master the new
 - Leonardo's future approach to Innovation

Alessandro Profumo, Chief Executive Officer

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

Gian Piero Cutillo, MD Helicopters

Norman Bone, MD Electronics

Lucio Valerio Cioffi, MD Aircraft

Roberto Cingolani, Chief Technology & Innovation Officer

Part 2: Delivering on promises

- Long term targets
- FY2019 Results & Outlook

Alessandro Profumo, Chief Executive Officer

Alessandra Genco, Chief Financial Officer

Part 3: Key takeaway messages

Alessandro Profumo, Chief Executive Officer

Q&A

Setting the business up to succeed in the long term

Alessandro Profumo

Chief Executive Officer



—
Rome, 13 March 2020

We are very clear on the company we want to be

- **A company delivering long-term sustainable growth**
- **Clear ambitions in our priority sectors**
- **Significant actions behind those ambitions**
- **Doing what we said we would do**





Delivering long term sustainable growth

Stronger international footprint

Outstanding achievements

- i.e. NH90 in Qatar
- i.e. MH-139, TH-119 and MFoCS in US
- i.e. M345 in Italy
- i.e. AESA radar in UK (hundreds of Electronics contracts with individual value < € 10 mln)

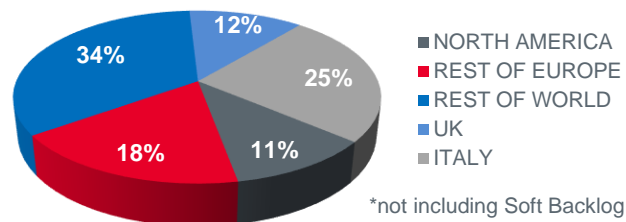
Top line growth driven by high quality products and solutions

Accelerating Order Intake

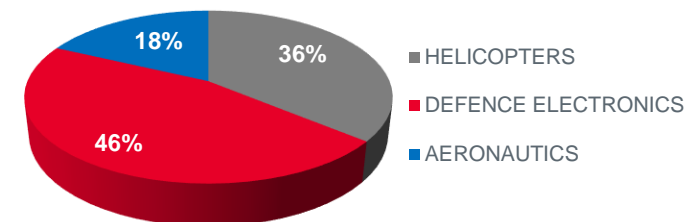
- ca. **€ 30 bn** in 2018-2019
- **> 40%** of 2018-2022 target

WORLDWIDE PRESENCE

- FY2019 Backlog*
€ 36.5 bn



- Cumulated 2018-2019 Orders
ca. **€ 30 bn**



WELL BALANCED ACROSS THE GROUP





Long term sustainable growth underpinned by Customer Support, Services & Training

Really valuable part of our business

- Higher margin
- Multi year revenue visibility

Making significant progress at Group level

- Up to **22%** of 2019 Group Revenues
- Top ranked in Civil Helicopters Customer Support (Pro Pilot) for the 2nd year in a row and with higher score across all key indicators

Creates long term loyalty and repeat business

- We have one of world's best flight training school (IFTS)

CUSTOMER SUPPORT & SERVICE

(% of Group Revenues)

2017
< 20%

2019
22%

2022 TARGET

>25%





Delivering on long term sustainable growth

Strong focus on cost control and efficiencies

- LEAP 2020 and Leonardo Production System launched, with results so far above target
- Continuous improvement identifying more opportunities

> € 200 mln
annualised
savings

80%
reinvested
for growth

RoS solidly above 10%, excluding pass-through activities

ROS

9.1%
in 2019

10.1% in 2019
w/o pass-through

ROIC* as a key indicator of our performance

ROIC

14.8% in 2017
16.2% in 2019
growing faster
than RoS

Solid path
confirmed by 2024

*ROIC (Return on Invested Capital) = EBITA / Average Net Invested Capital

Clear targets in our priority sectors

GLOBAL

- **World leader** in Helicopters and in Simulation solutions & Training
- **Leader** in Europe in Defence Electronics and reference partner for DoD and US primes
- **Key player** in international cooperation programmes (i.e. Eurofighter LTE, Tempest)
- **Partner of choice** of Institutions for Safety and Cyber Security
- **Key player in Space** through the Space Alliance





Clear view of the strategic path

STRENGTHEN OUR CORE

- Keep strong focus on our core to fuel growth
- Delivering the significant Backlog
- Exploiting full potential of product Portfolio (platforms + sensors & systems)
- Grow Customer Support & Training
- Capturing growing demand for Cyber Defence

LEONARDO DRS TOP LINE
GROWTH & PROFITABILITY
IMPROVEMENT

CUSTOMER SUPPORT IN
HELICOPTERS

TRANSFORM TO GROW

- Adding new capabilities
- Leveraging these capabilities in a more integrated way across businesses
- Evolving to meet changing market and customer needs

ELECTRONICS MORE EFFICIENT
ORGANISATION

AIRCRAFT GOING FROM PLATFORM
SELLER TO SOLUTIONS PROVIDER

MASTER THE NEW ACCELERATING INNOVATION

- Identify, develop, leverage, scale new technologies “transversal” across the Group
- Fully digitalized in engineering, products and offering
- Drive innovation leveraging our 10,000 engineers talent pool

LEONARDO MASTER PLAN TO
INNOVATION



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LEONARDO MASTER PLAN TO
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Strengthen our core

Focus on top line growth & profitability improvement

William J. «Bill» Lynn III

CEO of Leonardo DRS



—
Rome, 13 March 2020



Leonardo DRS – past performance an indicator of sustained success

- **Predictable defence spending with emphasis on ‘near peer’ adversaries**
 - 2020 Defence spending projects healthy 3% growth
 - Growth curve ‘flattens’ in 2021 & beyond but spending at **historically high levels** with bipartisan support
 - Emphasis of spending geared towards China and Russia
 - Creating **urgent need** for advanced capability – rewarding agile companies
- **Leonardo DRS uniquely positioned to excel**
 - Leonardo DRS revenue growth continues to outperform U.S. defence market – **3 straight years of 10+% organic revenue growth (2-3x market peers)**
 - Recent success and organisational alignment driving continued sustained growth confidence
 - Foundational type programmes awarded driving visible hard and ‘soft’ backlog supporting sustained growth
 - Agile Mid-Tier Position enabling enhanced **‘quick to market’ strategy** supplementing growth potential
 - **Strong product alignment** with Army and Navy modernisation initiatives
 - Modernisation elements of DoD growing at higher rates than overall Defence Spending
- **Profitability growth**
 - Revenue growth & margin expansion driving current profit (EBITA) 19% higher than Prior Year
 - Continued margin expansion to compound projected revenue expansion



US Defence spending

DoD overview, priorities, and outlook

Geopolitical trends assure strong DoD spending

- Near peer threats require rapid fielding of capabilities in new domains
- Persistent threats from recent conflict zones require resources, modernisation, and new technological capability

DOD Topline Budget moderating, but stable

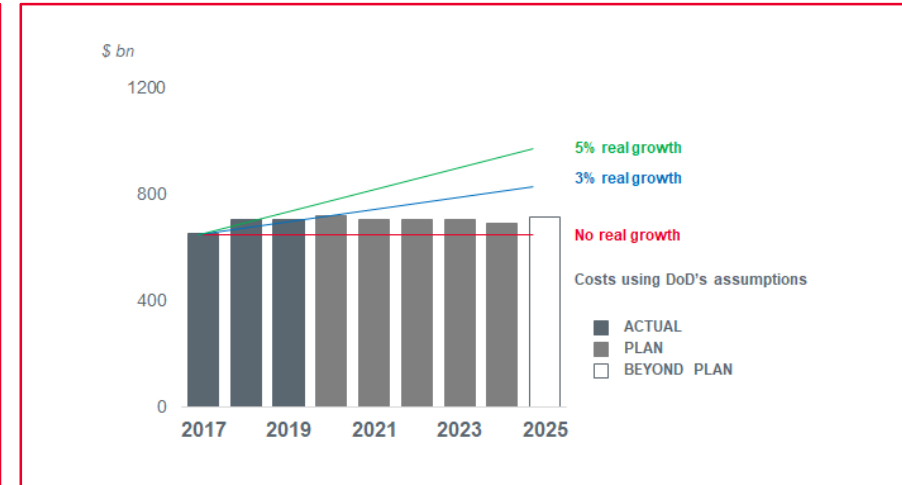
- Strong defence budget of 5% growth for 2017-2019
- Growth tempers to 3% in 2020
- FY2021 Budget and Beyond stable at current levels

Election year provides for some uncertainty

- Election uncertainties make it difficult to completely predict outcome
- Some Democratic candidates have hinted at defence budget cuts

FY2021 Budget supports national defence strategy

- Builds a ready, agile, all domain joint force, including space and cyber
- Modernises a more lethal force, and maximizes readiness



2020 HAS 3% GROWTH, THEN FLATTENS IN 2021

FY20 DOD Enacted	
OCO	\$ 71.5 bn
Base	\$ 633.5 bn
Total	\$ 705 bn

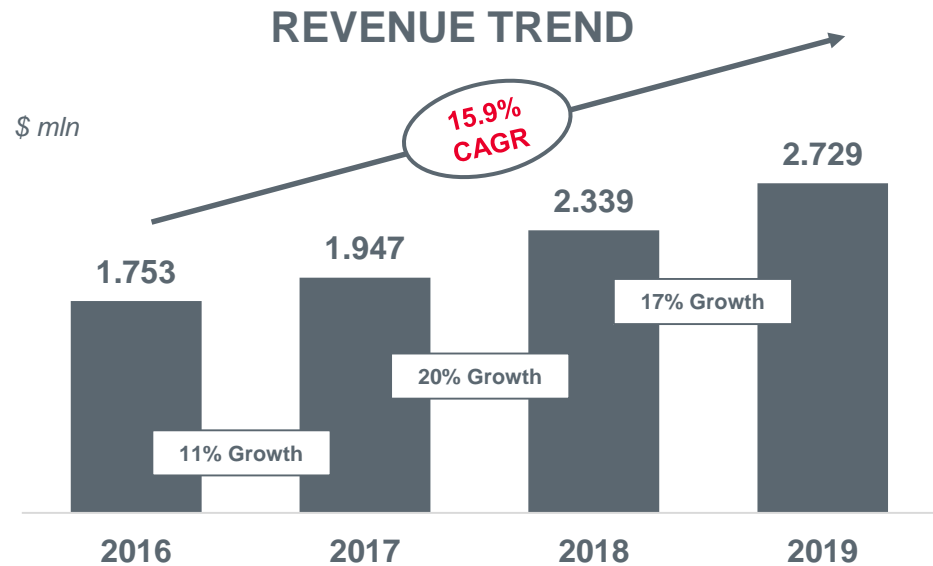
FY2021 Budget	
OCO	\$ 69 bn
Base	\$ 636.4 bn
Total	\$ 705.4 bn





Leonardo DRS continuing to outperform US Defence market

REVENUE TRENDS EXCEED US DEFENCE MARKET



LEONARDO DRS MULTI YEAR GROWTH TREND > 2X INDUSTRY AVERAGE

DRIVEN BY FAVORABLE MARKET POSITIONING AS A MID-TIER

The benefit of US market consolidation

- The market continues to consolidate around us, creating new opportunities for increased market share in the core business areas where we operate
- As a mid-tier, we have been able to out-perform larger defence companies that operate in broader areas of the defence market

Size & Agility

- Our management structure is **lean and less-layered**, affording competitive prices and agility in decision making
- We have targeted **R&D into the fastest growing markets** related to our core competencies
- **A platform agnostic approach** allows us to provide solutions to new platforms as well as modernisation upgrades to existing fleets

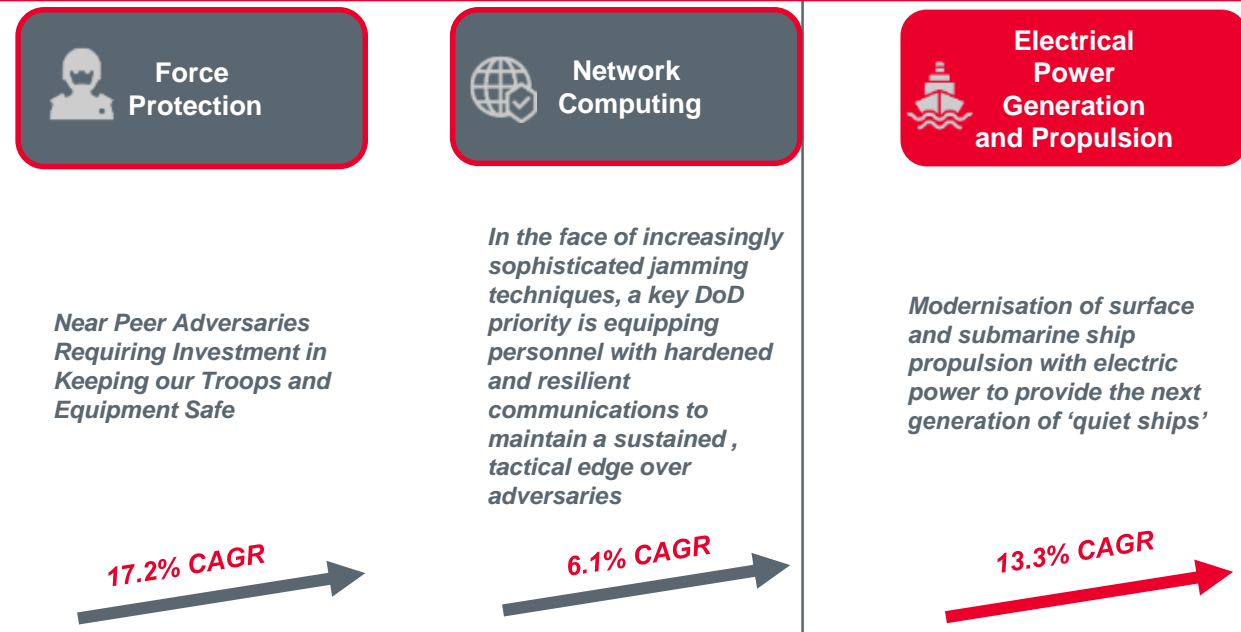
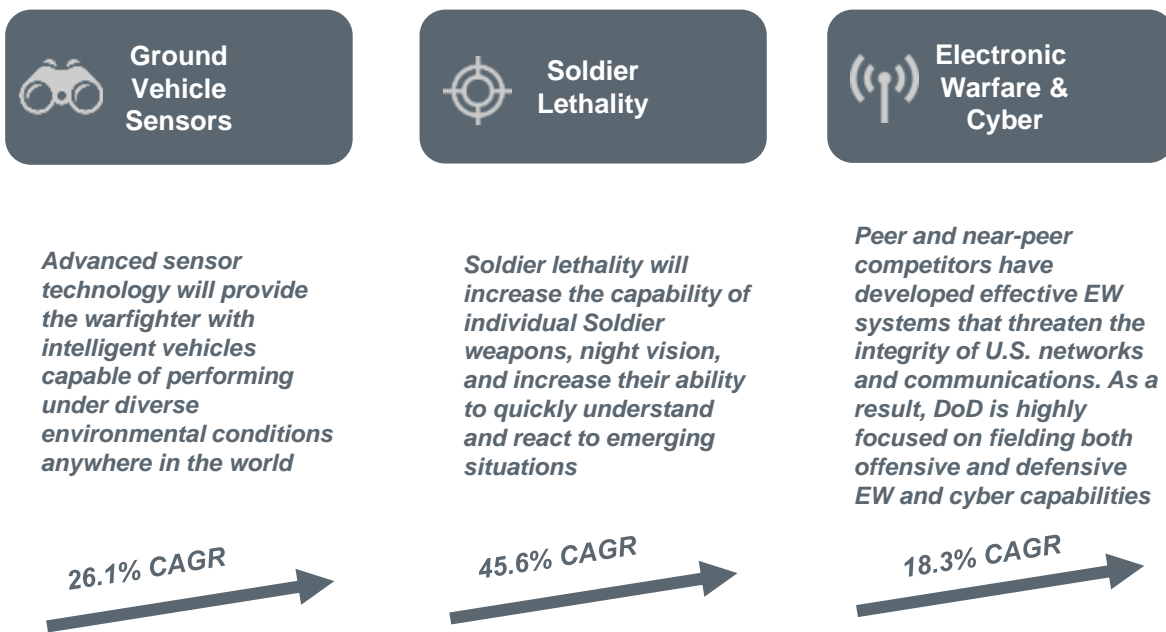
Alignment of strongest capabilities in the fastest growing areas of the defence budget

- Leonardo DRS will continue to out-perform the market by targeting investments in these fast growing areas of Army modernisation, Navy shipbuilding, Airborne & Communications



Defence Electronics & propulsion key modernisation priorities

ARMY DEFENCE ELECTRONICS MODERNISATION PRIORITIES



2019-2023 CAGR for contractor addressable spending shows above market growth in all six modernisation priorities where we are investing

Source: Renaissance Strategic Advisors

NAVY DEFENCE ELECTRONICS & PROPULSION MODERNISATION PRIORITIES

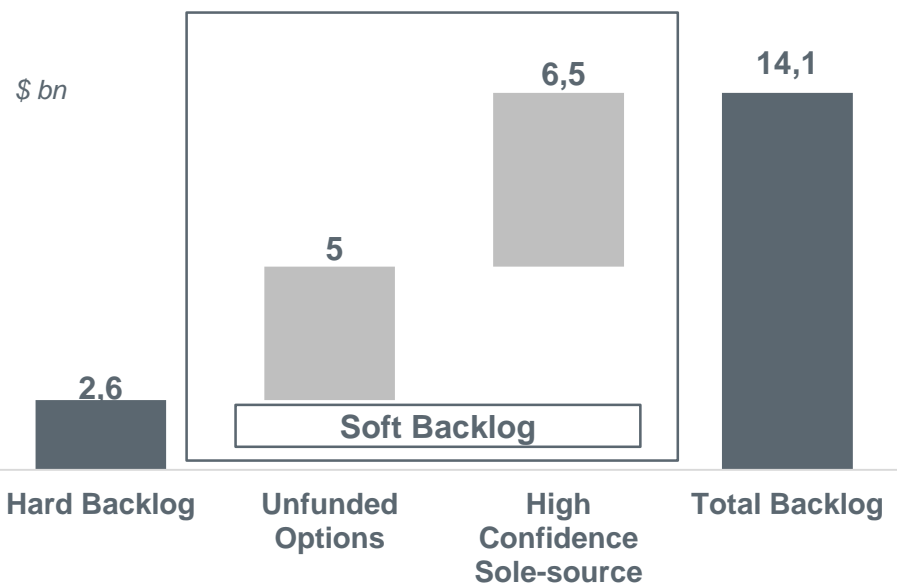
Addressable markets growing faster than overall Defence Budget 16



Alignment with Warfighter Needs Propelling Growth

SOLID BACKLOG SIGNALS SUSTAINED GROWTH

2019 BACKLOG POSITION



Source: DRS Management
 * Programmes where PWIN is 90+% and DRS is the sole provider

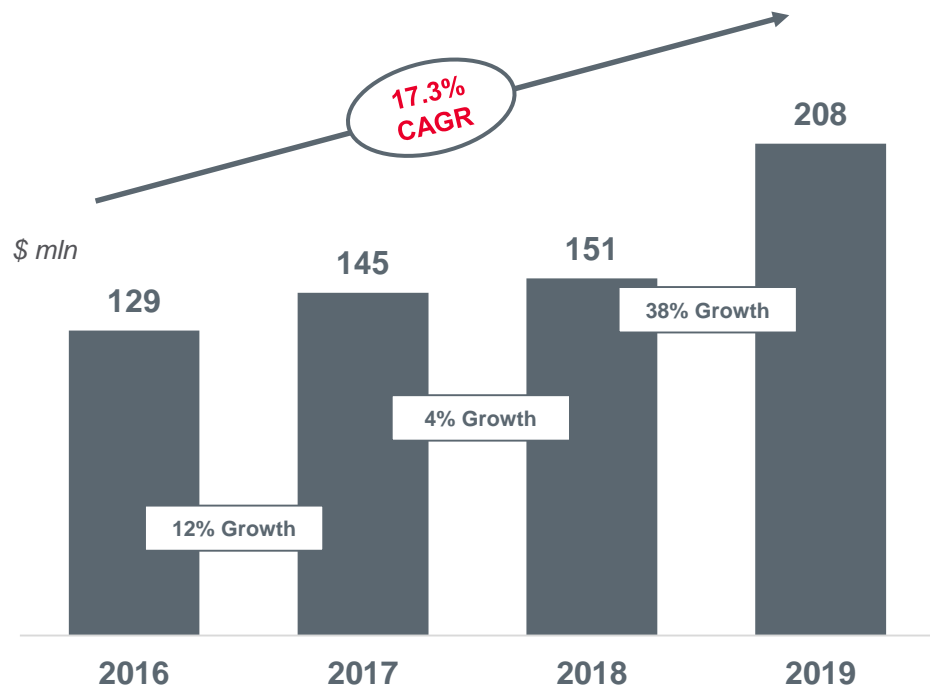
DRS AWARDS WITHIN DEFENCE ELECTRONICS & PROPULSION PRIORITIES

<p>Force Protection</p>	<ul style="list-style-type: none"> Trophy Active Protection Systems IR countermeasures IMSHORAD / Counter-UAS <p><i>Over \$600M of Contracts Awarded to Date with \$3,000M remaining in 'Soft Backlog'</i></p>	<p>Ground Vehicle Sensors</p>	<ul style="list-style-type: none"> 2nd and 3rd Generation FLIR Sensing Mobile Protected Firepower <p>#1 Market Provider of Ground Vehicle Sensing</p>
<p>Network Computing</p>	<ul style="list-style-type: none"> Mounted Family of Computer Systems (MFOCS) On-Board Vehicle Power Maintenance Support Devise (MSD) <p><i>Delivered over 300,000 computer systems and displays world wide with over \$ 1,000 mln in 'Soft Backlog'</i></p>	<p>Improve Soldier Lethality</p>	<ul style="list-style-type: none"> Future Weapon Sights Joint Effects Targeting System Enhanced Night Vision Goggles <p><i>Over \$ 400 mln of contracts awarded to date with \$ 1,000 mln remaining in 'Soft Backlog'</i></p>
<p>Elec. Power Gen. & Propulsion</p>	<ul style="list-style-type: none"> Columbia Class Submarine CVN 80/81 <p><i>Over \$ 500 mln of contracts awarded to date with \$ 2,000 mln remaining in 'Soft Backlog'</i></p>	<p>Electronic Warfare & Cyber</p>	<ul style="list-style-type: none"> Classified Programmes Mounted & Dismounted <p>World Leading Provider of Integrated Ground Mounted EW Solutions</p>



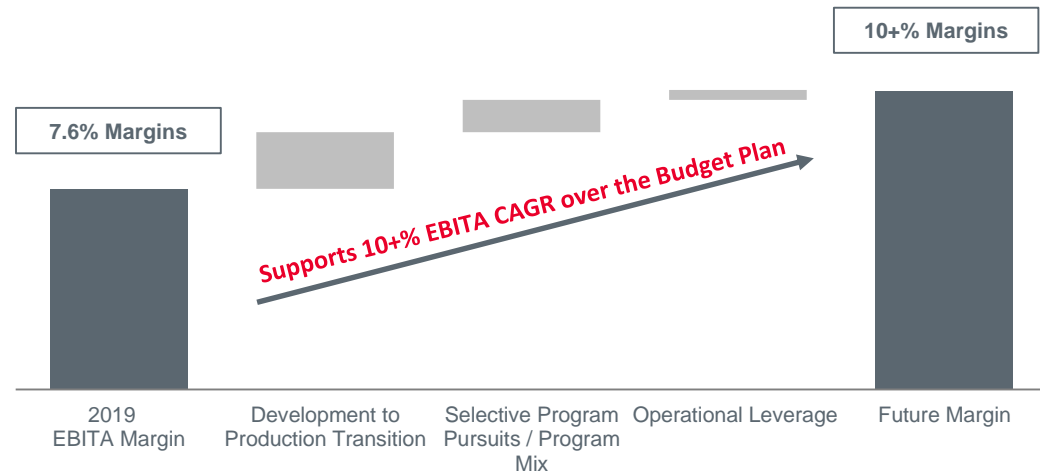
Driving improving profitability

DOUBLE DIGIT EBITA GROWTH



MARGIN EXPANSION

- 17.5% EBITA CAGR since 2016 – driving increased shareholder return
- Increased EBITA margins drive improved free cash flow generation
 - Programme portfolio / required investments allow for above market conversion of EBITA into FOCF
- 4 Levers to Further Margin Enhancement





Key Takeaways

- **Optimistic outlook for sustained growth**
 - 2016-2019 multi year revenue and EBITA CAGR of 15.9% and 17.3% respectively confirm continued growth exceeding industry peers
- **Confident for sustained future growth over the Budget Plan period**
 - In a stable budget environment, Leonardo DRS is aligned with key market priorities
 - Lean cost structure and platform-agnostic offerings provide Leonardo DRS a competitive edge
- **Profit is growing, confident in future profitability expansion**
 - Revenue growth, programme life-cycle, efficiency efforts launched and selective pursuits all support continued margin expansion over the Plan period
 - Profit expansion will drive increased FOCF performance while maintaining our already above market FOCF conversion of EBITA



Strengthen the core

Customer satisfaction...our daily effort and ultimate goal

Gian Piero Cutillo

MD Helicopters



—
Rome, 13 March 2020



Customer satisfaction... our daily effort and ultimate goal

Helicopters Customer Centric approach enabling long term business sustainability

2019 IN A NUTSHELL...

- **Strong position in the civil market, reinforced through Kopter acquisition**
- **Key achievements in military, also thanks to our dual use platforms**
- **Customer Support & Training significantly contributing to our top line**

...CUSTOMERS REMAIN OUR PRIORITY

- **We have outstanding products**
- **and enhanced Customer services**

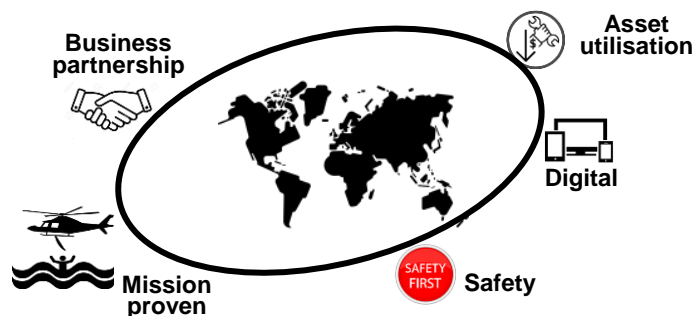




Solid offer to respond to global market trends

Further increasing **Customer satisfaction and intimacy**

GLOBAL MARKET TRENDS



 **Efficient assets utilisation** rather than renewals

 Helicopters and crew **mission ready**

 OEM **business partners** more than *airframers*

 More **connected devices** and **data generated**

 **Safety is the must**

OUR RESPONSE

SUCCESSFUL PRODUCT LINE

- **Dual Use** platforms for **full spectrum of missions**
- **Family concept** to optimise fleets
- **Best value for money** matching most stringent performance, mission capabilities and safety

EXCELLENT CUSTOMER SUPPORT OFFER

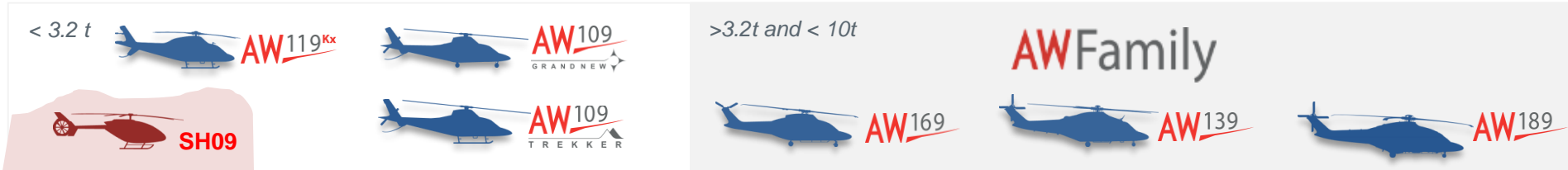
- **Turn-key solutions** for all applications
- State-of-the-art simulation technology for **training offer**
- **Digital services** and **analytics**, maximizing safety and Customer value co-creation



Comprehensive product portfolio aimed at matching all mission needs

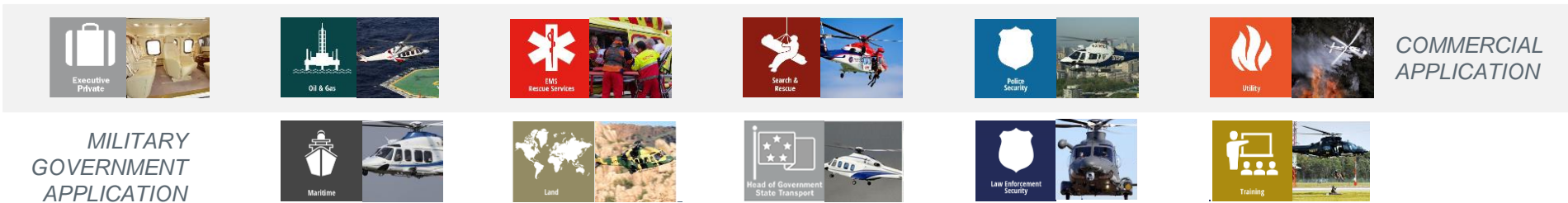
Continuously capabilities improvements to satisfy the most demanding rotary wing requirements

Dual-use product portfolio



SH09: fulfilling state-of-the-art products value proposition

Mission versatile



Well recognised by the market

- **AW139:** 1,000+ deliveries to date, multirole market reference in its category
- **AW169:** successful in EMS, Parapublic, Private/Corporate and also Offshore
- **Our Dual-use products are best value for money:** recent success in US for MH139 and TH119 in less than 18 months



Our effective Customer centric approach... to an increasing fleet utilisation

We are a business partner, not only Original Equipment Manufacturers

CS&T MARKET OUTLOOK

5,000+ helicopters in fleet

1+ million flight hours logged in 2019

- +25% over last 4 years ↗↗↗

~2 €B addressable market* in 2020

- ~4% 2020-30 CAGR Civil ↗↗
- ~2% 2020-30 CAGR Military ↗

CUSTOMER CENTRIC SUPPORT & TRAINING OFFER



CS&T becomes paramount to enable Customer satisfaction and long term business sustainability

* Leonardo reference market for CS&T limited to fleet and excluding mid-life upgrades | Purely Directional



Worldwide presence to be close to our Customers

Our global network assures direct access to our support and training services everywhere

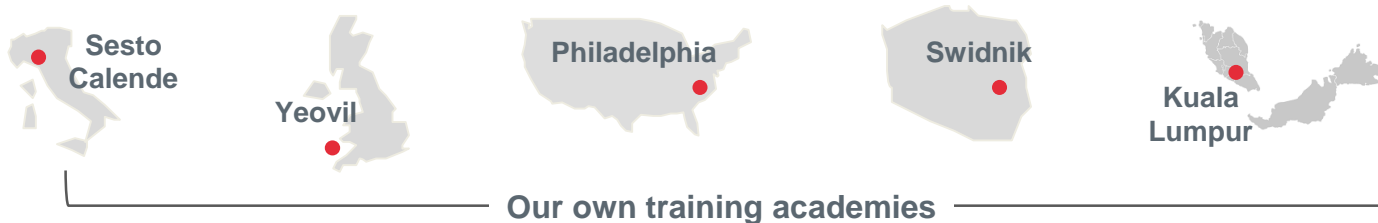
SUPPORT & SERVICES NETWORK



SERVICE CENTRES	LOGISTIC CENTRES
90+	14
ONSITE TECH. REPRESENTATIVES	HELICOPTERS ON POWER BY HOUR
100+	500+

Our Service and Logistic Centres are spread in all continents, to match our Customers' needs and their Fleets

TRAINING NETWORK



SIMULATOR HOURS	LIVE TRAINING HOURS	STUDENTS TRAINED	SATISFACTION SURVEY
42,000+	7,000+	12,000+	>95%

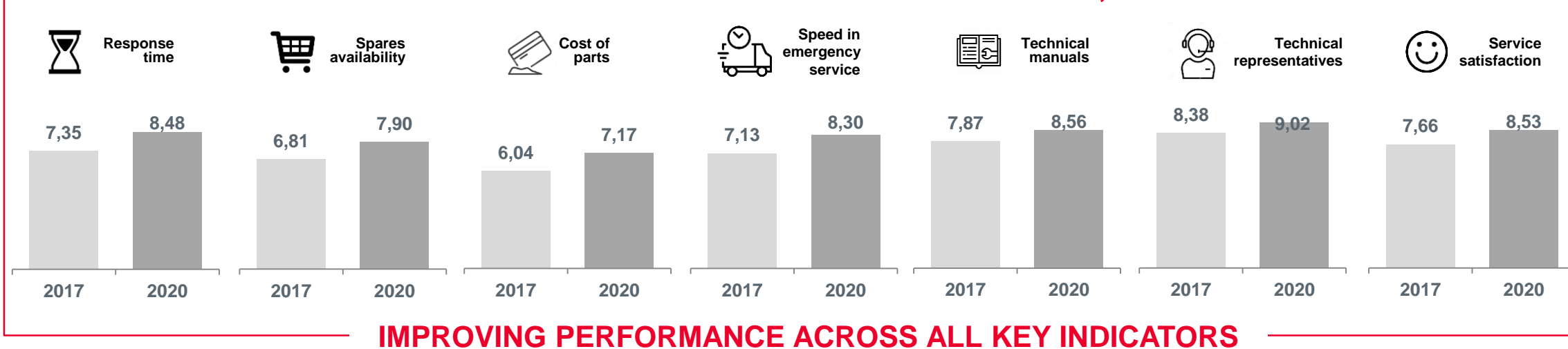
Capillary Training network: the right choice as confirmed by Customers' Satisfaction



End-to-end support services thanks to streamlined processes

Well recognised by the market

WE ARE THE 1st HELICOPTERS MANUFACTURER IN PRODUCT SUPPORT, FOR THE 2nd YEAR IN A ROW



Our Vision is to be recognised as the World’s premier Flight Services & Training Solutions Partner in the Rotary Wing Industry, exceeding our Customer Expectations, providing Safe and Efficient Training and Technical Services

Source: 2019 and 2020 PRO PILOT HELICOPTER PRODUCT SUPPORT SURVEY



Full set of Training solutions: to maximize Customer value

Combining Advanced Simulation with Unparalleled Flexibility



TRAINING FOR THE WHOLE CREW...

1. Flight Training for air crew
2. Maintenance Training for ground crew
3. Operational Training ready for our Customers' missions









... INTEGRATING LIVE AND VIRTUAL

- Distance Learning / Computer Based
- Classroom Training/ Practical Elements featuring cutting-edge Virtual Reality
- Top Level Simulation Fidelity



We boost the whole Customer value chain through digital services

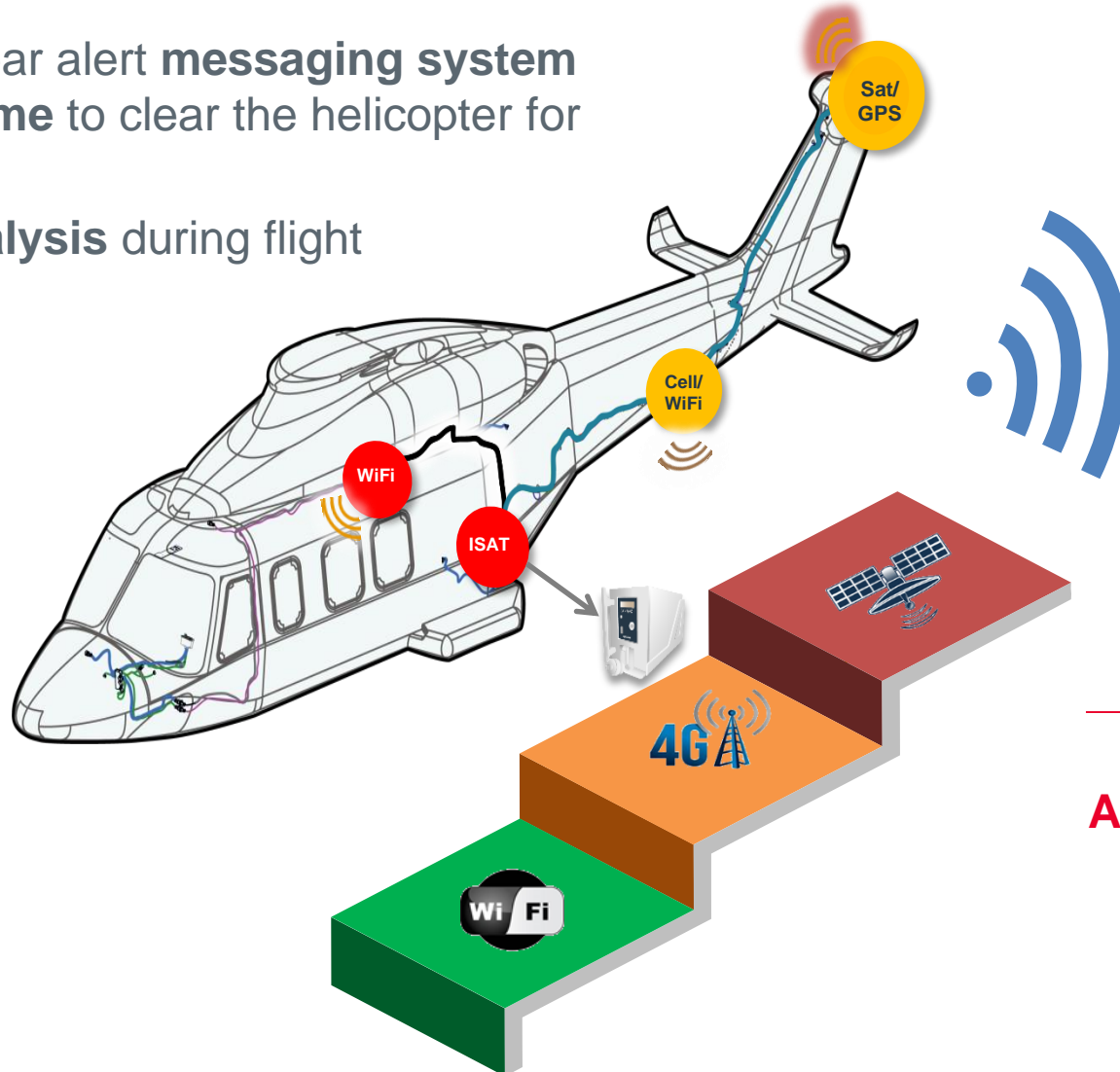
Training	Flight	Messaging & Communication	Diagnostics & Maintenance	Assistance	Web Support
					
<p>AW TRAINING</p> <ul style="list-style-type: none"> • Ensure personnel qualification and readiness • eLearning • Paperless • Predictive Training 	<p>SKYFLIGHT</p> <ul style="list-style-type: none"> • Flight planning • Engine power check • Electronic flight bag • Mission review 	<p>HERMES</p> <ul style="list-style-type: none"> • Continuous communication during a Mission • Secure messaging system 	<p>HELIWISE</p> <ul style="list-style-type: none"> • Monitor Helicopter health status • In flight real time data transmission • Predictive Maintenance • Radio-Frequency Identification 	<p>HELILINK</p> <ul style="list-style-type: none"> • Live joint troubleshooting • Investigation support and analysis from any mobile phone 	<p>CUSTOMER PORTAL</p> <ul style="list-style-type: none"> • e-commerce • Relationship Management • Stock management



Real-time diagnostics to increase Safety

Co-developed with our Customers

- Fast and clear alert messaging system
- Reduced time to clear the helicopter for next flight
- Prompt analysis during flight



Anticipate all maintenance decisions
Increase fleet availability
Improve Safety



On track for sustainable growth

Successful product + excellent Customer Service offer = long run business sustainability



- **Customer Centric approach to meet Customers requirement to secure long term sustainability of the business**
- **Focused investments to improve our value proposition (products and services)**
- **Digital Services to streamline industrial processes and increase flight Safety**
- **Fully committed to execute our Industrial Plan**



Transform to grow

Towards more efficient organisation

Norman Bone

MD Electronics



—
Rome, 13 March 2020



Agenda – Transform to Grow

- 1.** The rationale – a reminder
- 2.** The journey – so far
- 3.** The Plan - update
- 4.** The benefit



Key messages

- **The global Defence Marketplace is evolving and consolidating**
 - Political/Financial
 - Market
 - Industrial
 - Technology
- **Electronics is one of our biggest Divisions, 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
 - Electronics is a Financial Performer
- **Double Digit profitability one year ahead of Plan**
 - CAGR in excess of market trend
 - Cash generation above Group average
 - Delivering long term sustainable growth

TODAY

- Our transformation journey so far
- Key elements to our strategy



Our strategy

OVERALL

- Integrate the division & set strategy for growth, ensuring delivery of performance and synergies
- “Empower” our people to increase our market share and improve our profitability

FINANCIAL GOALS

- Grow the division at above the market CAGR
- Reposition the division in the global marketplace
- Be leaders in Internationalisation, in the Electronics business segment
- Focus on winning long term sustainable business by delivering on existing programmes
- Develop partnership approach
- Maintain/Improve double digit profitability
- Maintain/Improve cash generation

PRODUCTS & MARKET OFFERINGS

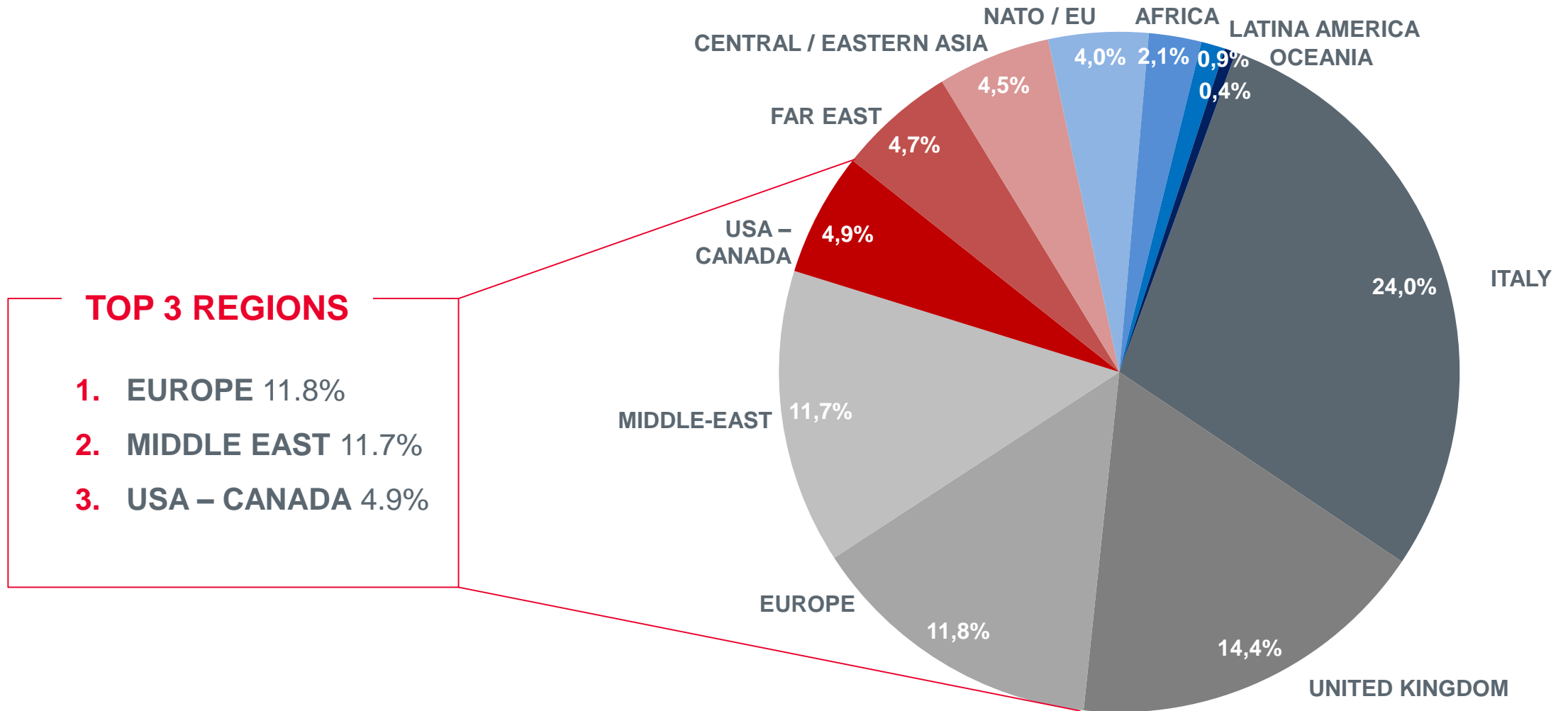
- Create a coherent portfolio of products & services matched to the market needs
- Invest against robust business cases which deliver growth and efficiency

INTERNAL FOCUS

- Focus on using best practice to drive efficiencies and control costs to deliver bottom line results
- Develop a distinctive culture across business units, geographies and professional communities, to drive business performance through behaviour



Order Intake World Map 2020





Focusing on Performance...

1st February 2019 Leonardo creates a new Electronics division as shown below, 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

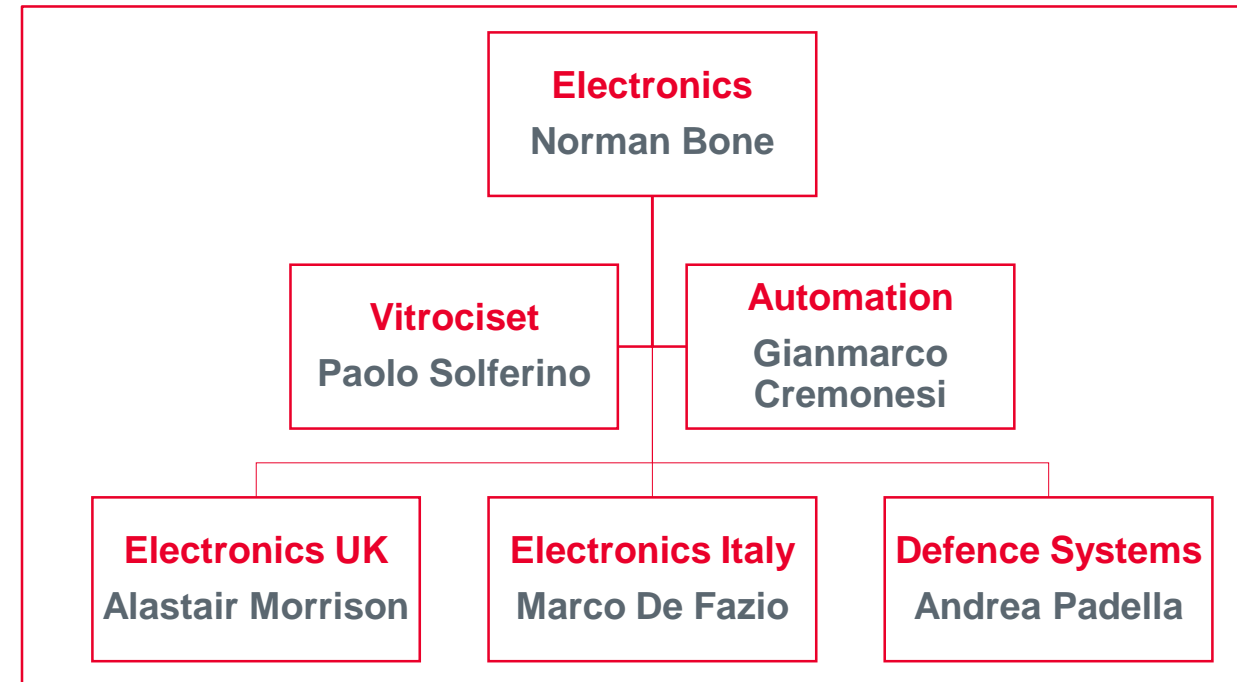
- Long term strategic direction
- Execution issues to be addressed

Vitrociset added to perimeter

Addressed historical inconsistencies

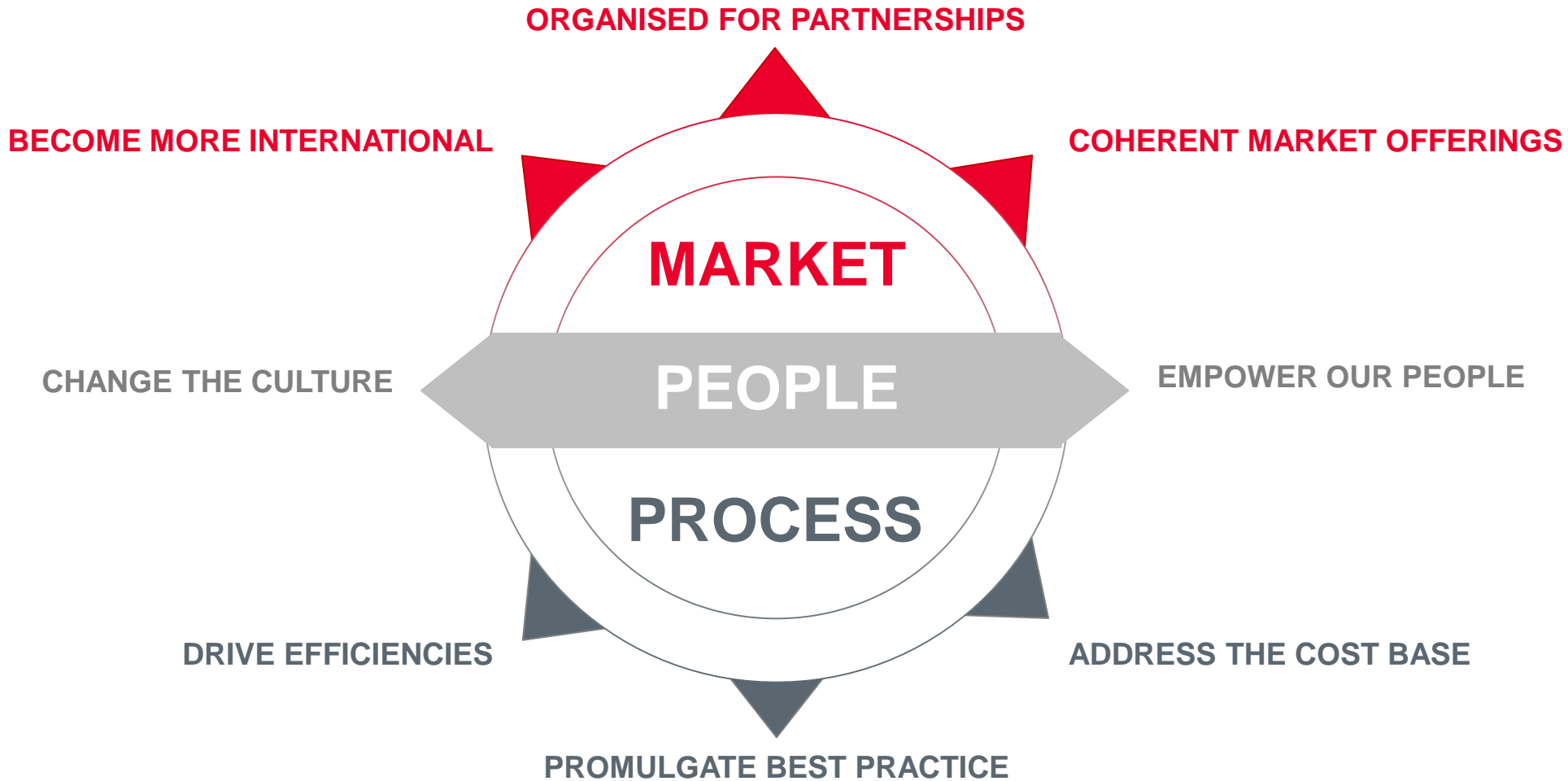
- I.e. air traffic control

Created the right structure to enhance commercial performance



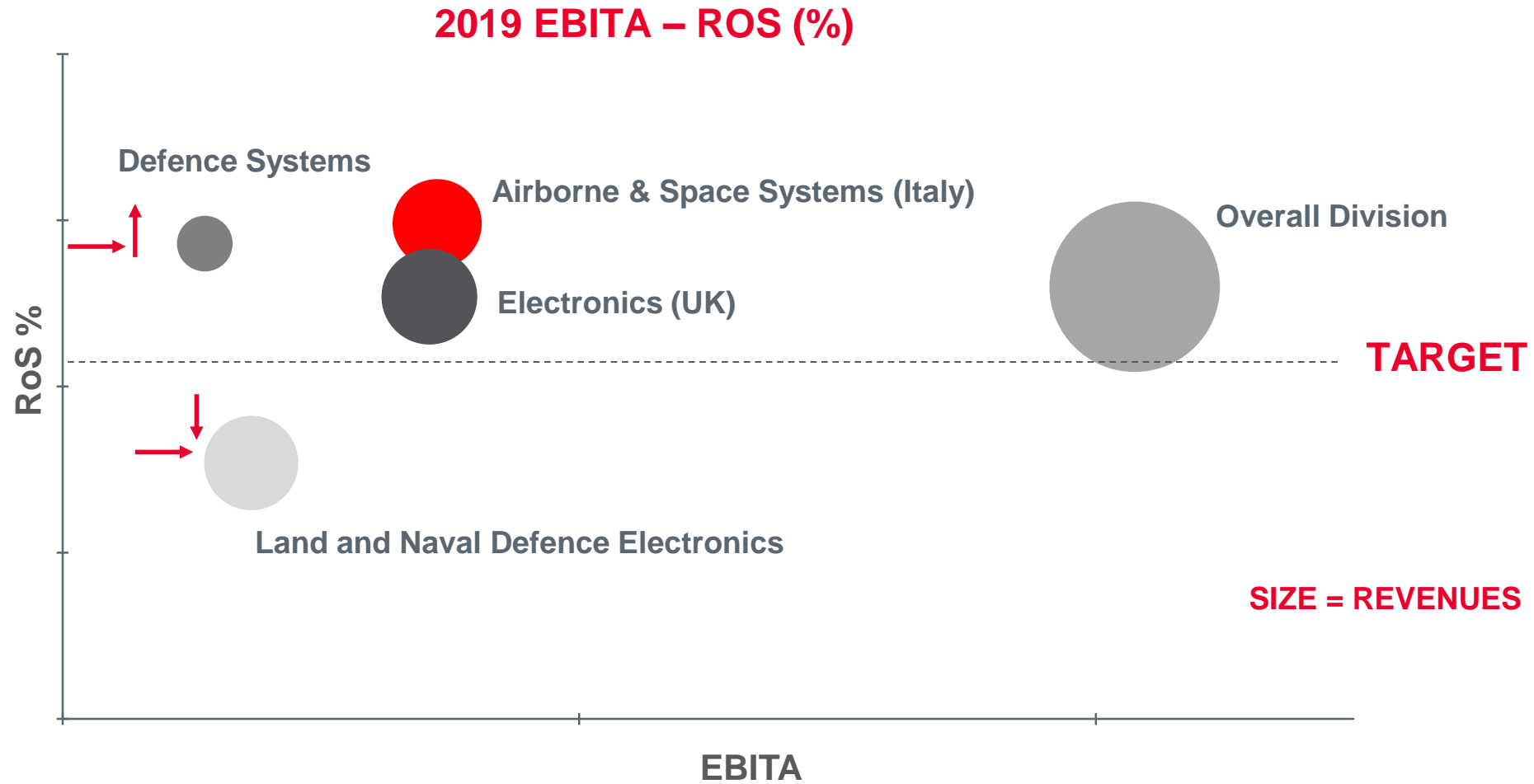


How we are transforming our business...





Our path to double digit profitability...





The Future - Tempest

- Building from the Inside Out
- In July 2018 the UK Government launched its Combat Air Strategy, delivering an ambitious vision for the future. The strategy confirmed the UK's intent to remain at the cutting edge of combat air systems development in order to meet the UK's National Security Objectives - to best protect its people, project influence and promote prosperity
- This commitment includes working alongside **international partners** to develop and deliver the best possible capability
- The **inclusion of Italy** in the programme marks the third partner nation, following Sweden in July 2019.
- The project is on schedule for key decision gate at the end of 2020 to confirm the class of Capability, Partnering Approach, Cost and Delivery Schedule



Building on largest programme



Key messages

- **The global Defence Marketplace is evolving and consolidating**
- **Electronics is one of our biggest Divisions, addressing the largest part of the A&D market**
- **Bringing Business Units together to make them stronger, through:**
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 - Electronics is a Financial Performer
- **Double Digit profitability one year ahead of Plan**
 - CAGR in excess of market trend
 - Cash generation above Group average
 - Delivering long term sustainable growth



Transform to grow

From product seller to solution provider

Lucio Valerio Cioffi

MD Aircraft



—
Rome, 13 March 2020



Confirming strong growth, profitability and cash generation

- Comprehensive product range already in the market providing solid and profitable base

STRONG BACKLOG

€10+bn

REVENUES

€2.3bn 14%
+20%YoY CAGR (2018-2023)

PROFITABILITY





>10%
SOLIDLY

- Clear strategy to transform the business and ensure long term value

NOTE: Before COVID-19 Outbreak



Strong and comprehensive product range...

<p>International Collaborations (Fighters)</p>	 <p>EUROFIGHTER</p>	<ul style="list-style-type: none"> • 550+ aircraft flying • 580,000 hours achieved • Efa Kuwait Program 	 <p>JSF F-35</p>	<ul style="list-style-type: none"> • Production strong ramp-up •Additional opportunities • MR&O Start-Up
<p>Trainers</p>	 <p>M-346 AJT</p>	<ul style="list-style-type: none"> • Best in class Advanced Trainer • Established and Proven... • Opportunities in Light Fighter 	 <p>M-345 HET (2020)</p>	<ul style="list-style-type: none"> • The best basic trainer • Cheaper ... easier to maintain • First delivery in 2020
<p>Tactical transport & Special missions</p>	 <p>C-27J</p>	<ul style="list-style-type: none"> • Tactical Transportand • Multi-use capabilities • Avionics upgrade 	 <p>ATR Special Missions</p>	<ul style="list-style-type: none"> • Reliable and affordable • Suited to Maritime Patrol • Leonardo Mission systems

CUSTOMER SUPPORT, SERVICES AND TRAINING

...leveraging our current portfolio maintaining our leadership and exploiting future opportunities



How we are transforming to grow – International Collaborations

Solid, competitive and profitable in a long term growing market

EUROPEAN DEFENCE REQUIREMENT

- Networked Information
- Air platform resiliency, flexibility and affordability
- Interoperability and
- Manned-Unmanned Teaming
- Systems of systems
- Upgradable



OPPORTUNITIES TO LEVERAGE OUR PLATFORM

**Eurofighter
Long Term
Evolution**

**EUROMALE
2025**

**European
*Tempest***



How we are transforming to grow – delivering training solutions

Leader in a growing market thanks to our ability to deliver training solutions for next generation pilots worldwide



OPPORTUNITIES TO BUILD OUR LEADERSHIP POSITION

- Cost-effective training solutions
- Covering the whole syllabus
- Operational capability to further enhance commercial offer
- Opening new markets
- Upgradable capabilities to evolve with customer needs worldwide

...Leveraging our leadership to strengthen competencies and exploit future cutting-edge technologies



Strong Outlook

- We have **strongly delivered in 2019**
- We have **best-in-class solutions** already in the market
- We can **exploit European and worldwide opportunities in a growing market** (i.e. International Cooperations and Integrated Training Systems)
- We are exploiting **new disruptive technologies** to remain competitive
- We are **well placed** in the short term and the longer term



Master the new

Leonardo's future approach to Innovation

Roberto Cingolani

Chief Technology & Innovation Officer



—
London, 13 March 2020



Summary

- **Summary and short bio of the speaker**
- **Role of the Chief Technology & Innovation Officer and Benchmark**
- **Leonardo 2030 Masterplan: threefold strategy**
- **Leonardo 2030 Masterplan: key actions**
- **Conclusions**

About the speaker: Roberto Cingolani, born Dec.1961. Degree in Physics, Two PhD

Scientific Background: Physics, Nanotechnology, Materials Science, Robotics & A

Scientific activities: Academic and Industrial research activities in Italy, Germany, USA and Japan

Managerial Expertise: 2006 2019, CEO and CTO of the Italian Institute of Technology (about 1800 researchers from 60 countries, >800 international patents, > 20 start up, around 130 Meu yearly budget)

Personal track record: >1000 scientific publications, > 120 international patents, H index =92, >33000 citations (source Google Scholar)



ROLE OF THE CTIO

The role of the CTIO is to improve the governance of the engineering and to inject innovation at different levels, from "*gradual*" optimisation to "*game changing*" technologies, contributing to a challenging and "*sustainable Leonardo 2030*" vision

BENCHMARK

Based on the international benchmark of the Aerospace & Defence sector (A&D) the following conclusions are drawn

- Reinforce corporate innovation and low TRL R&D
- Long term Research, Technology and Innovation masterplan 2020-2030
- Slight effort to reach the standard IRAD investment level of the A&D sector (around 5% of total revenues)
- Long term sustainability masterplan (2020-2030) addressing the UN Sustainability Agenda and the New European Green Deal



Leonardo 2030 Masterplan: threefold strategy

1. ENSURE DEVELOPMENT OF CURRENT KNOWHOW/PRODUCTS THROUGH

1. The assessment and reorganisation of the network of outsourced R&D actions
2. The reinforcement of the Intellectual Property (IP) strategy (corporate IP office)
3. The choice/development of enabling technologies needed to keep current Leonardo products competitive
4. The acceleration of the digitalisation of products engineering

2. ENSURE INNOVATION TO ENVISAGE FUTURE PRODUCTS AND COMPETITIVE MARKETS




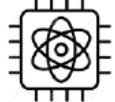

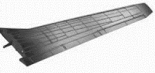
1. Identify high-risk / high-return R&D interdivisional programmes to be developed at corporate level to accelerate innovation in the next decade
2. Create the Leonardo Labs: a corporate research infrastructure dedicated to innovation and to the R&D interdivisional programmes for future markets

3. DEVELOP A SUSTAINABILITY MASTERPLAN MAKING LEONARDO READY TO THE FUTURE GLOBAL SUSTAINABILITY CHALLENGES

1. 10 UN sustainability goals targeted by 2030 (> 70 targets)
2. All targets of the New European Green Deal targeted

Leonardo 2030 Masterplan: the key actions →

IDENTIFICATION OF THE INTERDIVISIONAL PROGRAMMES (VERSUS CLASS OF PRODUCTS)

	Aero	Helicopters	UMS	Electronics	Space	Cyber Security
 Big Data Storage & Analysis	✓	✓	✓	✓	✓	✓
 HPC Design & Simulations	✓	✓	✓	✓	✓	✓
 Artificial Intelligence AIS		✓	✓	✓	✓	✓
 Quantum Technologies, Cryptography				✓	✓	✓
 Electric Mobility	✓	✓	✓			
 Materials Structures	✓	✓		✓		

Leonardo 2030 Masterplan: the key actions → A LARGE SCALE INFRASTRUCTURE FOR HIGH PERFORMANCE COMPUTING AND BIG DATA ANALYTICS

A.I., HPC, BigData,

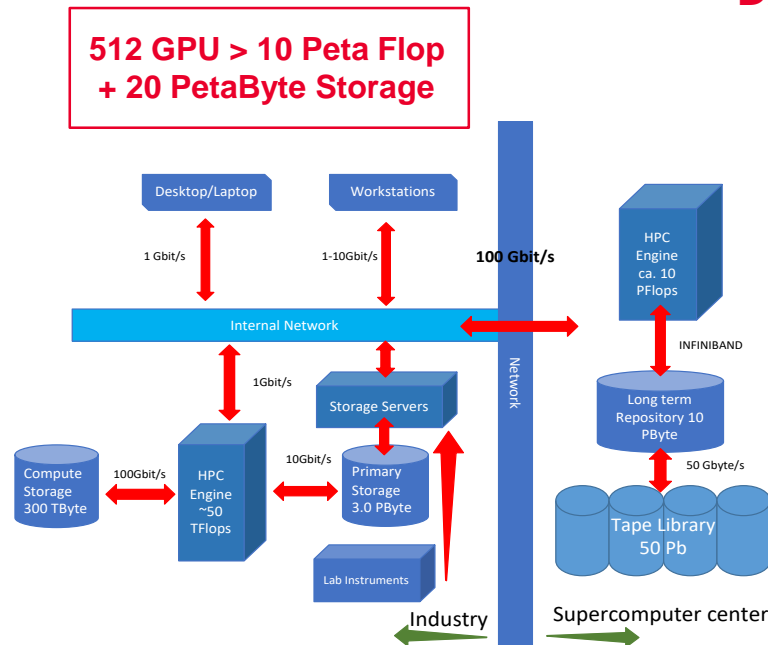
Enhance Computational power for advanced simulations aimed to product design, development, certification and maintenance

Enhance data storage and analysis for big data applications

Product Engineering

Develop digital technologies for product engineering

Improve Customer Service and Predictive maintenance



- The frontier of the *in-silicon design*: faster, cheaper, more efficient
- The journey towards the Digital Twin
- Satellite services: geo-observation, image analysis (better services and better products)
- Artificial intelligence and Internet of Things
- Cyber secure technologies
- Predictive Maintenance: real time analysis of data transmitted by flying systems (new services and products)
- Simulation and training systems, Augmented reality and virtual environments for multiple applications



Leonardo 2030 Masterplan: the key actions → INTELLIGENT AUTONOMOUS SYSTEMS

The embodiment of A.I. to obtain smart unmanned systems capable of «deciding and actuating», based on the unique integration of different Technology Platforms:

1. A.I., Deep learning and Machine Learning → Big Data & High Performance Computing
2. Sensing network → New sensors and sensing technologies (i.e. Quantum)
3. Fast wireless transmission protocols (i.e. 5G) → i.e. 5G
4. Actuators and Bodies → new robotics for sea, land, air, space
5. Power sources → Batteries, Supercapacitors, Fuel Cells

2019 Nanchang Flight Convention



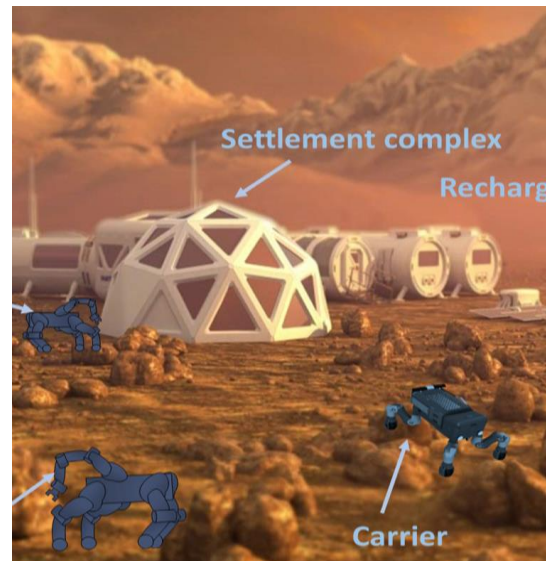
2019 Jeff Besos Mars Conference USA



- Internet of Things (210 Beu in 2022) <https://www.key4biz.it>
- Industry 4.0 (40 Beu investment till 2020) <https://www.eca.europa.eu>
- Autonomous cars (> 50 Beu investment till 2020) <https://www.ilsole24ore.com>
- Space Robotic Market (3,5 Beu in 2025) <https://www.prnewswire.com/news-releases/space...>
- Flying, Land, Submarine drone market 140 BUS\$ nel 2020 <https://recensionidroni.com/infografica-il-mercato-dei-droni-e-in-continua-crescita/>

THE SPACE COMPANY

- Space X (Elon Musk)
- Blue Origin (Jeff Bezos)
- ISpace
- Intuitive Robotics
- Astrobotic
- Oceaneering International
- Maxar Technologies
- Northrop Grumman
- Motiv Space Systems
- Altius Space Machines





Leonardo 2030 Masterplan: the key actions →

AIRCRAFT ELECTRIFICATION

FUTURE TRENDS

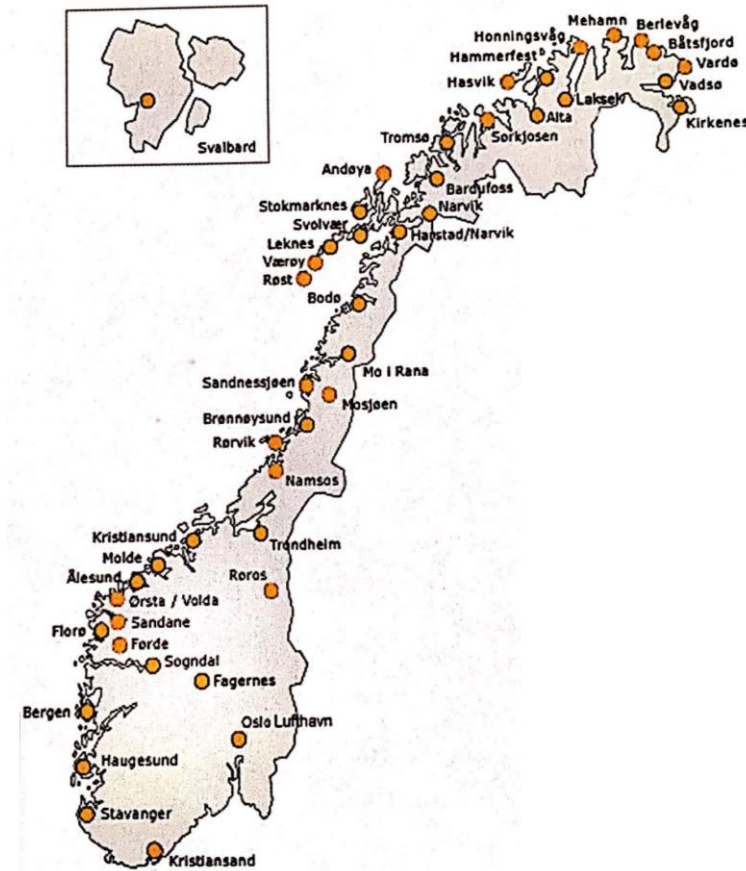
- Reduce Carbonisation
- Increase short range regional transport
- Develop urban mobility vehicles for 3D traffic
- Develop Swarm A.I.
- Develop controls
- Develop hybrid, electric and new generation propulsion systems
- Develop distributed propulsion





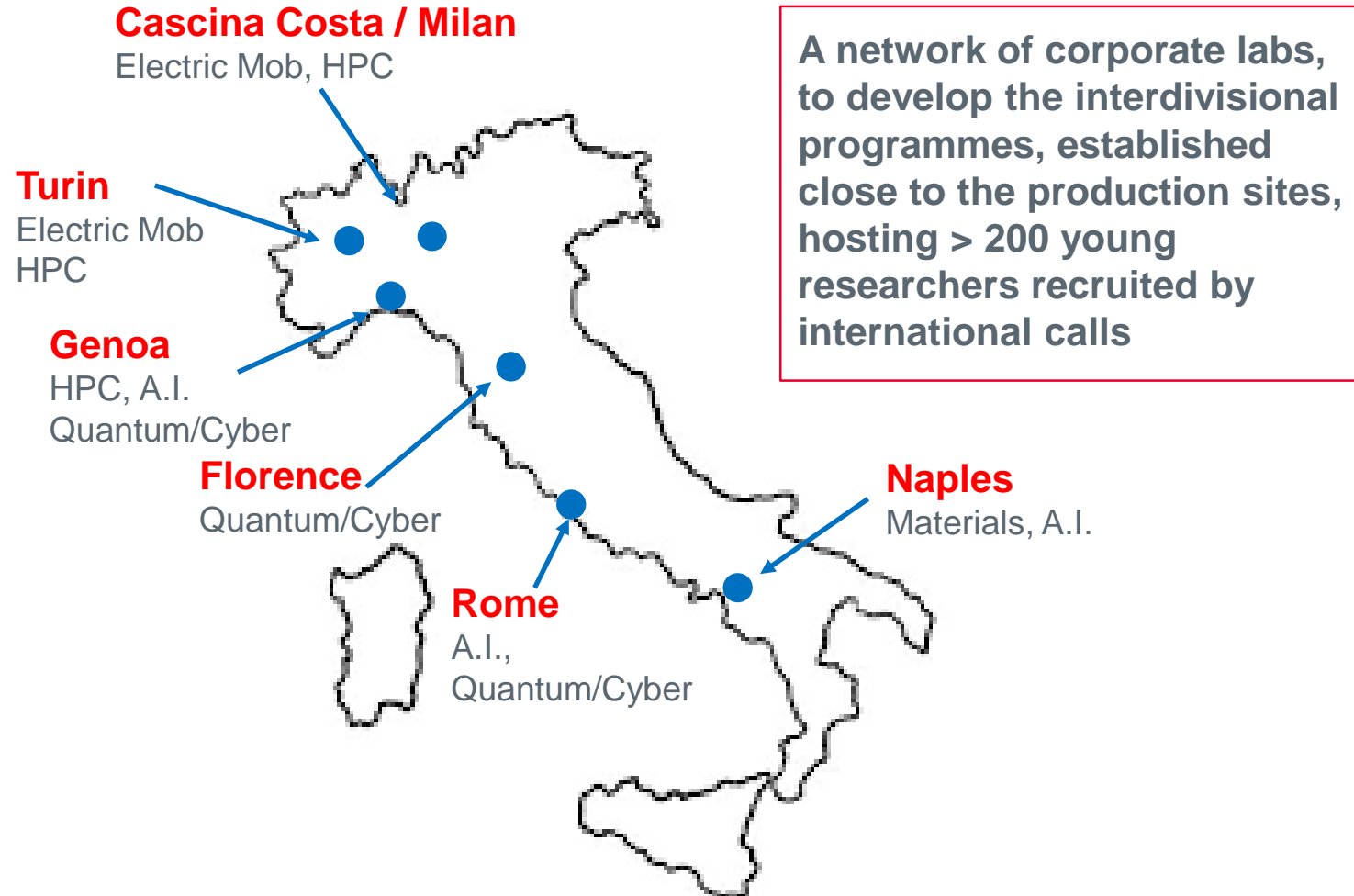
The Norway case study: >70 airports and > 40 heliports. Average distance 150 km. Typical aircraft size: 10 to 40 seats

Complete decarbonisation to be achieved by 2030



Leonardo 2030 Masterplan: the key actions →

LEONARDO CORPORATE LABS



The organisation of the network of labs is provisional. Work will be finalised during 2020



Delivering on promises

Long term targets

Alessandro Profumo

Chief Executive Officer



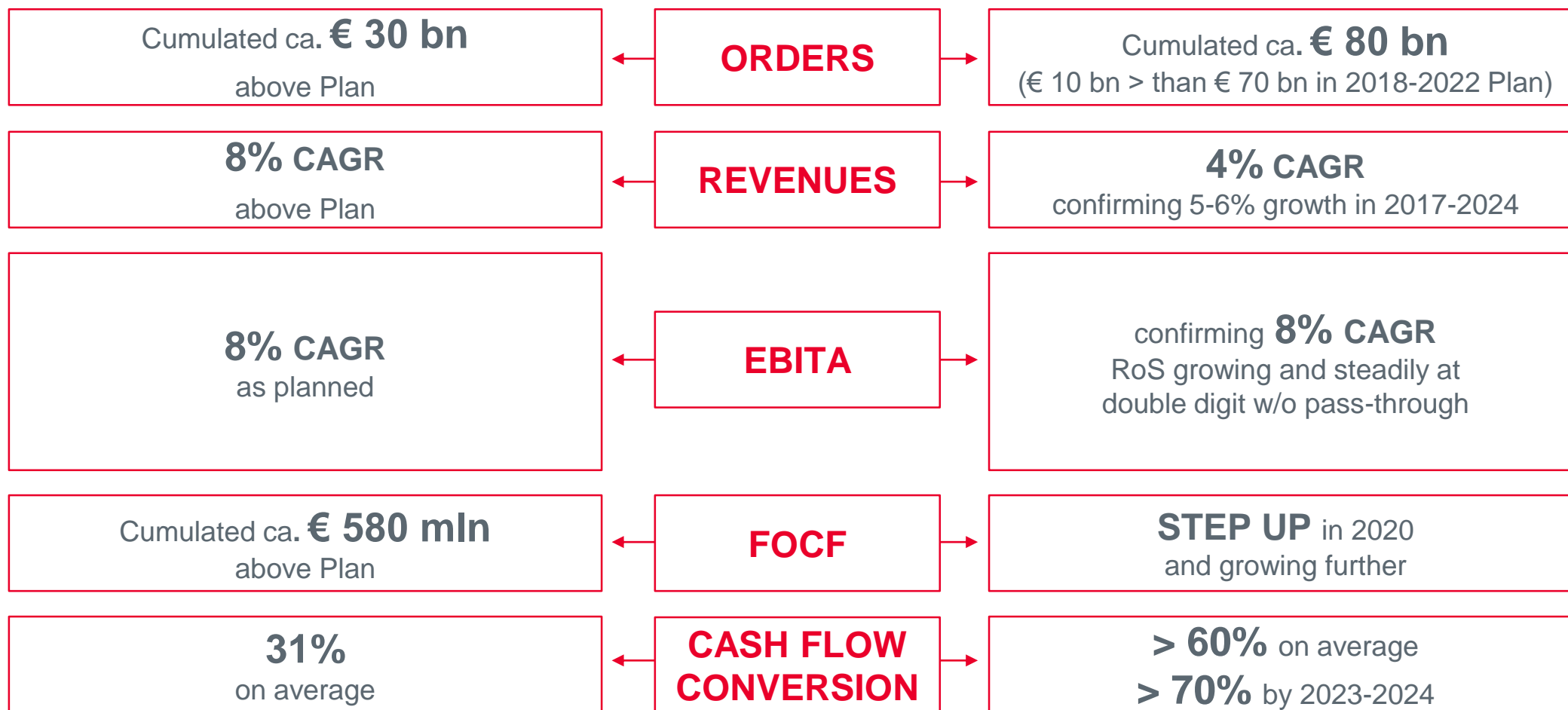
—
Rome, 13 March 2020



Doing what we said we would do, embracing new challenges ahead

2018-2019 ACHIEVEMENTS

2020-2024 TARGETS*



*Before COVID-19 Outbreak



Delivering on promises

FY2019 Results & Outlook

Alessandra Genco

Chief Financial Officer



—
Rome, 13 March 2020



In 2018 we presented a Plan setting the business up to win – our journey so far **Planting the seeds for growth...**

- We entered a new phase aimed at long term sustainable profitable growth
- A lot was achieved in recent years: we have delivered on promises
- We continue to be fully focused on execution

...Seeds have grown into a well rooted plant



FY 2019 highlights

Met or beaten 2019 targets on all metrics

- Executed on our Industrial Plan
- Delivered on

COMMERCIAL STRATEGY

- Orders **€ 14.1 bn**
(vs. € 12.5 - 13.5 bn Guidance)
- Revenues **€ 13.8 bn**
(vs. € 12.5 - 13.0 bn Guidance)

OPERATING PERFORMANCE

- EBITA **€ 1,251 mln**
(vs. € 1,175 - 1,225 mln Guidance)
- RoS **9.1%**
- Net Result **€ 822 mln**

CASH GENERATION AND FINANCIAL STRATEGY

- FOCF **€ 241 mln**
(vs. ca. € 200 mln Guidance)
- Group Net Debt* **€ 2.8 bn**
(in line with Guidance)

- **2020 Guidance reflects continuous progress towards Industrial Plan targets**

*Including IFRS16 effect



Order Intake

Continuous strong commercial momentum across the Group

Driven by military (NH90 Spain, AW101 Poland and AW139 Italy MoD) and CS&T

Solid contribution from Electronics and Leonardo DRS

Driven by Aircraft (F-35, M345, M346 FA and C-27J) and Aerostructures (B787 and ATR)

-25.2%
YoY

+2.9%
YoY

+8.5%
YoY

-6.7%
YoY

+46%
[excluding NH90 Qatar contract in 2018]

€ mln

15,124

ca. € 3 bn
NH90 Qatar

4.641

7.022

2.788

(355)

14.105

ca. € 170 mln positive forex

FY2018A

Helicopters

Defence Electronics & Security

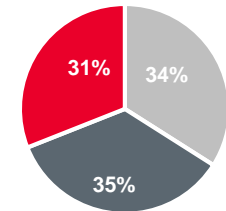
Aeronautics

Eliminations & Other

FY2019A

ORDER BACKLOG

FY2019 € 36.5 bn

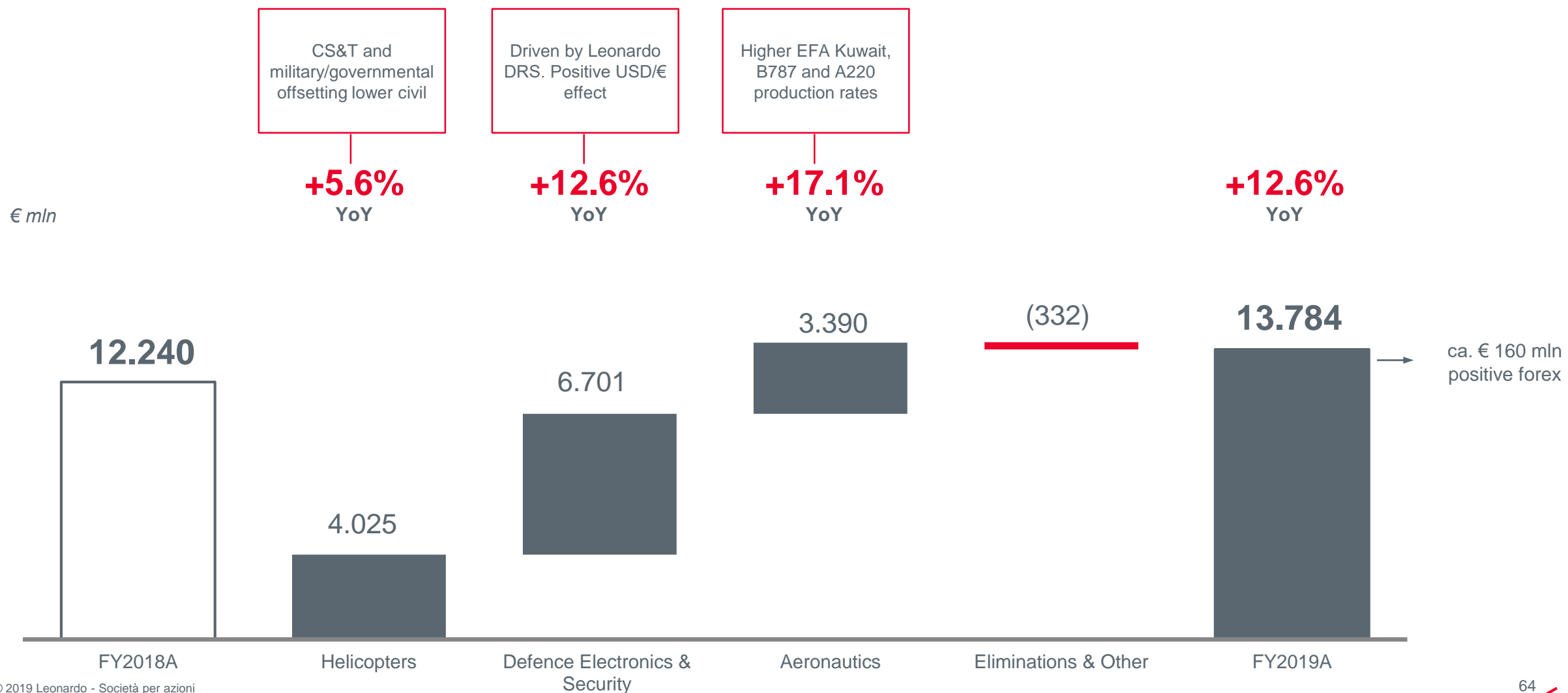


- Helicopters
- Defence Electronics & Security
- Aeronautics



Revenues

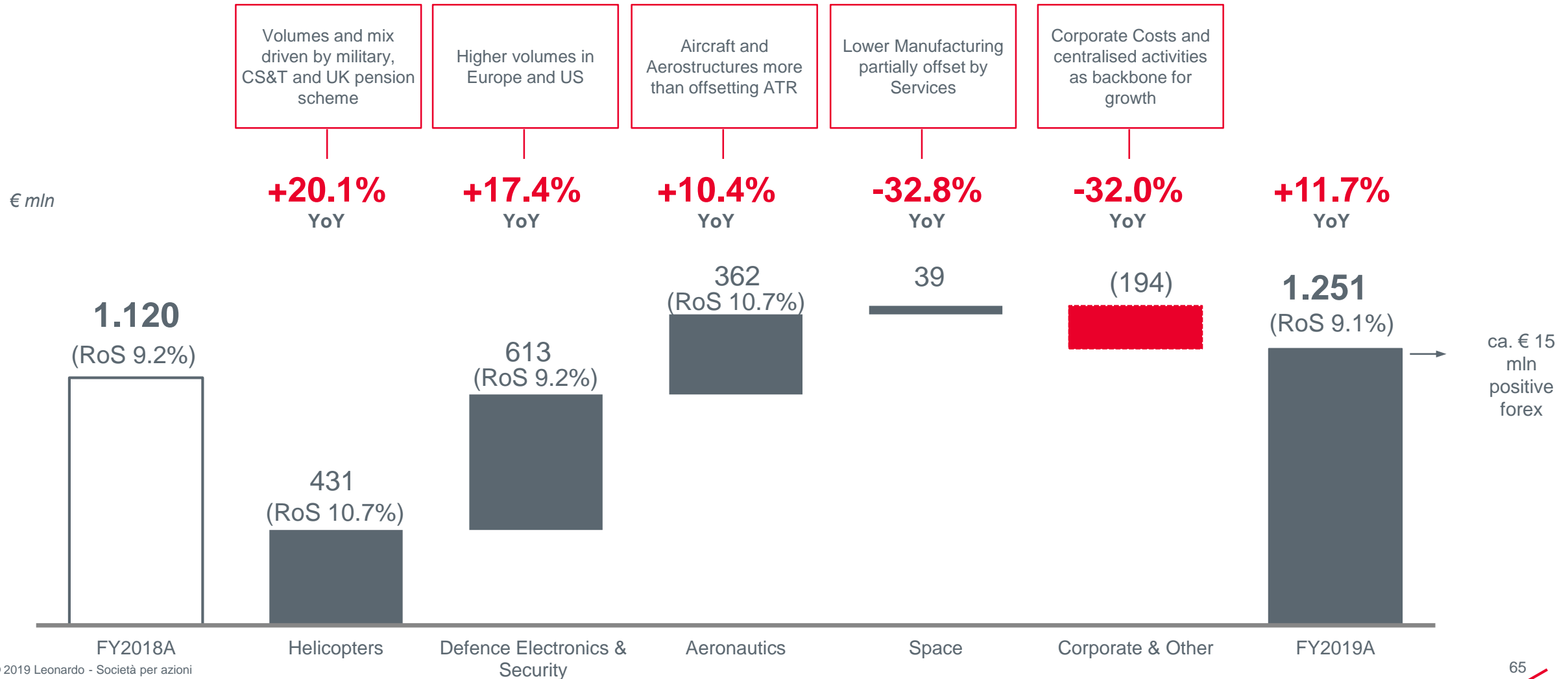
Strong growth across the Group





EBITA and Profitability

Higher performance across all businesses, with lower contribution from Space Manufacturing and ATR

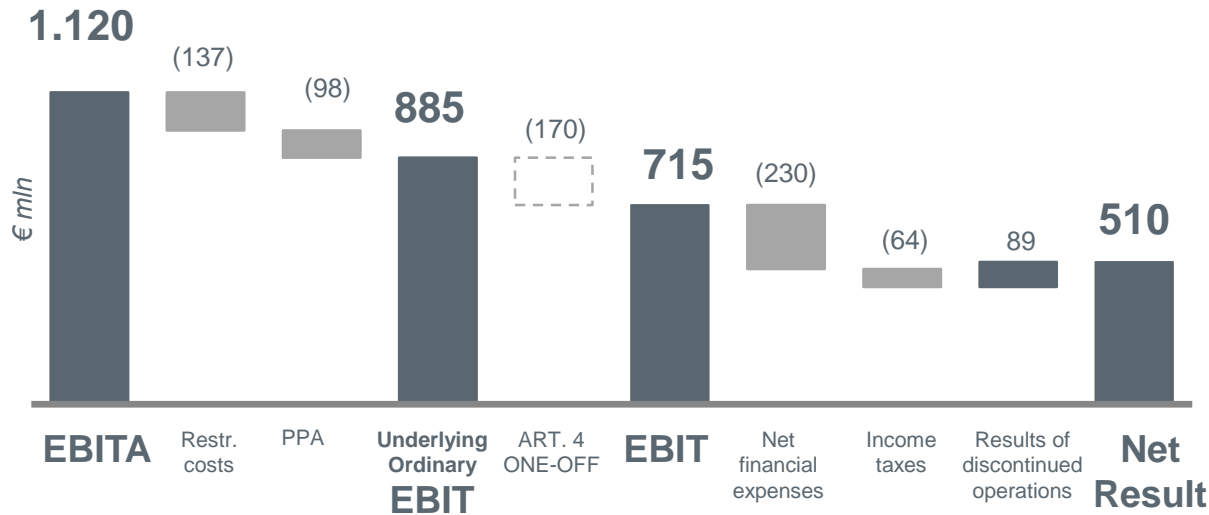




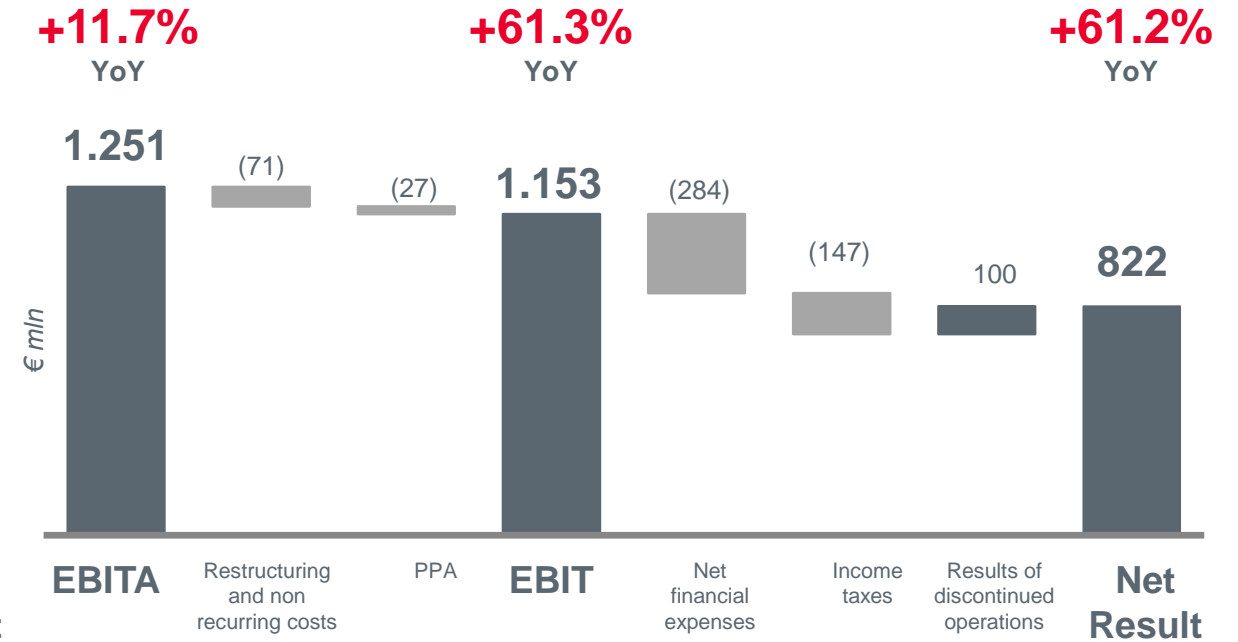
From EBITA to Net Result

Below the line benefitting from lower restructuring costs and PPA

FY 2018



FY 2019



- EBIT up 61.3%, driven by lower restructuring and PPA
- Net financial expenses include € 20 mln of buy back costs
- Net Result benefitting from the release of risk provision set against guarantees given upon disposal of AnsaldoBreda transportation business (2Q19)

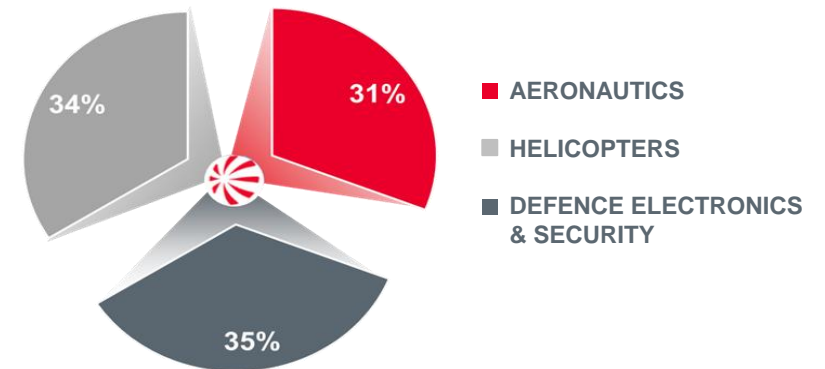


Investments as foundation for future sustainable growth

- **Innovative products and solutions**
 - *ATR 42-600 Short Take off and Landing (STOL)*
 - *Falco Xplorer*
 - *New single engine development SH09 post Kopter acquisition**
- **Addressing customers requirements**
 - *AESA applications radars for naval and airborne*
 - *Cyber resilient products and systems*
- **Leading player in European and International cooperation programmes**
 - *Tempest*
 - *AWHERO and C&C Naval Systems for OCEAN 2020*
- **Building cross-divisional capabilities to “empower” our products**
 - *Simulation, big data analytics*

*Closing expected in 1H2020

INVESTMENTS



TARGET INVESTMENTS 2020-2024
CA. € 600 – 700 mln p.y.



On track to deliver material step up in FOCF

2018 – 2019

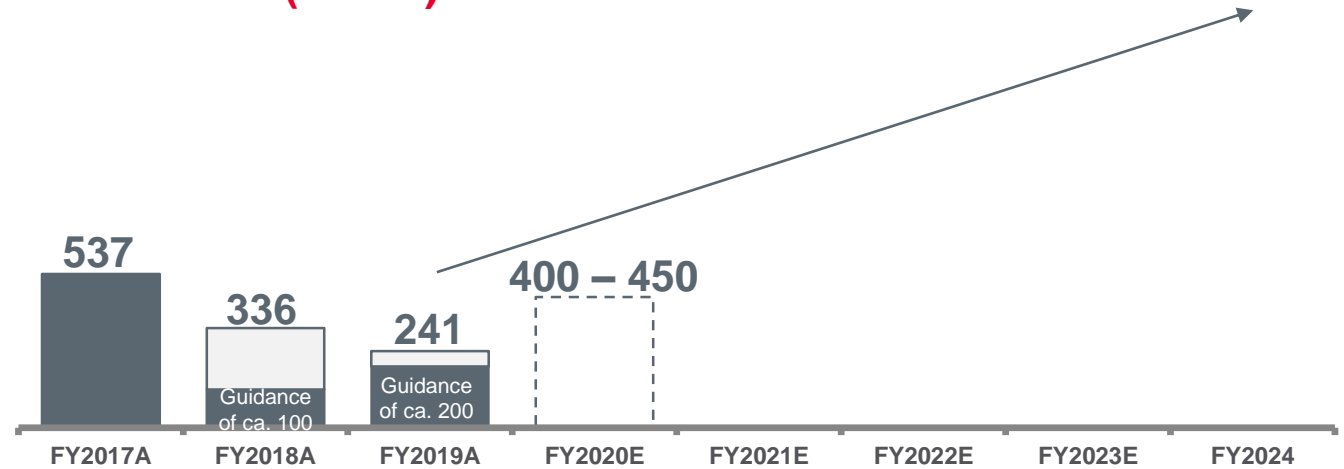
AHEAD OF PLAN

2020 ONWARD

STRONG UNDERLYING IMPROVEMENT WITH CLEAR DRIVERS

- Operating profit growth
- Cash profile of EFA Kuwait
- Working Capital management through Industrial process optimisation, counterbalancing unwinding of customer advances
- Gradual progress in Aerostructures

FOCF (€ mln)



CASH FLOW CONVERSION RATE

2015 – 2019

58%

on average

2020 – 2024

>60%

on average

2024

>70%

target

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

Note: Projections before COVID-19 outbreak



Delivering more than promised: further strengthening our capital structure

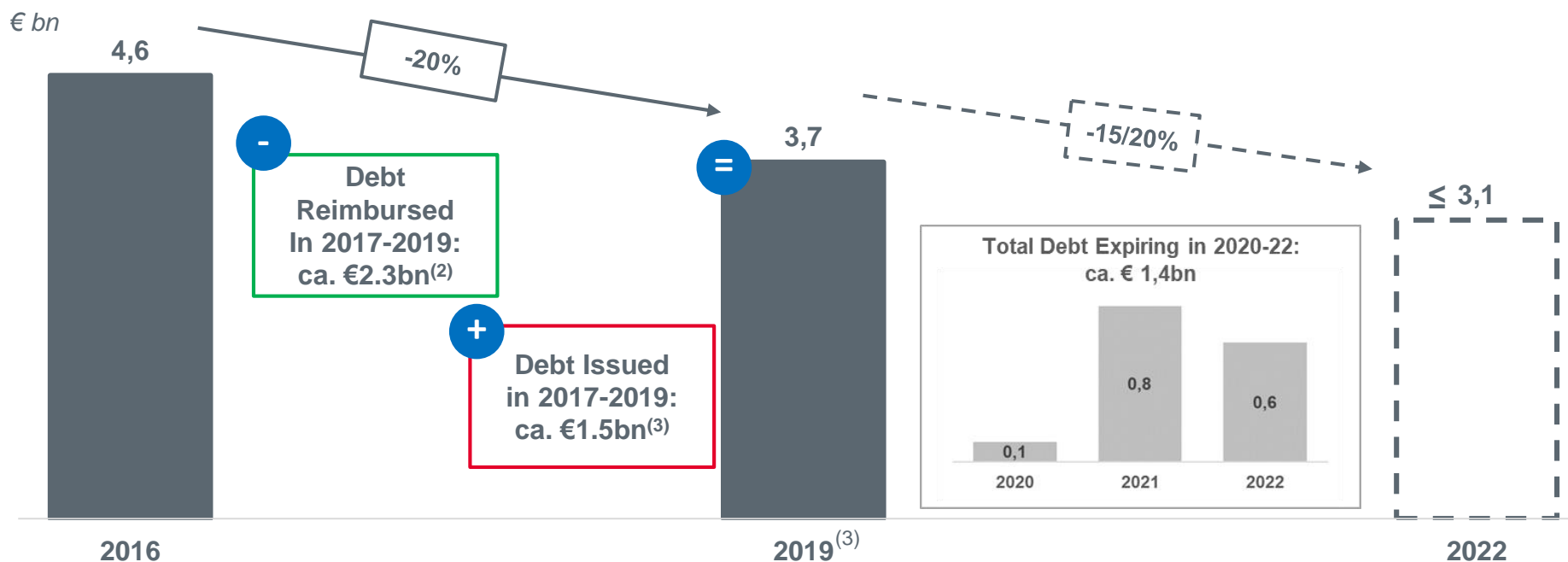
REDUCING GROSS DEBT⁽¹⁾

2017 – 2019

- Reduced by ca. 20%, in line with target
 - Only ca. 65% of expiring debt⁽²⁾ refinanced

2020 – 2022

- Reduce by 15/20%
 - Plan to refinance only 50/60% of expiring debt



(1) Including Bonds, Term Loan, EIB and CDP loans
 (2) Including US Bonds tendered in 2017 and 2019
 (3) Pro forma for €100mil CDP loan

Note: Projections before COVID-19 outbreak

Fully committed to Investment Grade



Significantly lower Cost of Funding, beating targets

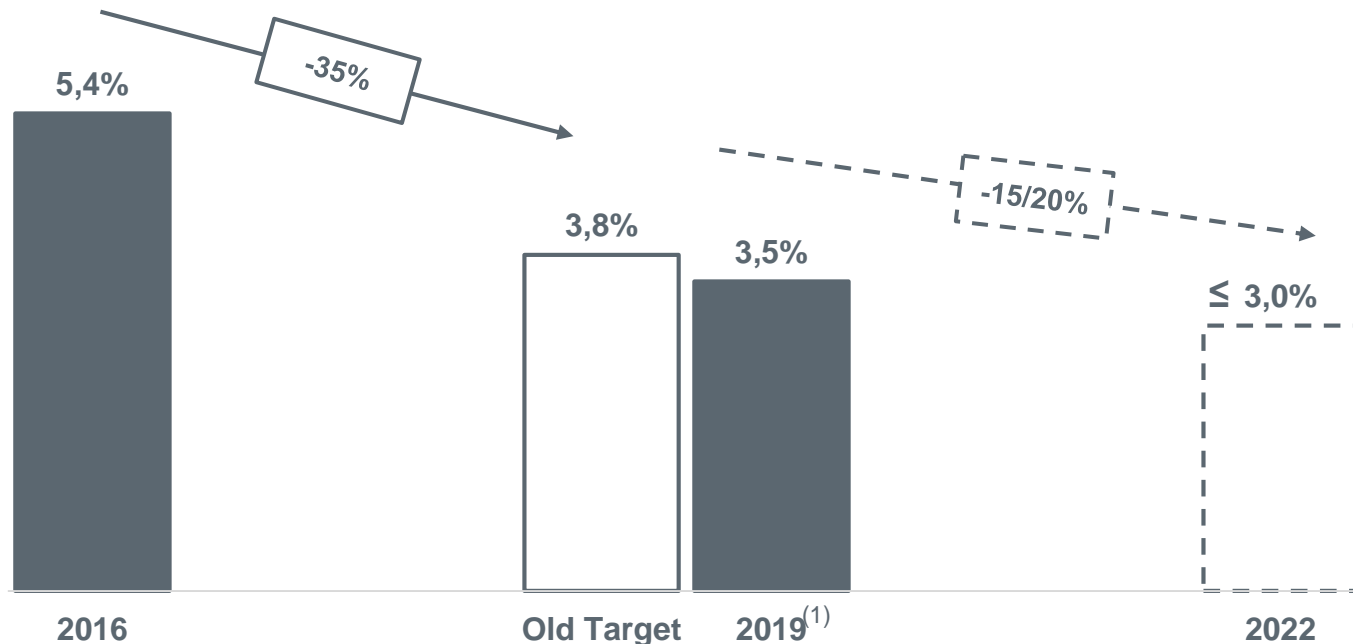
LOWERING COST OF FUNDING

2017 – 2019

2020 – 2022

- Reduced by ca. 35%, vs. 25/30% target

- Reduce further by 15/20%
 - Leveraging Leonardo's solid credit and favorable market conditions

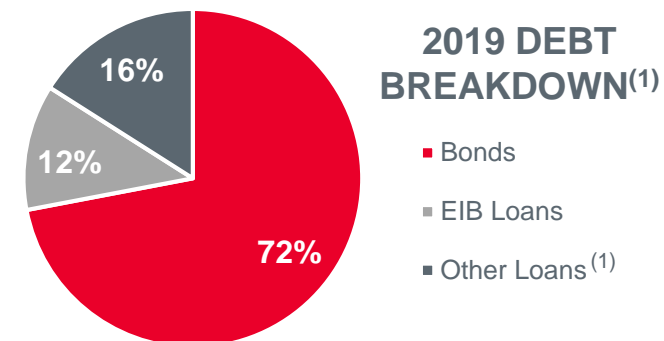


(1) Pro forma for €100mil CDP Loan.

Note: Projections before COVID-19 outbreak

DIVERSIFICATION

- Exploit different funding sources available in the market



Fully committed to Investment Grade



2020 Guidance before Covid-19 impact

Despite the challenges in making forecasts in the current situation due to the COVID-19 emergency, Leonardo believes it is appropriate to provide Guidance in a continuity scenario, without including COVID-19 impacts

		FY2019A	FY2020 Guidance
New Orders	(€ bn)	14.105	ca. 14
Revenues	(€ bn)	13.784	14.0 – 14.5
EBITA	(€ mln)	1,251	1,325 – 1,375
FOCF	(€ mln)	241	400 – 450
Group Net Debt	(€ bn)	2.8*	2.8**

*Including IFRS 16 effect of ca. € 0.5 bn

**Including € 0.1 bn higher IFRS16 effect, Kopter acquisition (ca. € 0.2 bn) and assuming dividend payment

2020 exchange rate assumptions: € / USD = 1.15 and € / GBP = 0.88



Covid-19 impact

- Leonardo acknowledges that COVID-19 will likely impact on the ordinary business
- This is despite mitigating actions promptly put in place and aimed at preserving business and production continuity and fully ensuring health and safety of our employees
- Areas likely to be impacted are:
 - commercial campaigns
 - continuity of supply chain
 - production times / flows
 - timing of acceptance processes of products/activities by customers
- As the situation keeps evolving, we cannot yet reliably quantify the impact on our 2020 performance
- We will update the market as soon as an assessment of the possible impact, including recovery actions, is available
- These short-term challenges do not change the Group's solid medium-long term fundamentals
 - strong backlog of over € 36 billion
 - long term attractiveness and relative resilience of our key markets
 - leading products and market positions across businesses, leveraging an international presence

Key takeaway messages

Alessandro Profumo

Chief Executive Officer



—
Rome, 13 March 2020



Setting the business up to succeed in the long term

- Clear view on our future
- Fully committed to delivering as a Team
- Full support from our institutional stakeholders
- Delivering on our promises

Q&A

SECTOR RESULTS



Helicopters

Well positioned to capture market opportunities

	4Q 2018	4Q 2019	% Change	FY 2018	FY 2019	% Change
€ mln						
Orders	1,523	2,407	+58.0%	6,208	4,641	-25.2%
Revenues	1,154	1,289	+11.7%	3,810	4,025	+5.6%
EBITA	142	161	+13.4%	359	431	+20.0%
RoS	4.9%	12.5%	+7.6p.p.	9.4%	10.7%	+1.3p.p.

2020 OUTLOOK*

- Growth driven by delivering on the Backlog, quality of product portfolio and strong position in most attractive market segments
- Profitability solidly at double digit

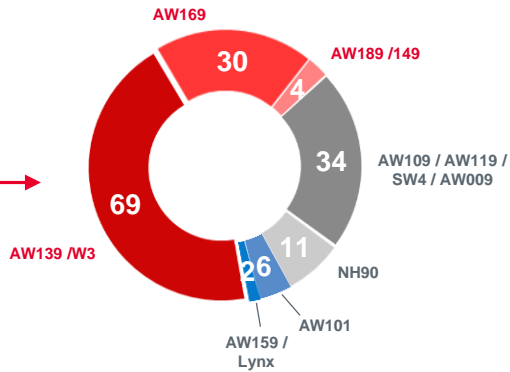
*Before COVID-19 impact



Helicopters

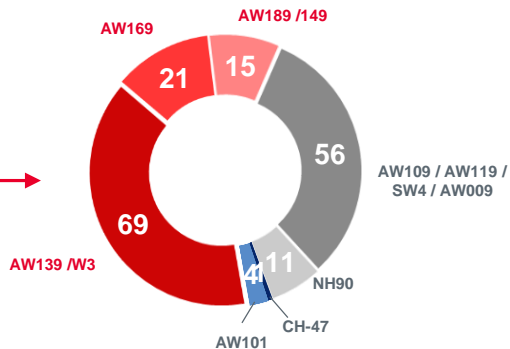
DELIVERIES BY PROGRAMME

FY2019 = 156 new units



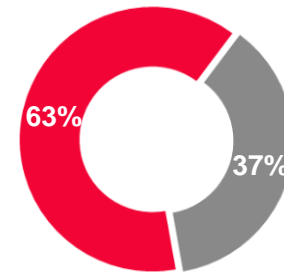
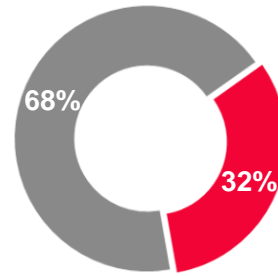
AW FAMILY

FY2018 = 177 new units



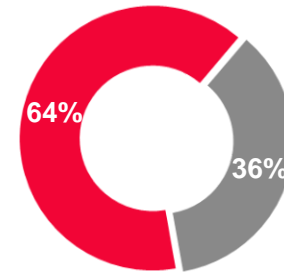
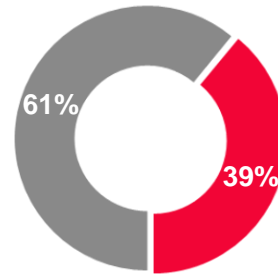
REVENUES BY CUSTOMER/SEGMENT

FY2019



■ Civil ■ Military/Governmental ■ OE ■ CS&T/Other

FY2018



■ Civil ■ Military/Governmental ■ OE ■ CS&T/Other



Defence Electronics & Security

Growing Revenues and Profitability

ELECTRONICS - EU

	4Q 2018	4Q 2019	% Change	FY 2018	FY 2019	% Change
€ mln						
Orders	2,448	1,780	-27.3%	4,408	4,444	+0.8%
Revenues	1,408	1,551	+10.2%	4,010	4,289	+6.6%
EBITA	176	190	+8.0%	394	427	+8.3%
RoS	12.5%	12.4%	-0.1 p.p.	9.8%	10.0%	+0.2 p.p.

LEONARDO DRS

	4Q 2018	4Q 2019	% Change	FY 2018	FY 2019	% Change
\$ mln						
Orders	929	670	-27.9%	2,879	2,923	+1.5%
Revenues	798	913	+14.4%	2,339	2,729	+16.7%
EBITA	67	92	+37.3%	151	208	+37.8%
RoS	8.4%	10.1%	+1.2 p.p.	6.5%	7.6%	+1.1 p.p.

Avg. exchange rate €/€ @ 1.11950 in FY2019
Avg. exchange rate €/€ @ 1.18100 in FY2018

2020 OUTLOOK*

- Slight growth in revenues
- Profitability improvement despite pass-through and programmes under development
- Leonardo DRS to continue to grow top line and profitability
- Leonardo DRS Soft Backlog accounting for > 4x current Backlog (ca. \$ 3 bn)

*Before COVID-19 impact



Aeronautics

Solid Aircraft performance

€ mln	4Q 2018	4Q 2019	% Change	FY 2018	FY 2019	% Change
Orders	1,149	776	-32.5%	2,569	2,788	+8.5%
Revenues	871	1,086	+24.7%	2,896	3,390	+17.3%
EBITA	161	197	+22.3%	328	362	+10.3%
RoS	12.6%	18.1%	+5.5p.p.	11.3%	10.7%	-0.6p.p.

2020 OUTLOOK*

- Higher revenues compared to 2019
 - Aircraft production increase (EFA Kuwait)
- Gradual recovery in Aerostructures
- ATR poised to confirm its market leadership position

*Before COVID-19 impact



Space

Pressure on Manufacturing

	4Q 2018	4Q 2019	% Change	FY 2018	FY 2019	% Change
EBITA	27	16	-40.7%	58	39	-32.8%

€ mln

2020 OUTLOOK*

- 2019 downsizing in Manufacturing affecting 2020
- Revenues in line with 2019
- Profitability expected to increase supported by gradual recovery of Manufacturing and satellite services improvement

*Before COVID-19 impact

APPENDIX



4Q/FY 2019 Results

Group Performance

	4Q 2018	4Q 2019	% Change	FY 2018	FY 2019	% Change
€ mln						
New Orders	5,734	5,526	-3.6%	15,124	14,105	-6.7%
Backlog				36,118	36,513	+1.1%
Revenues	4,000	4,650	+16.3%	12,240	13,784	+12.6%
EBITA	488	565	+15.8%	1,120	1,251	+11.7%
RoS	12.2%	12.2%	+0.0p.p.	9.2%	9.1%	-0.1p.p.
EBIT	343	505	+47.2%	715	1,153	+61.3%
EBIT Margin	8.6%	10.9%	+2.3p.p.	5.8%	8.4%	+2.6p.p.
Net result before extraordinary transactions	257	355	+38.1%	421	722	+71.5%
Net result	247	357	+44.5%	510	822	+61.2%
EPS (€ cents)	0.427	0.613	+43.6%	0.888	1.422	+60.2%
FOCF	1,136	1,458	+28.3%	336	241	-28.3%
Group Net Debt				2,351	2,847	+21.1%
Headcount				46,462	49,530	+6.6%

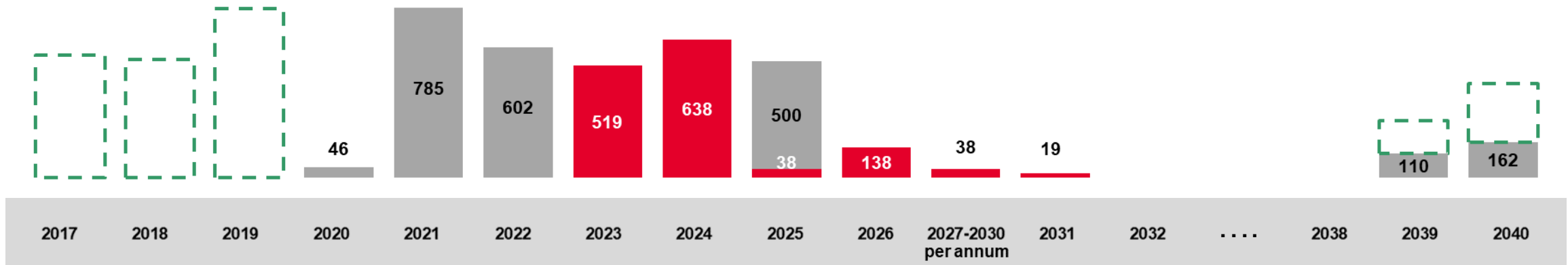
Free Operating Cash-Flow (FOCF): this is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received



As promised, we refinanced only ≈ 65% of expiring debt⁽¹⁾

Debt Outstanding in 2016: ≈ €4,6bn	-	Debt Reimbursed In 2017-2019: ≈ €2,3bn ⁽²⁾	+	Debt Issued in 2017-2019: ≈ €1,5bn ⁽³⁾	=	Debt Outstanding in 2019: ≈ €3,7bn
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€ mln



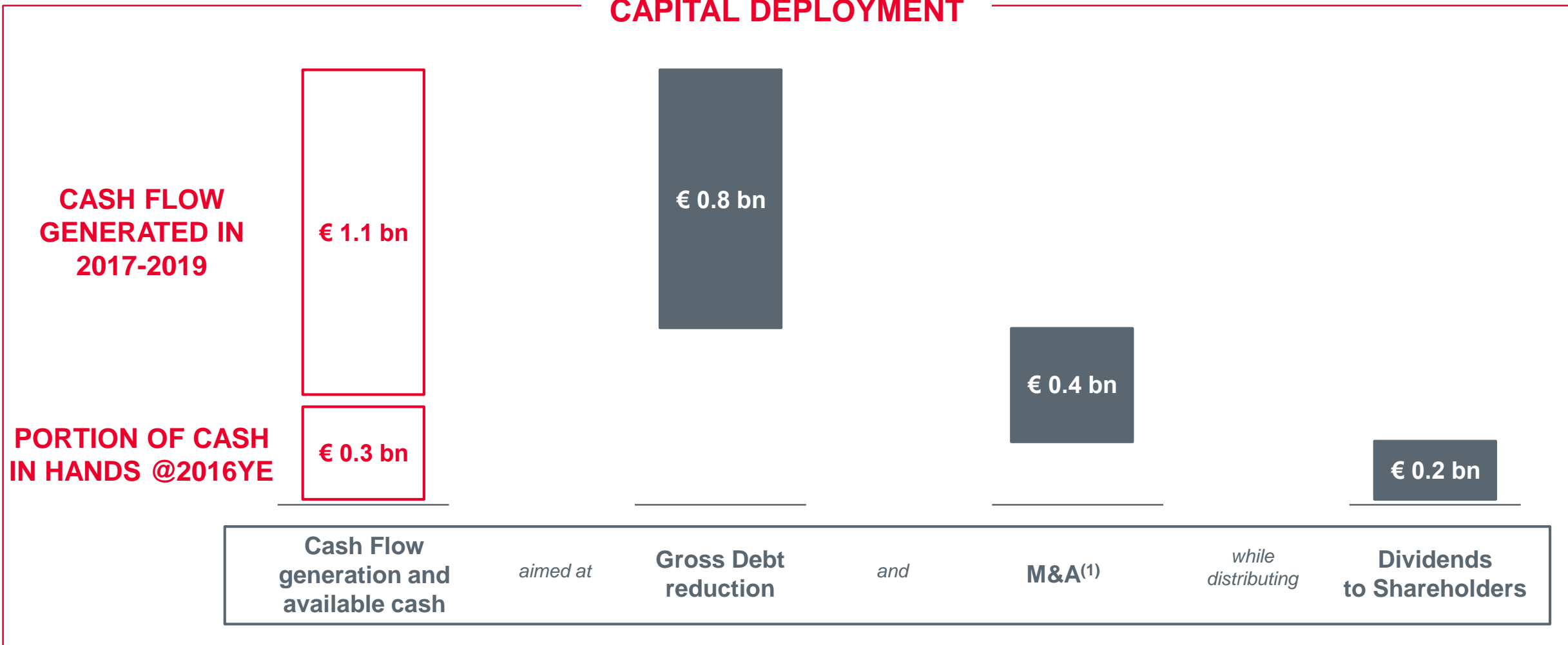
(1) Including US Bonds tendered in 2017 and 2019
 (2) Including forex impact
 (3) Pro forma for €100mil CDP Loan

Note: Projections before COVID-19 outbreak



We reduced debt, while growing through M&A and remunerating shareholders

CAPITAL DEPLOYMENT



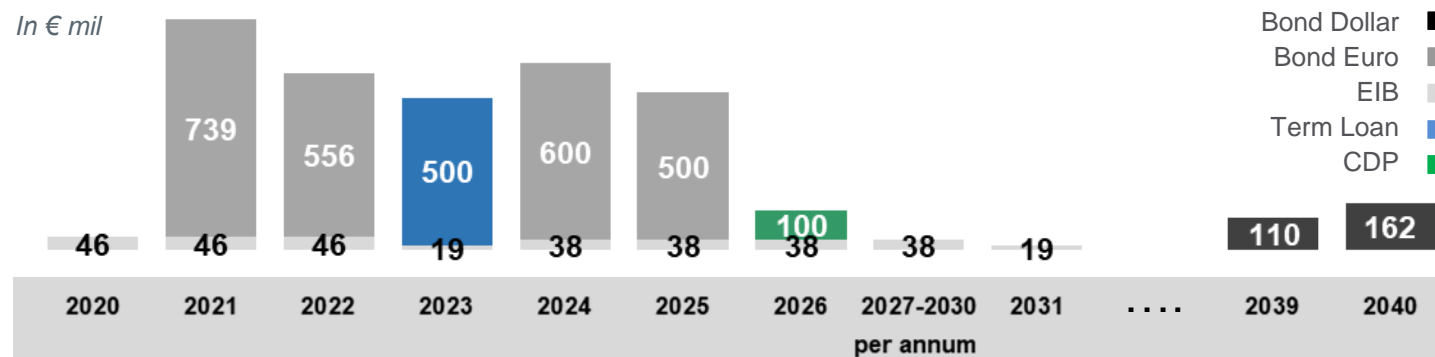
(1) It includes Avio, Daylight Solutions, Vitrociset and pro forma for Kopter



Solid Financial Position as end of December 2019

DEBT MATURITY

Average life: ≈ 4,7 years ⁽¹⁾



Repayment Conditions of New Debt Instruments



The Cassa Depositi e Prestiti (CDP) financing is characterised by a 6 year bullet repayment

CREDIT RATING

	As of today	Before last review	Date of review
Moody's	Ba1 / Stable Outlook	Ba1 / Positive Outlook	October 2018 *
S&P	BB+ / Positive Outlook	BB+ / Stable Outlook	December 2019
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)

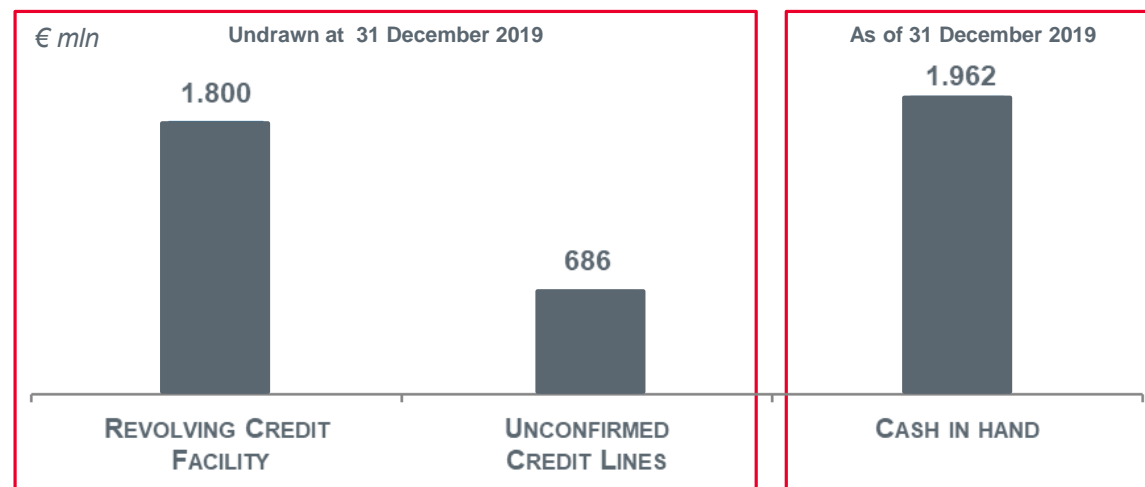
(1) Pro forma for CDP financing arranged in 2019 and signed in January 2020



Availability of adequate committed liquidity lines as end of December 2019

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

- 31 December cash balance of approx. € 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 € 3.4 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 31/12/2019

(2) Average. Expected to be renewed at maturity



Development costs capitalised as intangible assets as at 31 December 2019

<i>€ mln</i>	Self Funded National Security	Self Funded Other	Total
01 January 2019 Opening Balance	1,760	476	2,236
Gross R&D capitalised	204	66	270
Depreciation and write offs	-102	-32	-134
Disposals	0	-2	-2
Other Changes (*)	-57	-5	-62
Net R&D capitalised	45	27	72
31 December 2019	1,805	503	2,308

(*) Movements w/o cash and PL effects



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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