



# 1H 2017 Results Presentation

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London, 28 July 2017





**INTRODUCTION**  
(CEO)

**1H2017 RESULTS AND OUTLOOK**  
(CFO)

**Q&A**

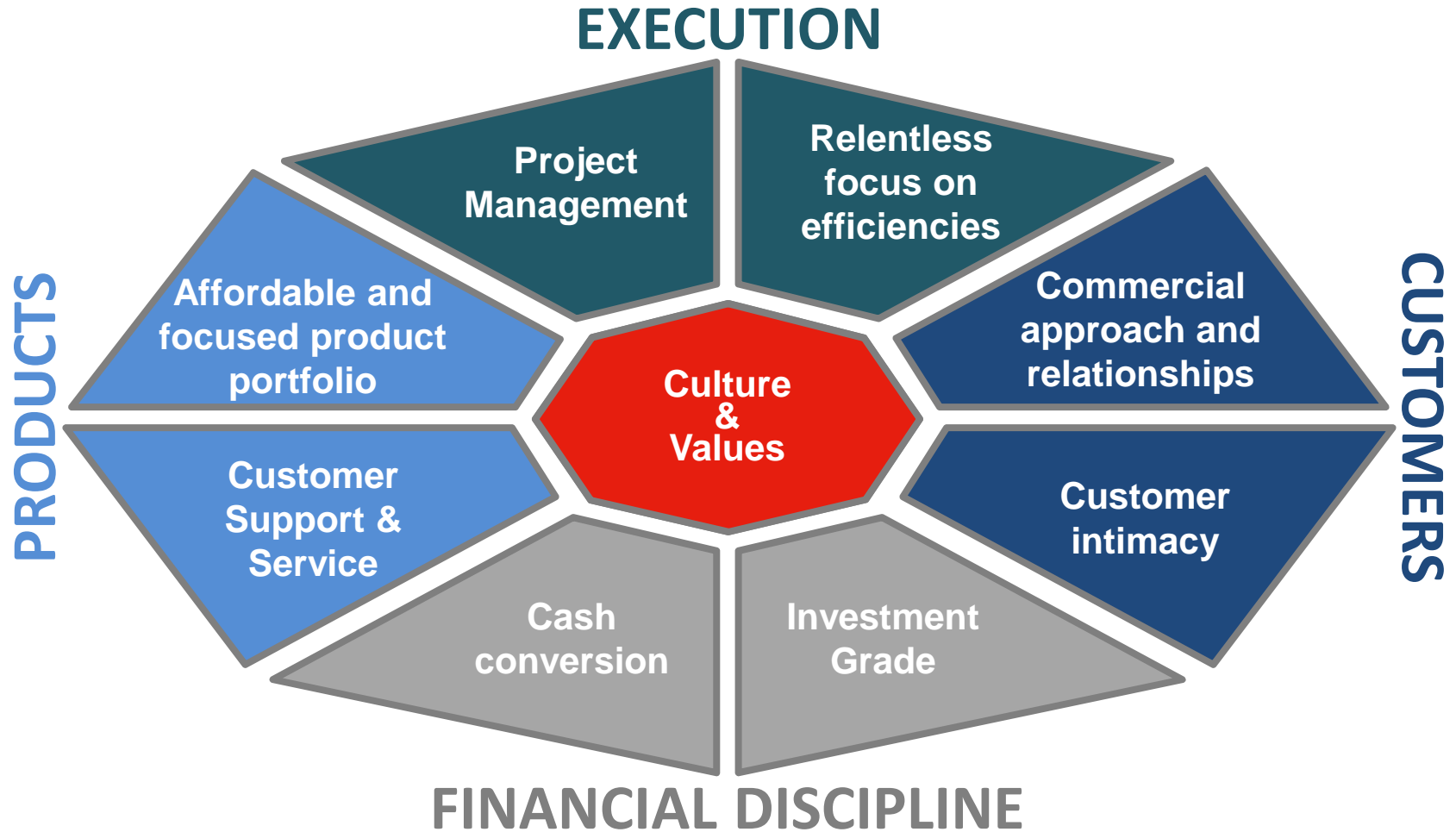
## Why I joined Leonardo

*not just a business, but a pathway into the future*

*“Leonardo is a high-tech industrial and manufacturing group, strategic for Italy and for every country in which it operates.*

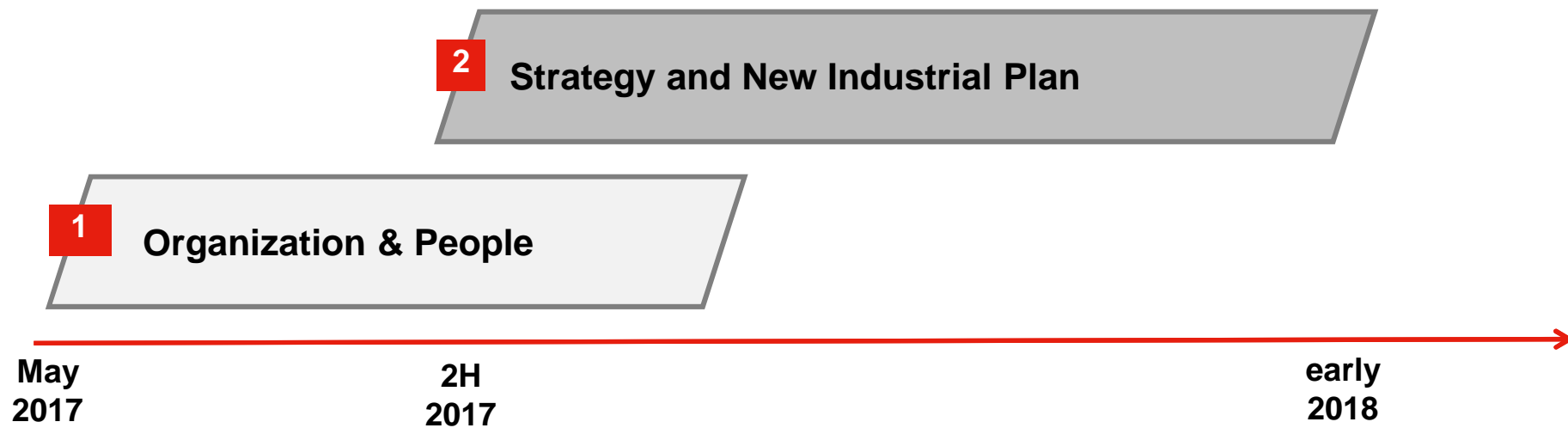
*It is now a healthy, efficient and integrated Company, rich in professionalism, know-how and talent, with the goal to face as true leader the future challenges of global competition”*

**Clear priorities for Leonardo's sustainable leadership in the long term**



*Our strategy, technologies and innovation, combined with a strong system of values, will be crucial to our success*

## Roadmap towards the strategic update and new Industrial Plan





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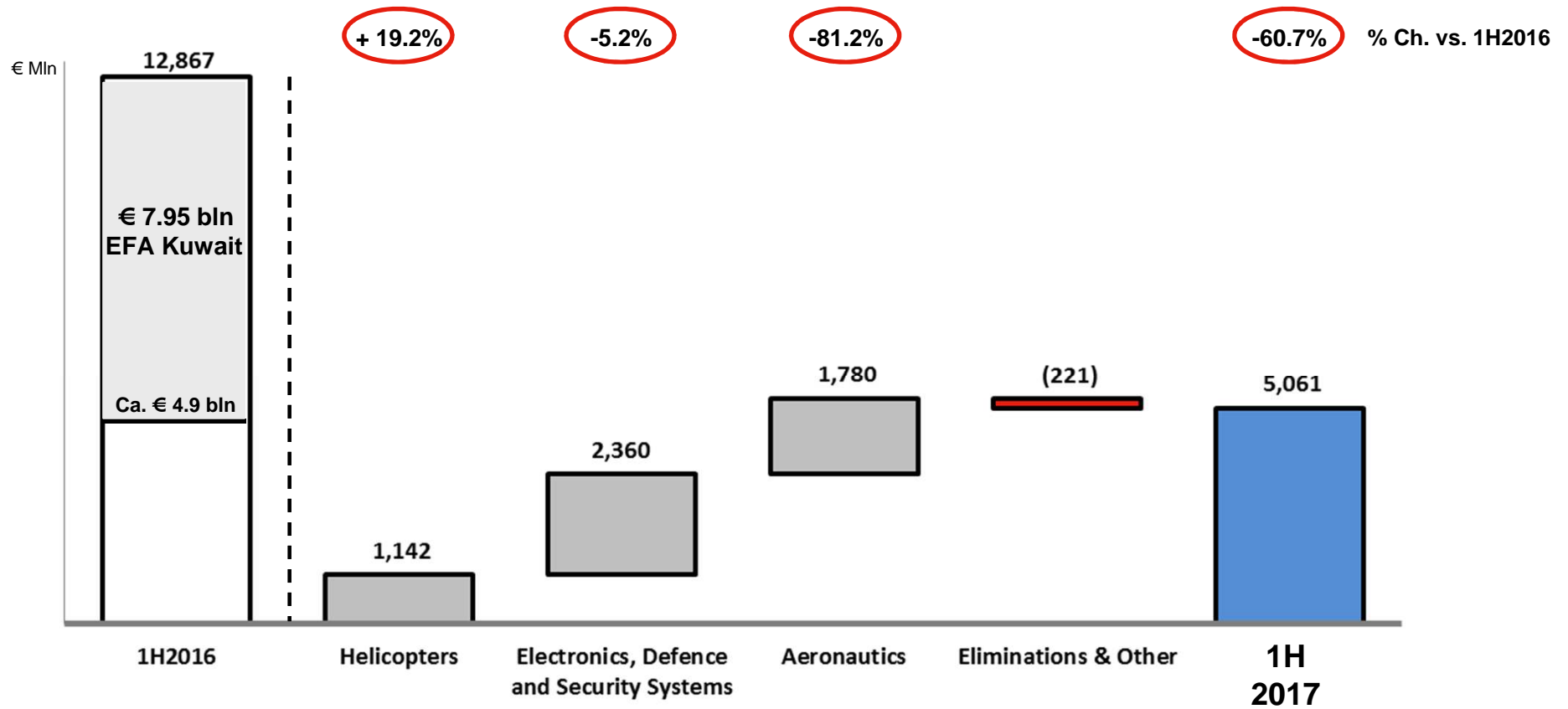
## 1H Key messages

*On track and fully focused on delivering the Industrial Plan*

- ✦ Good commercial performance
- ✦ Stable revenues
- ✦ RoS solidly improved at 9.0% thanks to Aeronautics and E,D&SS
- ✦ FOCF benefitted of Kuwait contract advance payment
- ✦ Net Debt includes the cash outflow due to strategic initiatives (Daylight Solutions / Avio) and dividends
- ✦ FY2017 Guidance confirmed

## New Orders

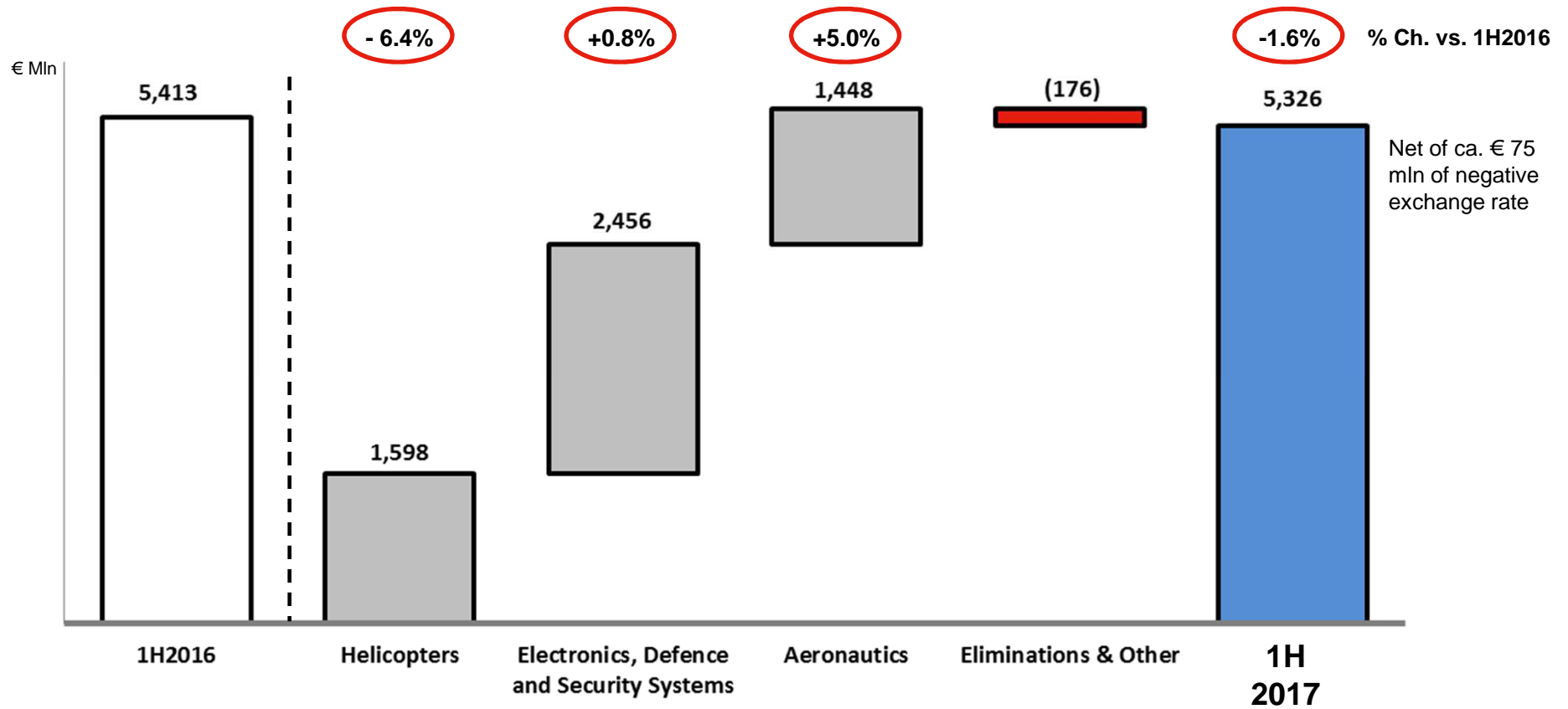
*Good momentum in 2017 confirmed*





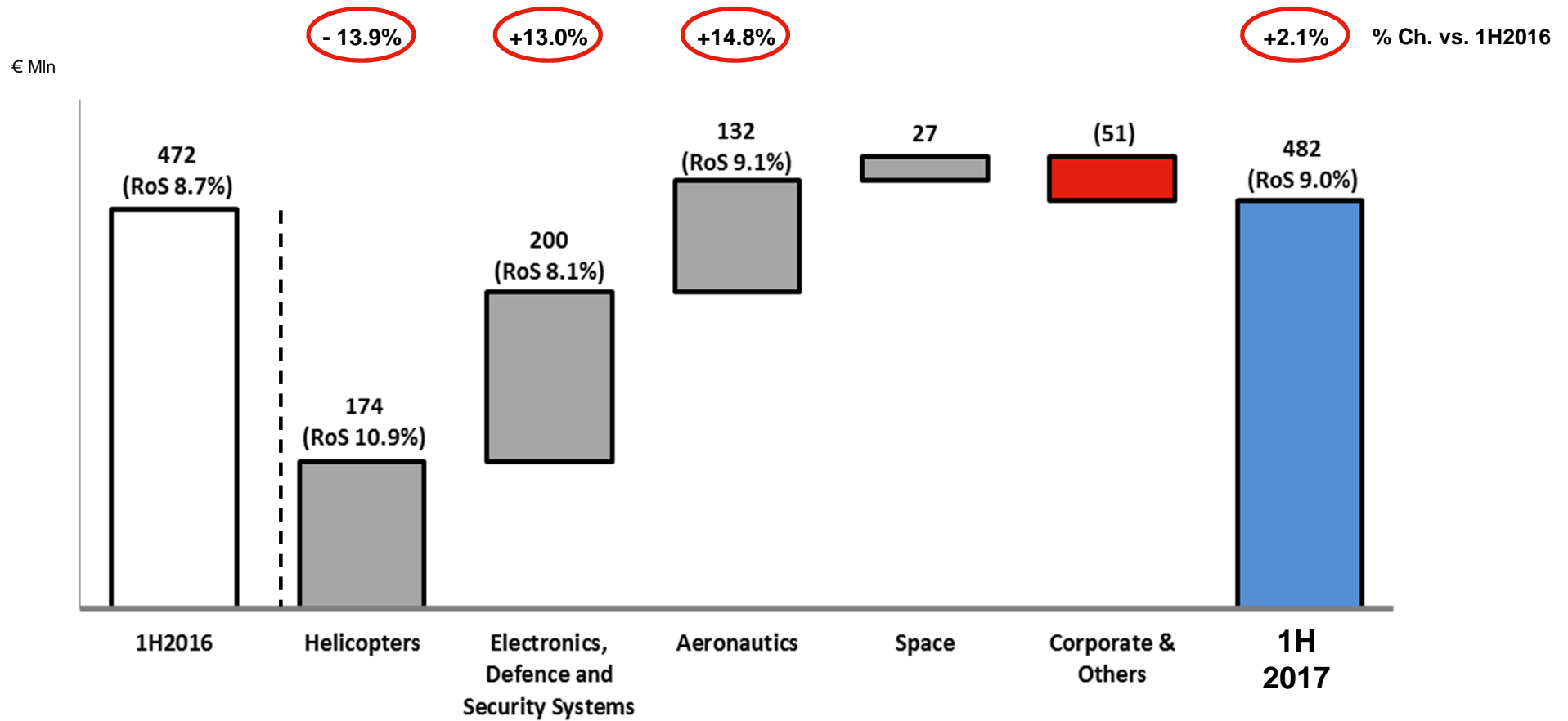
## Revenues

*Closing the gap with 2016*



## EBITA and Profitability

*Steady improvement driven by efficiencies, despite challenges*

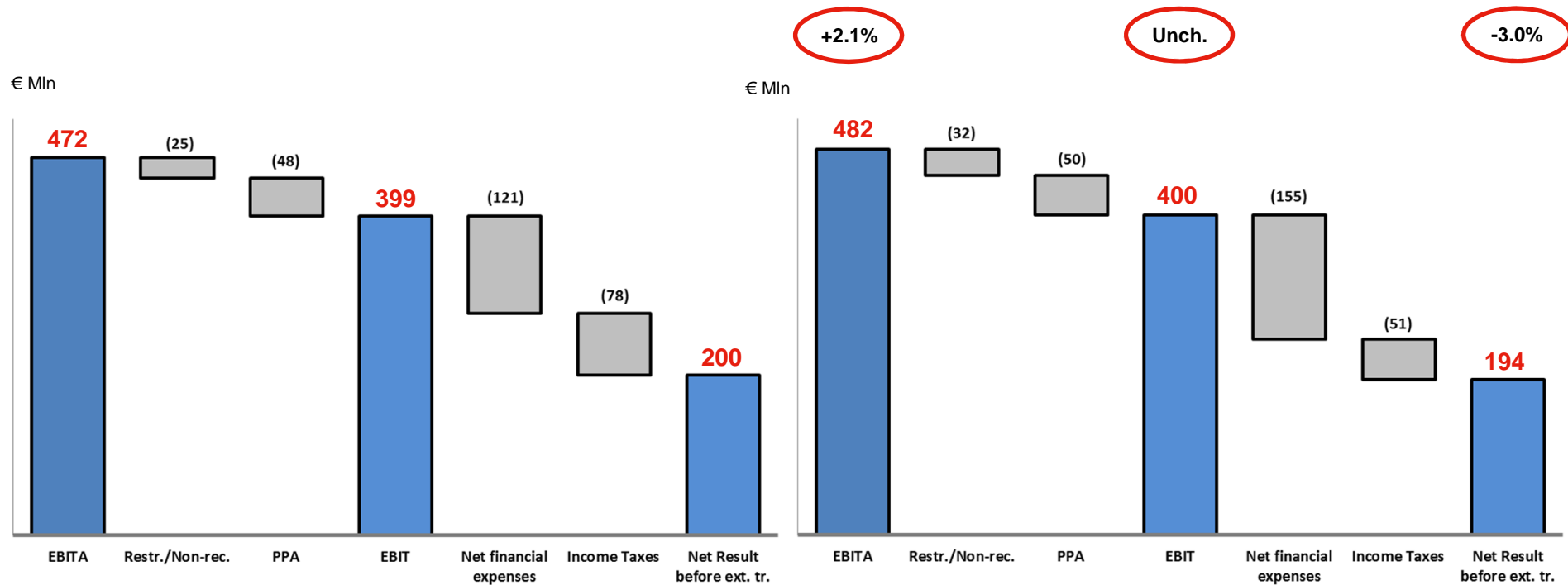



## Net Result Before Extraordinary Transactions

*Solid bottom line*

**1H2016**

**1H2017**



-  Better tax management offset higher Net financial expenses (benefitting from positive fair value in 2016 for approx. € 30 mln)

## FY2017 Guidance reaffirmed

		FY2016A	FY2017E*	
<b>New orders</b>	€ bn	20.0	12.0 – 12.5	Higher than 2016 (excluding Kuwait) still in a context of challenging markets
<b>Revenues</b>	€ bn	12.0	ca. 12.0	Stabilising and consolidating the current focus on the core business
<b>EBITA</b>	€ mln	1,252	1,250 – 1,300	further improvement also in profitability
<b>FOCF</b>	€ mln	706	500 – 600	2016-2017 cumulative net effect of the EFA Kuwait advance payment confirmed at ca. € 600 mln
<b>Group Net Debt</b>	€ bn	2.8	ca. 2.5	including the acquisition of Daylight Solutions and the payment of dividend for € 0.14 p.s.

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



**Q&A**



# **SECTOR RESULTS**

## 1H2017 results

### Helicopters

	2Q			1H			FY
	2017	2016	% Change	2017	2016	% Change	2016
€ Mln							
Orders	683	574	19.0%	1,142	958	19.2%	3,737
Revenues	887	898	(1.2%)	1,598	1,708	(6.4%)	3,639
EBITA	101	119	(15.1%)	174	202	(13.9%)	430
ROS %	11.4%	13.3%	(1.9) p.p.	10.9%	11.8%	(0.9) p.p.	11.8%

- \* Higher orders YoY, still in challenging and uncertain markets
- \* Stabilisation of production volumes reduced the YoY gap in Revenues
- \* Double-digit profitability solidly maintained
- \* FY2017 Revenues and profitability broadly in line with 2016

## 1H2017 results

### Electronics, Defence & Security Systems\*

€ Mln	2Q			1H			FY
	2017	2016	% Change	2017	2016	% Change	2016
Orders	1,321	1,273	3.8%	2,360	2,490	(5.2%)	6,726
Revenues	1,310	1,303	0.5%	2,456	2,437	0.8%	5,468
EBITA	116	121	(4.1%)	200	177	13.0%	558
ROS %	8.9%	9.3%	(0.4) p.p.	8.1%	7.3%	0.8 p.p.	10.2%

- ✳ Good commercial performance even with some expected declines
- ✳ Revenues in line YoY
- ✳ Profitability continued to improve due to Industrial Plan actions and recovery in some areas

Of which  
DRS:

\$ Mln	2Q			1H			FY
	2017	2016	% Change	2017	2016	% Change	2016
Orders	529	468	13.0%	930	890	4.5%	1,923
Revenues	388	407	(4.7%)	783	771	1.6%	1,753
EBITA	24	16	50.0%	49	33	48.5%	128
ROS %	6.2%	3.9%	2.3 p.p.	6.3%	4.3%	2.0 p.p.	7.3%

- ✳ 2017 Revenues and Profitability substantially in line with 2016
- ✳ DRS expected to confirm the business growth and a further increase in profitability

Avg. exchange rate €/€ @ 1.0825 in 1H2017  
Avg. exchange rate €/€ @ 1.1157 in 1H2016

\*includes Defence Systems as a Division, DRS and MBDA



## 1H2017 results

### Aeronautics

	2Q			1H			FY
	2017	2016	% Change	2017	2016	% Change	2016
€ Mln							
Orders	543	8,492	(93.6%)	1,780	9,485	(81.2%)	10,158
Revenues	792	741	6.9%	1,448	1,379	5.0%	3,130
EBITA	86	74	16.2%	132	115	14.8%	347
ROS %	10.9%	10.0%	0.9 p.p.	9.1%	8.3%	0.8 p.p.	11.1%

- \* Significant New Orders in both Divisions
- \* Revenues started to see the contribution of EFA Kuwait contract
- \* Higher EBITA driven by both Divisions: *Aircraft* (EFA) and *Aerostructures* (industrial efficiencies)
- \* 2017 Revenues in line with 2016, with “Double digit” profitability confirmed

## 1H2017 results

### Space

	2Q			1H			FY
	2017	2016	% Change	2017	2016	% Change	2016
EBITA	19	25	(24.0%)	27	29	(6.9%)	77

€ Mln

- ✦ Results substantially in line with 2016 with flattish Manufacturing and a slight decline in Services
- ✦ 2017 Profitability in line with 2016, with growing Manufacturing Revenues



# APPENDIX

## 1H2017 results

### Group Performance

	2Q			1H			FY
	2017	2016	% Change	2017	2016	% Change	2016
€ Mln							
New Orders	2,414	10,303	(76.6%)	5,061	12,867	(60.7%)	19,951
Backlog				33,923	34,996	(3.1%)	34,798
Revenues	2,850	2,877	(0.9%)	5,326	5,413	(1.6%)	12,002
EBITA	295	308	(4.2%)	482	472	2.1%	1,252
ROS %	10.4%	10.7%	(0.3) p.p.	9.0%	8.7%	0.3 p.p.	10.4%
EBIT	245	265	(7.5%)	400	399	0.3%	982
EBIT Margin	8.6%	9.2%	(0.6 p.p.)	7.5%	7.4%	0.1 p.p.	8.2%
Net result before extraordinary transactions	116	144	(19.4%)	194	200	(3.0%)	545
Net result	116	146	(20.5%)	194	210	(7.6%)	507
EPS (€ cents)	0.202	0.254	(20.5%)	0.338	0.365	(7.4%)	0.879
FOCF	(104)	83	(225.3%)	(531)	(793)	33.0%	706
Group Net Debt				3,577	4,233	(15.5%)	2,845
Headcount				45,655	46,732	(2.3%)	45,631

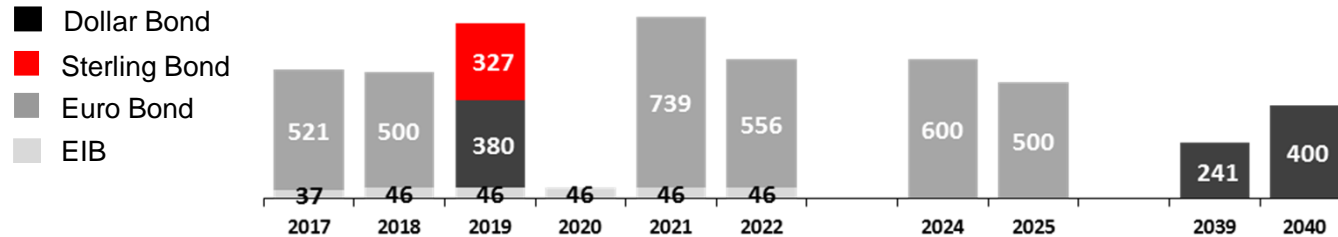
## Financial position (as of end of June 2017) and Rating

### FINANCIAL POSITION

Bond	4.822
Bank Debt including EIB Loan	294
Cash Available	(1.842)
Other Financial Asset/Liabilities	303
	<b>3.577</b>

(€mil)

Average life: ≈ 6 years



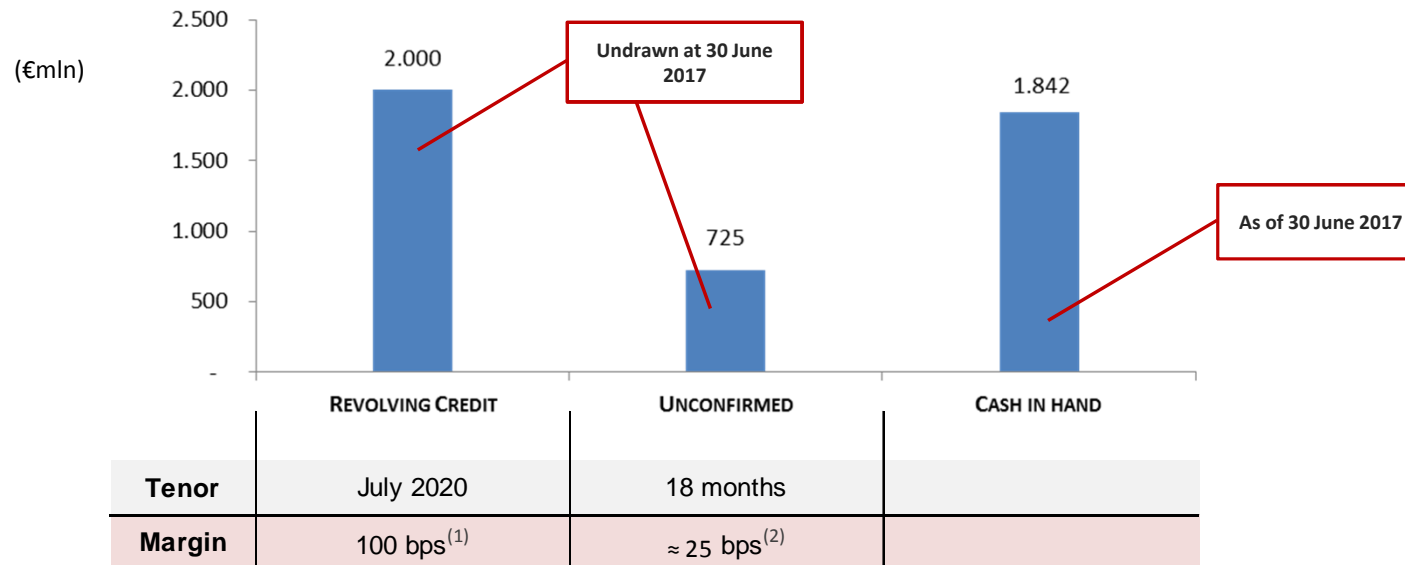
	As of today	Before last review	Date of review
<b>Moody's</b>	Ba1 / Positive Outlook	Ba1 / Stable Outlook	May 2017
<b>S&amp;P</b>	BB+ / Stable Outlook	BB+ / Negative Outlook	April 2015
<b>Fitch</b>	BB+ / Positive Outlook	BB+ / Stable Outlook	October 2016

## Liquidity position (as of end of June 2017)

### Availability of adequate committed liquidity lines

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

- 30 June 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 €4.1 Billion to support Leonardo's commercial activity



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

(2) Average. Expected to be renewed at maturity

## 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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## 2016 Annual Results

### Quick links

[Annual report 2016](#)

[Press release](#)

[Video webcast](#)

 [Video channel](#)

 [Slide channel](#)

## Sustainability



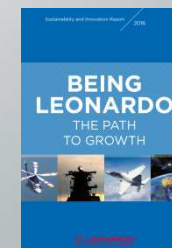
Member since 2010



Participation since 2008



Member since 2016



[Sustainability and Innovation Report 2016](#)

We do business in a sustainable manner, with a continued commitment to economic and social development and the protection of public health and the environment.