



FY 2016 Results & 2017-2021 Industrial Plan

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CEO & General Manager

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London, 16 March 2017



2013 – 2016 KEY ACHIEVEMENTS
(CEO and General Manager)

2016 RESULTS AND OUTLOOK
(CFO)

2017-2021 INDUSTRIAL PLAN: DEVELOPMENT AND GROWTH
(CEO and General Manager)

Key messages

- * 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 going to move forward and develop and grow
- * 2016 was another year of very good performance...That enables us to restart proposing a dividend payment of € 14 cents per share
- * And we are committed to continuing to deliver more progress in the future:
Development and Growth

Delivering 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...
 - * streamlining industrial process (Engineering, Supply Chain, Manufacturing)
- * ... and cash flow generation
- * Strengthening 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)
- * Strengthening the core business: increased stake in Avio

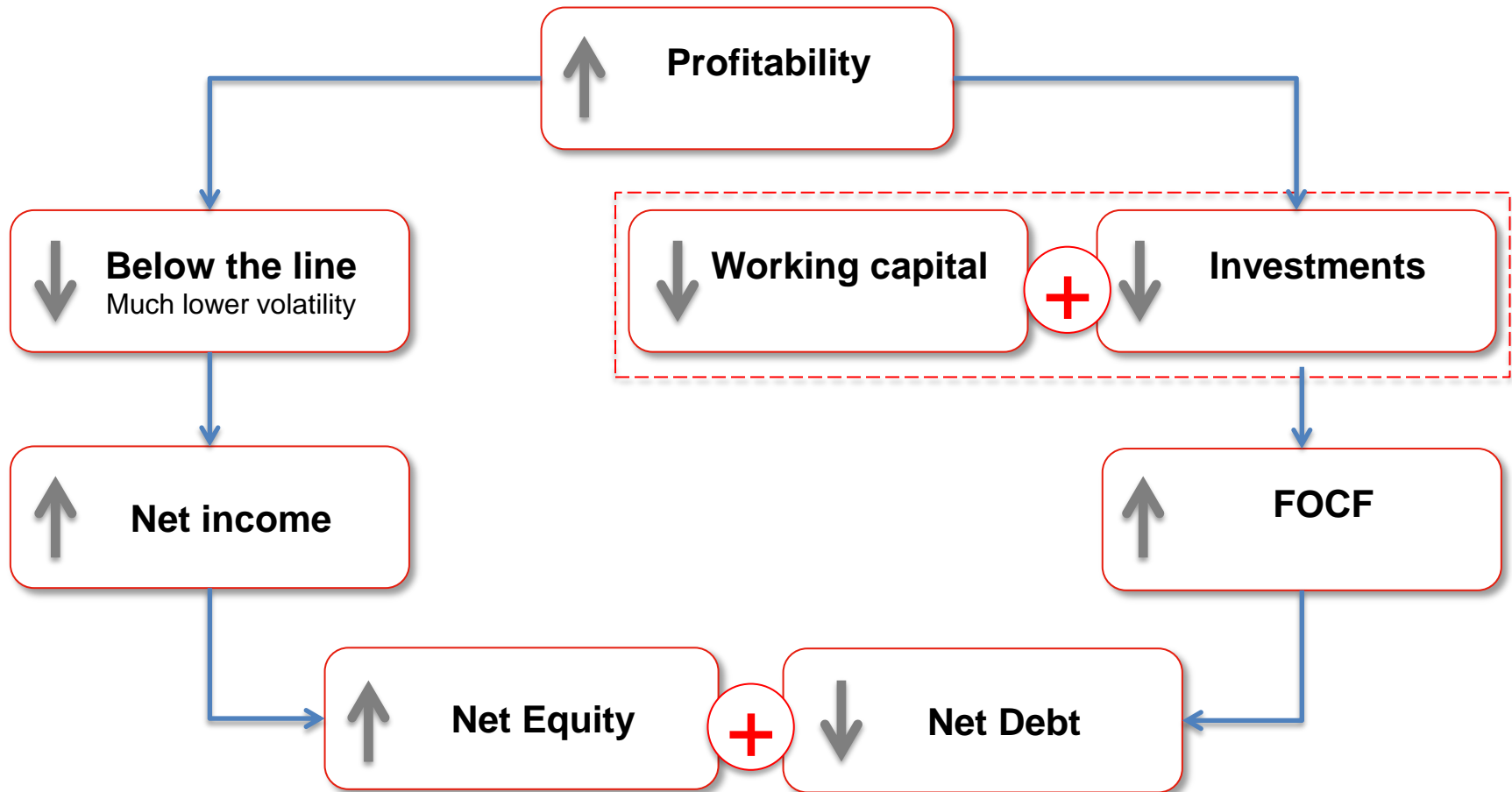
**INDUSTRIAL
EFFICIENCY**

**CUSTOMER
FOCUS**

**CORE
BUSINESS
GROWTH**

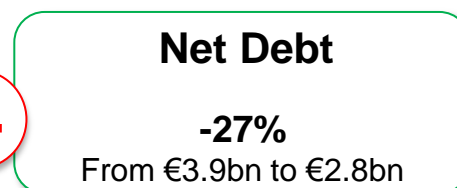
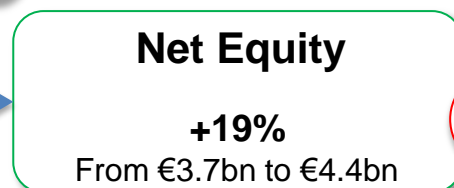
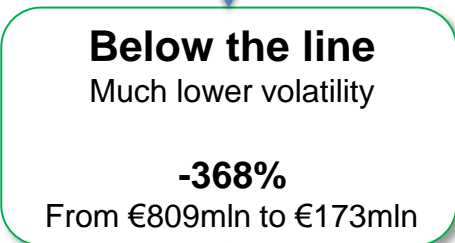
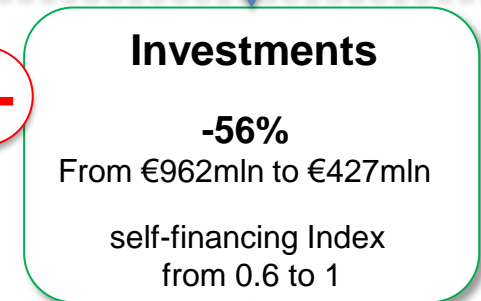
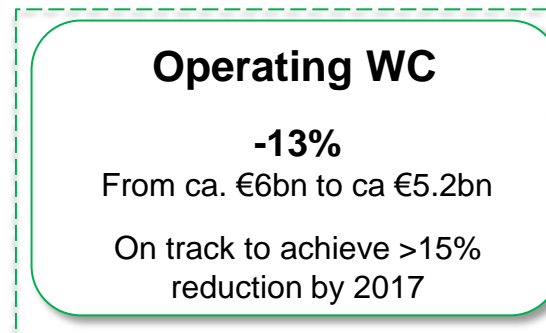
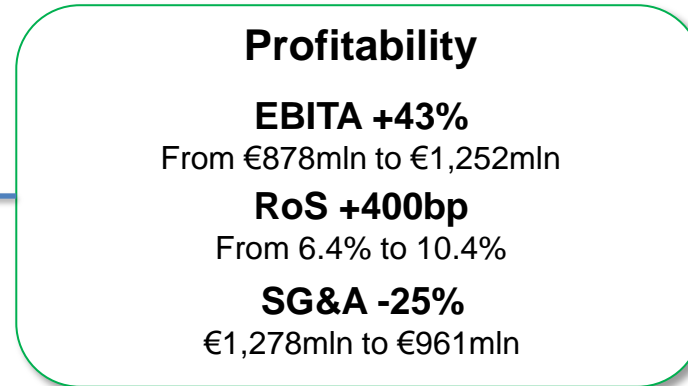
SUSTAINABILITY

So this is what I told you we would do in January 2015...



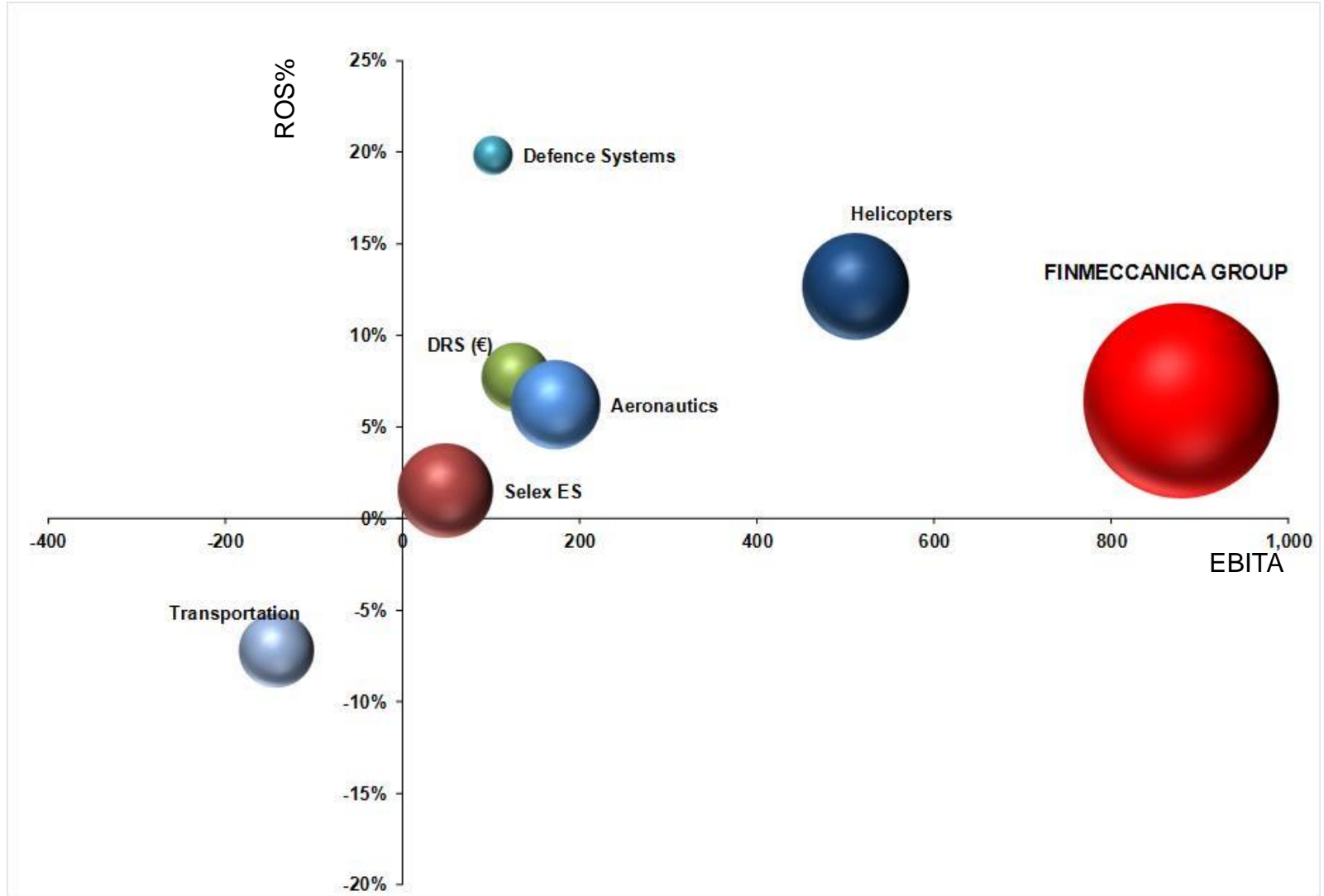
More balanced and flexible Capital Structure to support DEVELOPMENT

... and this is what we delivered
2016 vs. 2013



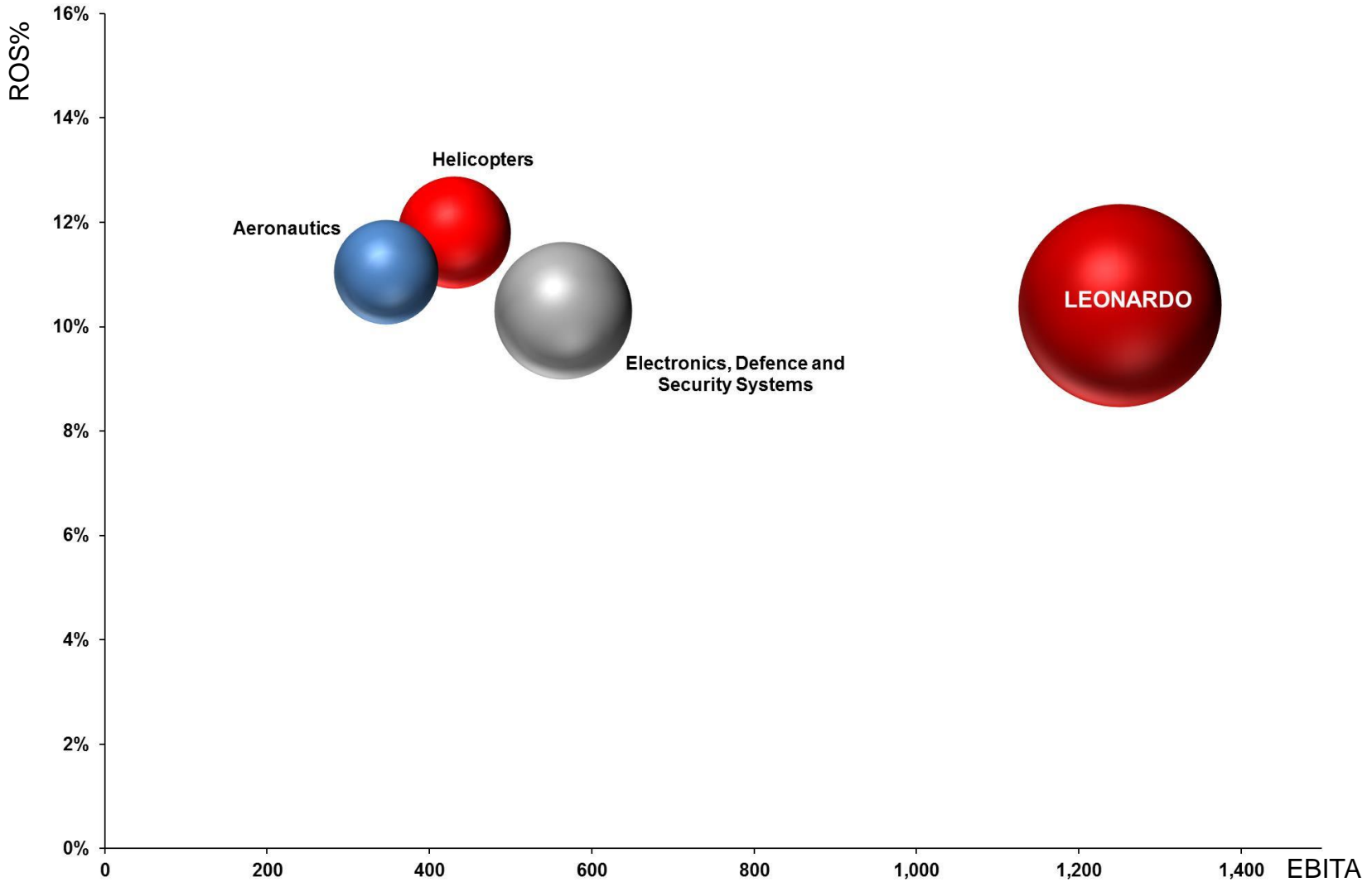
Finmeccanica in 2013*

EBITA (€M) - EBITA%



*Space sector consolidated under the Equity Method

Leonardo today*
EBITA (€M) - EBITA%



*Space sector consolidated under the Equity Method

2013 – 2016 KEY ACHIEVEMENTS
(CEO and General Manager)

2016 RESULTS AND OUTLOOK
(CFO)

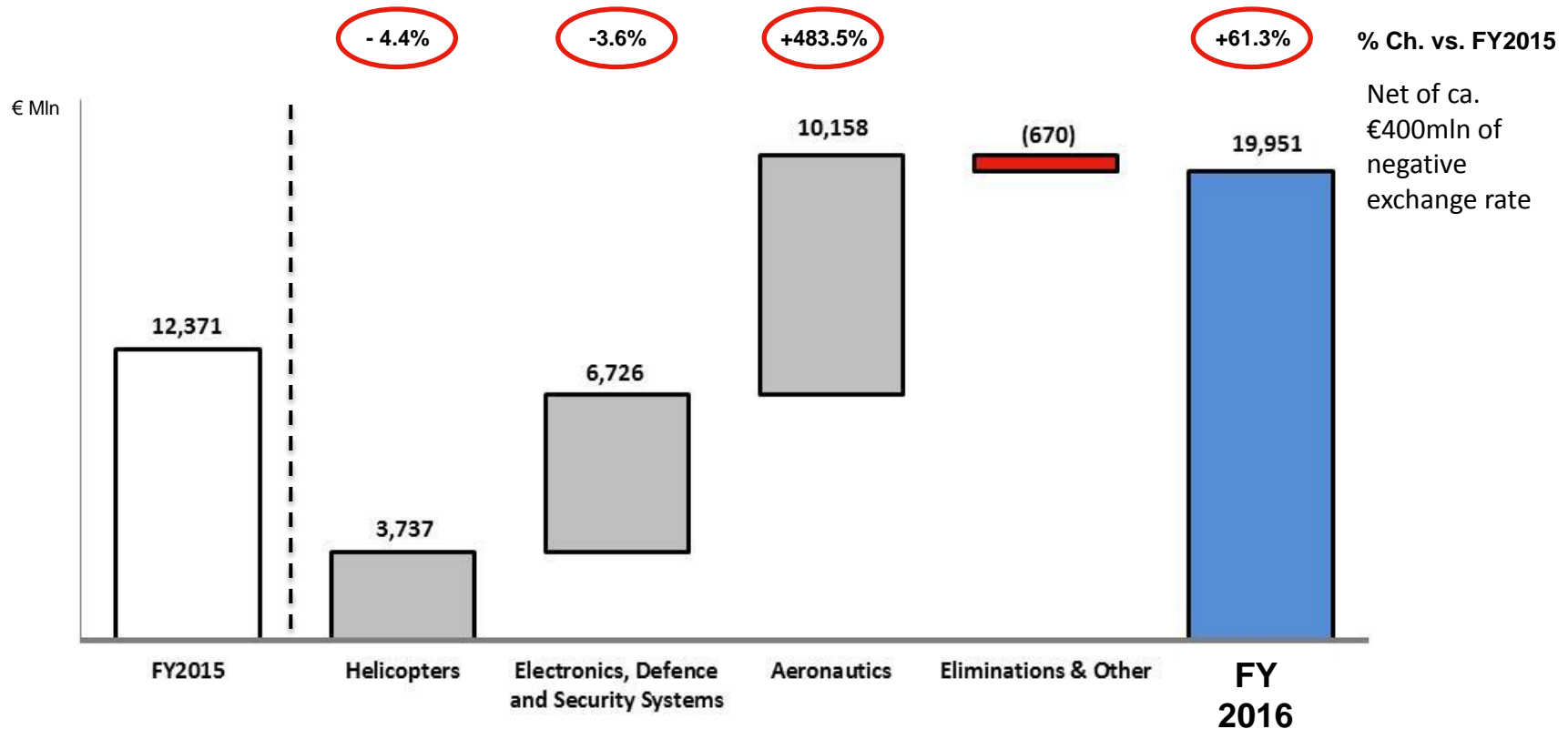
2017-2021 INDUSTRIAL PLAN: DEVELOPMENT AND GROWTH
(CEO and General Manager)

Key messages

- * Strong delivery of Industrial Plan
- * Continued benefits from a stronger, more solid and better balanced portfolio
 - * ca.€20bn of new orders, book to bill at 1.7x
 - * Aeronautics and Electronics, Defence & Security Systems continue to outperform vs expectation
 - * Helicopters ended 2016 strongly, even in though market conditions
- * Resulting in another year of delivery in line with guidance
 - * Orders, revenues and EBITA as expected, with major step up in net result due to lower below the line, financial charges and taxes
- * FOCF at €706mln, higher compared to the original expectation, due to the net impact of the first advance payment for the Eurofighter Kuwait. Total 2016-2017 cumulated net impact reconfirmed at ca. EUR 600 million
- * Net debt at €2.8bn despite negative forex effect
- * Continued progress expected in 2017

New Orders

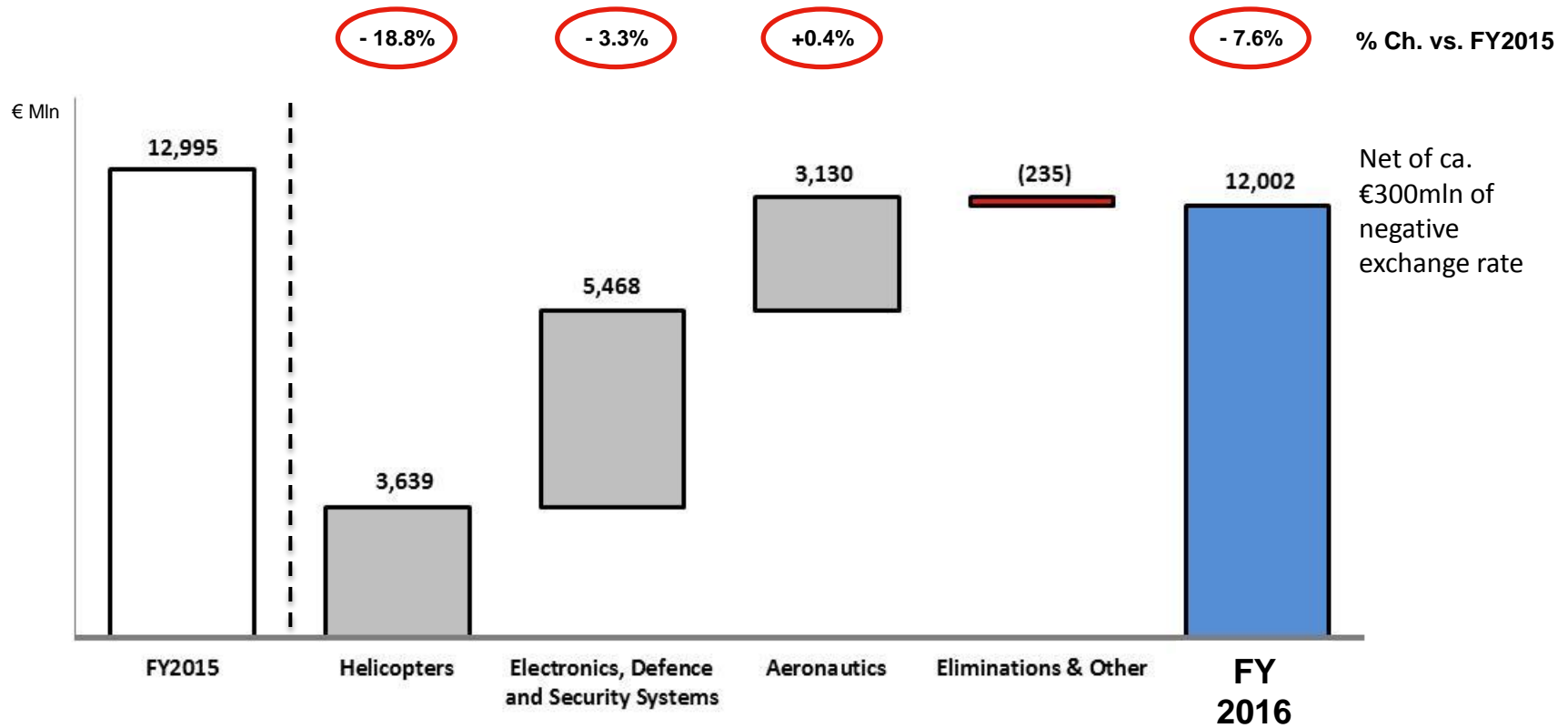
All the Sectors with book-to-bill above 1



- ✱ New orders benefitting from the €7.95bn Eurofighter Kuwait contract
- ✱ Also excluding the EFA-Kuwait, Aeronautics (M346, ATR and B787) increases YoY offsetting decline in Electronics, Defence and Security Systems (due €/\$ translation effect) and Helicopters

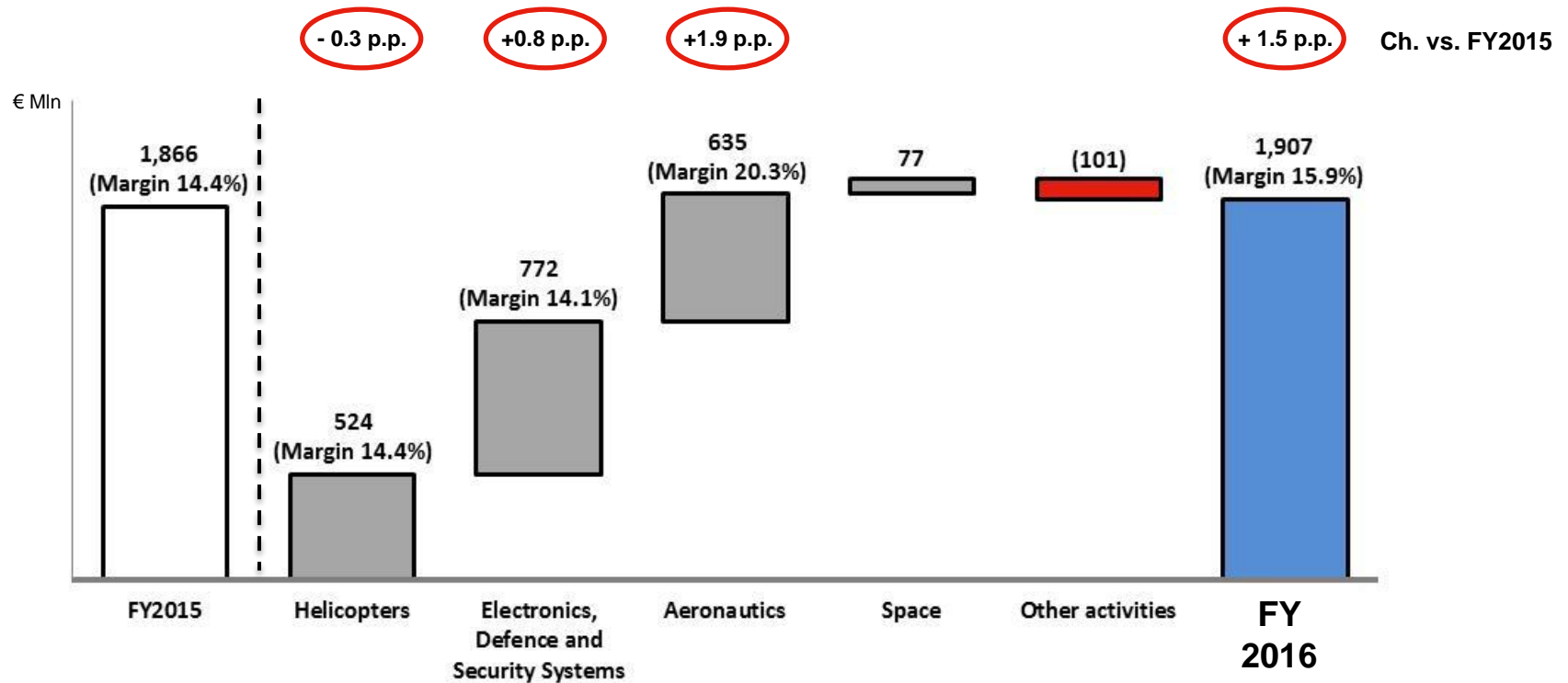
Revenues

Lower YoY due to change in perimeter, shortfall in Helicopters and forex



Profitability improvement

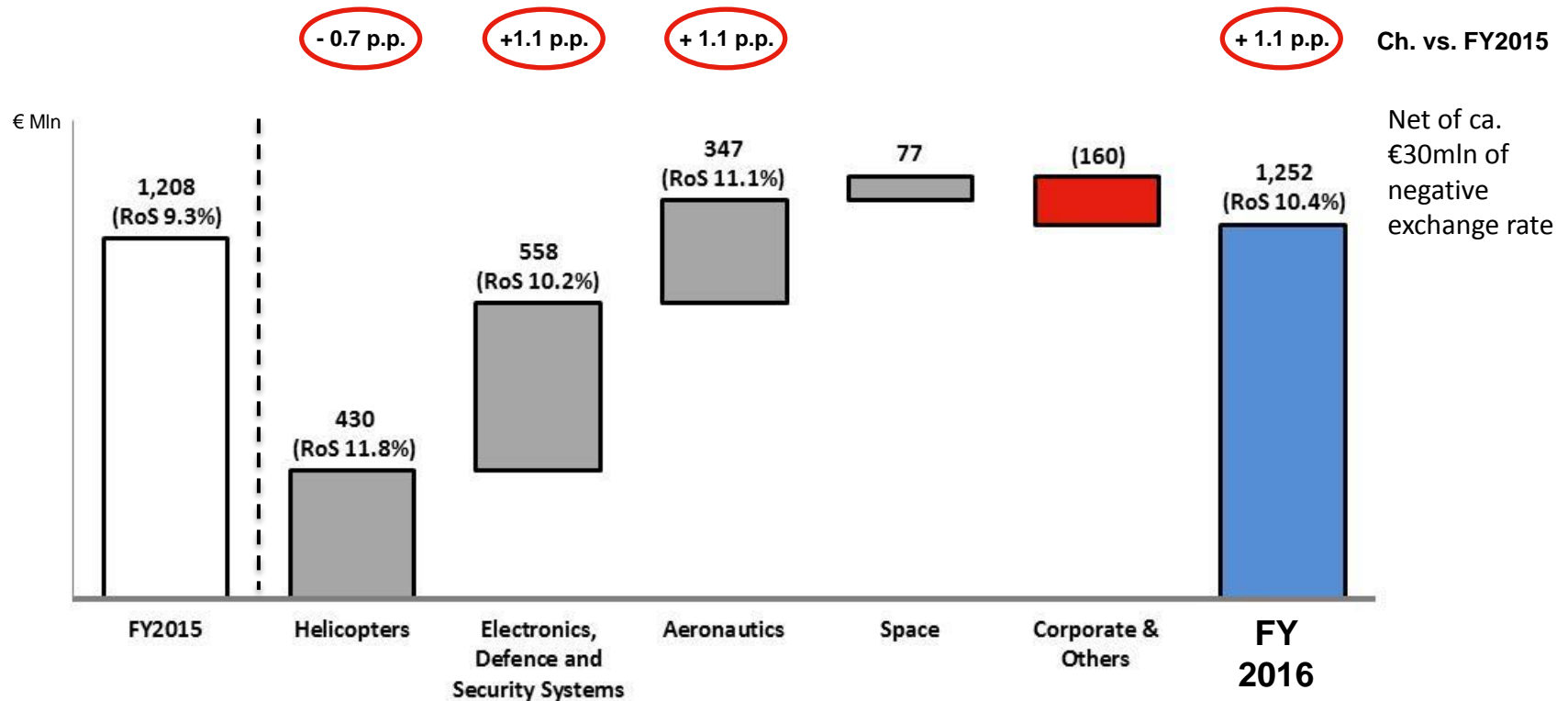
EBITDA improving trend continues, margin 150bp higher YoY



EBITDA per capita +50% vs 2013, at 40k

Profitability improvement

All Sectors above 10% RoS

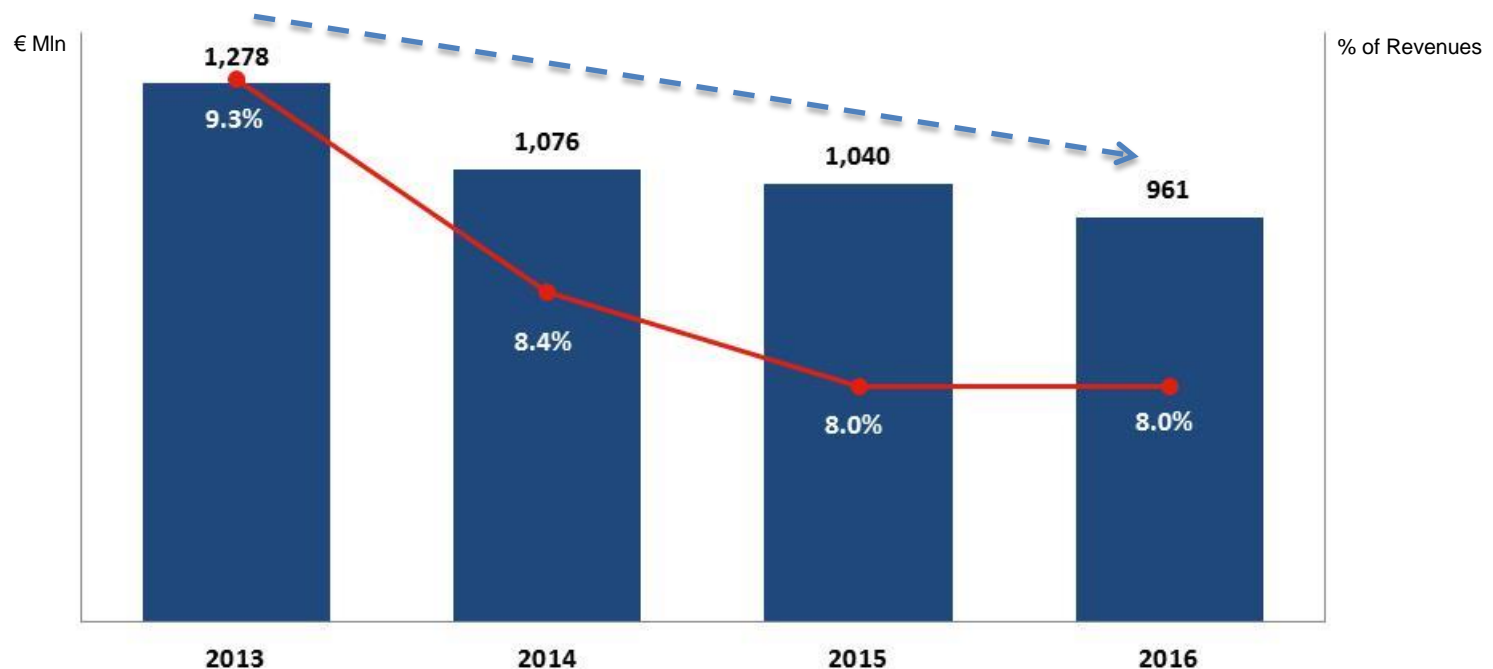


- EBITA increases despite lower volumes and negative impact of €/GBP
- Continuous improvement in Electronics, Defence & Security Systems and Aeronautics
- Delivering on promises in Helicopters: profitability at ca.12% showing resiliency in challenging market conditions

SG&A

Target exceeded and further optimisation to come

- ✦ SG&A reduction target of >10% from 2013 to 2015 exceeded, leveraging on cost cutting initiatives
- ✦ Additional 7% reduction achieved in 2016 vs 2015



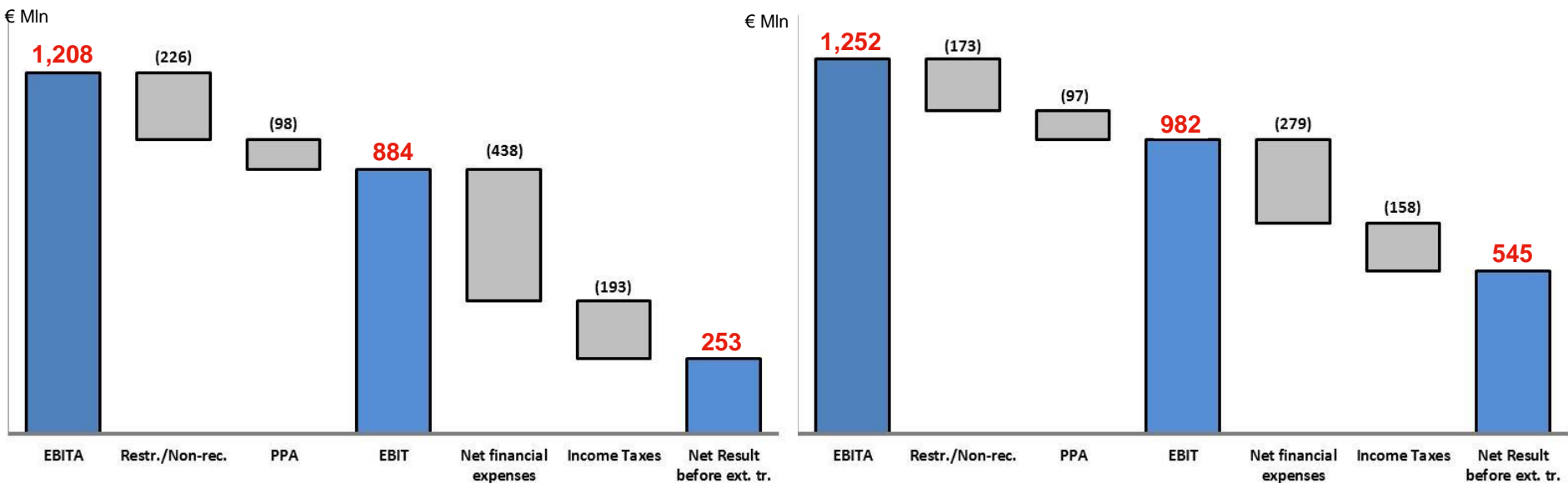
- ✦ Further optimisation expected in 2017-2021 thanks to the full implementation of the “One Company”
- ✦ SG&A to remain below 8% of Revenues

Net Result Improvement

More than doubled on lower below the line and net financial expenses

FY2015

FY2016



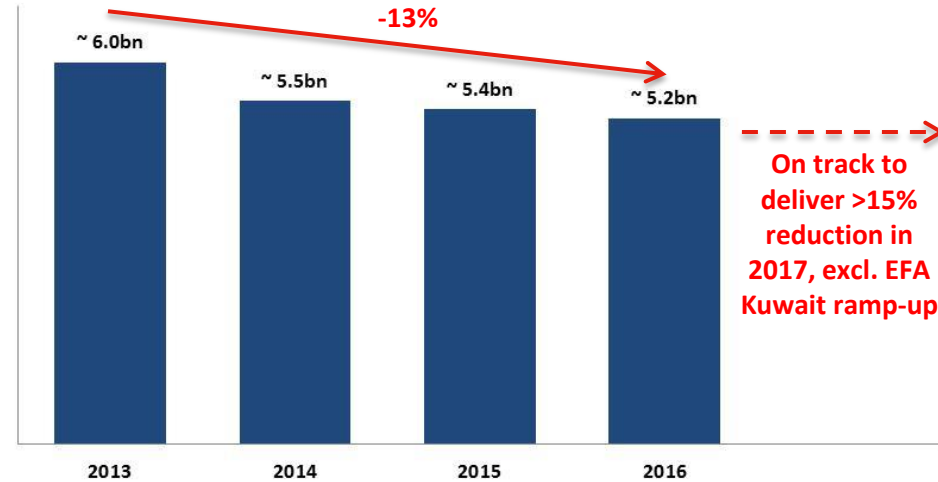
- ✳ “Below the line” materially reduced, with volatility fully under control
- ✳ Significant reduction of net financial expenses
 - ✳ Lower financial costs from Bond buy back and renegotiation of the RCF (July 2015)
 - ✳ Positive effect of fair value
- ✳ Lower tax rate

Net Invested Capital streamlining

Target exceeded on investments and on track to deliver Working Capital reduction

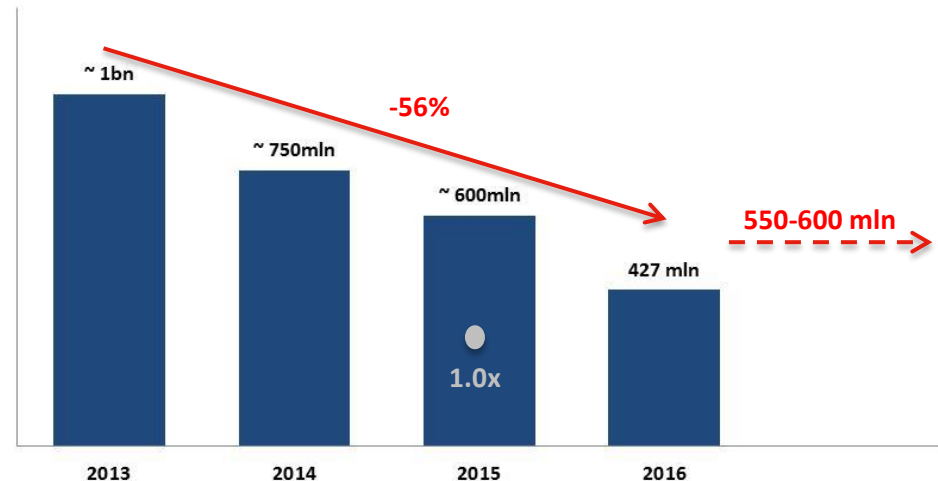
Working Capital net of Customer Advances

- Customer Advances expected to decrease YoY (approx -6% per year), excluding EFA Kuwait
- Net of Customer advances impact, initiatives put in place lead to an operating working capital reduction
- Reducing trend also in 2016.
- More to be done but on track to reach 2017 target, before taking into account the impact of EFA Kuwait ramp-up



Material rationalisation of Investments (CAPEX + R&D)

- >20% reduction target and already 1x self-financing index target achieved in 2015.
- 2016 temporary reduction in the level of investments
- From 2017 onwards investments expected to remain broadly flat at ca. €550-600mln
- Investments aimed at sustaining the business in the future confirmed, key programmes not delayed



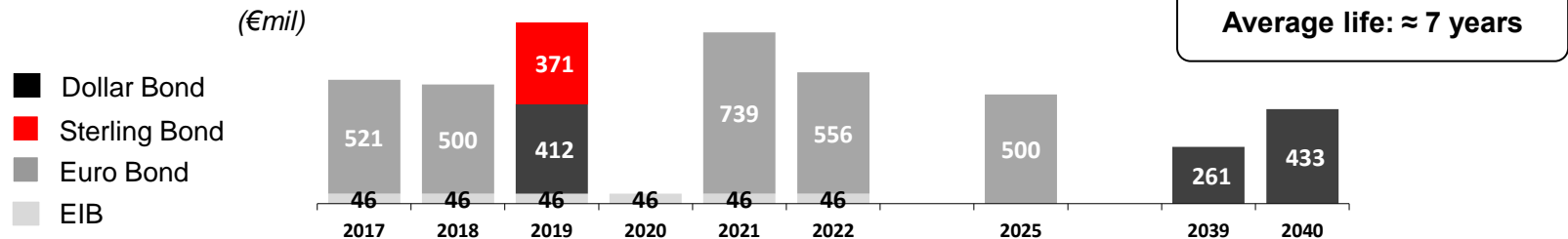
Balance Sheet solidity

Financial position and Credit Rating (as of end of December 2016)

FINANCIAL POSITION

Bond	4.292
EIB Loan	278
Cash Available	(2.167)
Other financial assets/liabilities	442
	<u>2.845</u>

Debt maturity profile



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

FY2017 Guidance

- ✦ **New Orders:** increasingly selective with tighter return criteria, to reduce execution risk and improve quality of results
- ✦ **Revenues:** expected to be broadly flat
- ✦ **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 proposed 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

Development and Growth based on solid foundation

- * 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

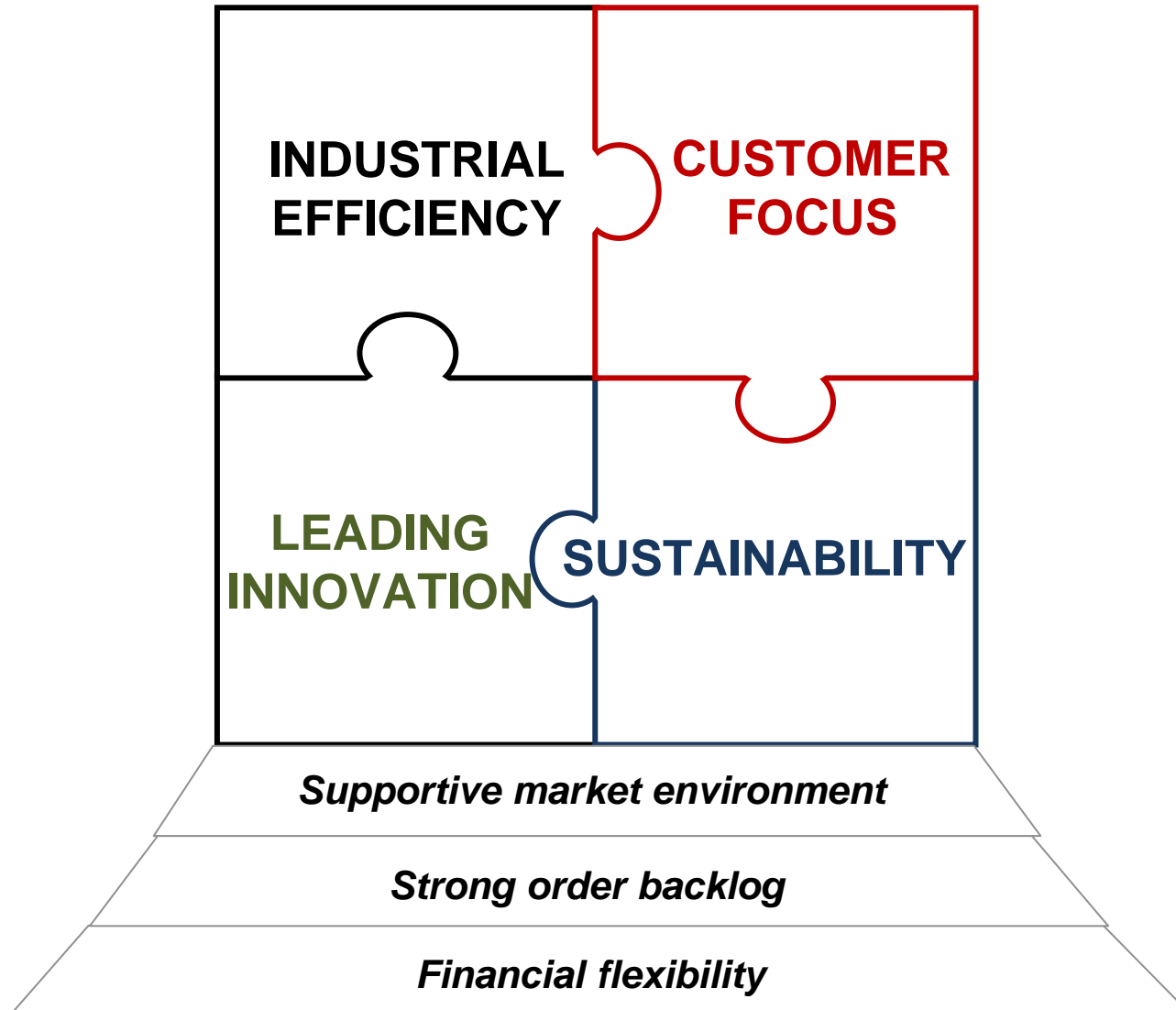


2013 – 2016 KEY ACHIEVEMENTS
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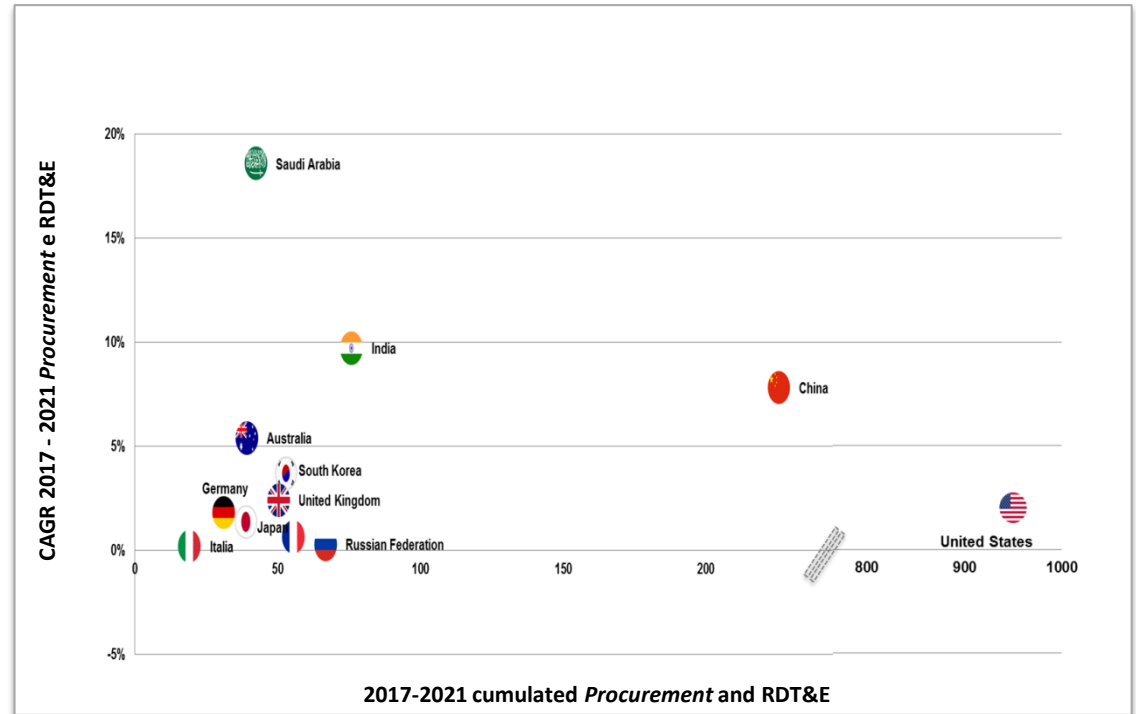
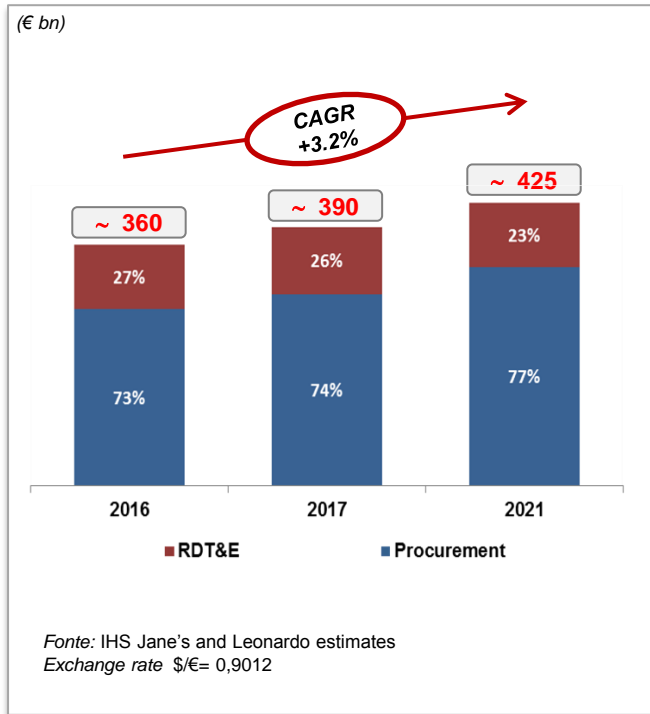
The new phase: Development and Growth
2017 – 2021 Industrial Plan



Strong Foundations

A supportive market environment

PROCUREMENT e RD&TE (2016 – 2021) – VALUES %



- ✿ Defence spending expected to grow 3%
- ✿ Italy expected to decline and internationalisation is key
- ✿ Fastest growth in new markets (i.e. China, India, Middle East)

- ✿ Specific opportunities
- ✿ European Defence Fund
- ✿ Potential acceleration of US defence spending
- ✿ Under spend of NATO countries

Strong Foundations
Robust Order Book

AERONAUTICS



- ✦ Eurofighter Kuwait
- ✦ B787

ELECTRONICS, DEFENCE & SECURITY SYSTEMS



- ✦ Italian Naval Law
- ✦ FSOM (avionic support services for the Typhoon aircraft)
- ✦ IFF (Identification Friend or Foe)

HELICOPTERS



- ✦ AW Family
- ✦ New Exploration and Escort helicopter
- ✦ UK IOS and Customer support

Strong Foundations

Capital strenght to invest

Disciplined financial strategy in using our resources

- ✦ Investment grade
- ✦ Debt reduction
- ✦ Strategic investments
- ✦ Shareholders' remuneration

Development & Growth Actions

Four Growth Pillars

INDUSTRIAL EFFICIENCY (CENTRES OF EXCELLENCE)

- ✦ Continuing on the efficiency path
 - ✦ Engineering, exploiting commonalities of transversal technologies
 - ✦ Manufacturing, focusing on centers of excellence
 - ✦ Increase the centralisation of Procurement
- ✦ Extending unified ICT system to suppliers / Client

CUSTOMER FOCUS

- ✦ «One Company» model established in UK
- ✦ One single international presence focused on key countries
- ✦ Affordability and Customer Intimacy to fulfill customer needs and increase competitiveness
- ✦ Integrated offering and focus on service/through-life solutions

CORE BUSINESS GROWTH

- ✦ Enhancing innovative technologies
- ✦ Organic growth by focusing on products/systems of excellence
- ✦ Evaluating options of external growth

SUSTAINABILITY

- ✦ Responsible business conduct (reputation and reliability)
- ✦ LT value creation of Supply Chain, Engineering and Manufacturing
- ✦ HR evolution (talent development)

Industrial Efficiencies

To be leveraged from phase 1; more opportunities in phase 2

2014 – 2016 actions



SUPPLY CHAIN PROCUREMENT

- ✦ Common rules
- ✦ One single centralized process (register, supplier portal, black list)
- ✦ Direct costs efficiency (saving equipment, sub-supplies and materials)
- ✦ “Should Cost” approach to reduce unit costs
- ✦ Reduce controllable costs and Material handling

ENGINEERING

- ✦ Productivity and efficiency programs
- ✦ Reduce off-load on core activities
- ✦ Internalisation and training plan

MANUFACTURING

- ✦ Industrial efficiency implementation
- ✦ Reduce controllable costs of establishment, overhead and hourly rates
- ✦ Exploit synergies between sites

Further opportunities

- ✦ Continue to execute on long-term efficiency programmes
- ✦ Further benefits to be extracted
- ✦ Fully leverage the One Company
- ✦ To deliver Group synergies
- ✦ Specific opportunities
 - ✦ Procurement centralisation
 - ✦ Aeronautics manufacturing
 - ✦ In sourcing
 - ✦ Asset optimisation across divisions (skills, facilities)
 - ✦ Centers of excellence

- ✦ EBITA from €878mln to €1,252mln +43%
- ✦ ROS from 6.4% to 10.4% (+400 bp)
- ✦ EBITA per Capita + 70%

RoS to 11% by mid-term of the plan

Customer focus

At the heart of our growth agenda

INTERNATIONALISATION

CUSTOMER INTIMACY

**CUSTOMER
FOCUS**

**AFFORDABILITY &
COMPETITIVE
PRODUCT PORTFOLIO**

**NEW BUSINESS
MODELS**

Core Business Growth

Opportunities in Existing Programmes

AERONAUTICS



Leader in trainers, also leveraging on new business models (i.e. Service)

- ✦ Areas of excellence in proprietary platforms (i.e. trainers)
- ✦ Reference role in major international cooperation programs (i.e. EFA, MALE)
- ✦ Complete portfolio of cutting edge products and services in Training
- ✦ Further strengthen the role in international cooperation programs
- ✦ Develop the activities of Customer Support & Service

HELICOPTERS



Becoming a technology leader to play a key role in the industry consolidation process

- ✦ Portfolio of innovative and competitive products
- ✦ Higher profitability compared to peers
- ✦ Negative conjuncture linked to the market environment
- ✦ Continue to invest in dual-use platforms to compete on international markets (i.e. AW149 - Exploration and Escort helicopter, AW189/169)
- ✦ Further strengthen the Customer Support & Service

Core Business Growth

Opportunities in Existing Programmes

ELECTRONICS, DEFENCE & SECURITY SYSTEMS



European leader with enhanced capacity of international penetration

- ✦ Technologies and solutions in all domains (land, sea, air, cyber), with some areas of excellence
- ✦ Consolidated position in Europe; significant results achieved in export markets
- ✦ Leverage on industrial cooperation projects to enhance positioning in the European consolidation process

SPACE



Strengthen positioning by managing effectively the value chain

- ✦ Review the business model by managing more effectively the value chain in technological developments and rapidly changing competitive environment (new player)
- ✦ Consolidate role in launchers (Avio)

Core Business Growth

Underpinned By Key Innovations Across Our Divisions

MAIN MEDIUM-LONG TERM DRIVERS

NETWORKED CAPABILITIES



Battlefield of Things



Manned-Unmanned Integration

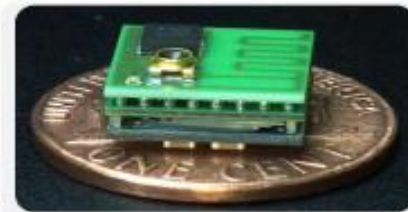


Advanced platforms with networked capabilities

NEW TECHNOLOGIES



Directed Energy Weapons



Nano Devices



Cyber Security

NEW HUMAN MACHINE INTERACTIONS



Wearable Technologies



Human Machine Interfaces



Augmented Reality

Innovation is vital to compete in increasingly challenging markets

Core business growth

Complimented by acquisitions

HELICOPTERS



- Acquiring full control of “Sistemi Dinamici” to further strengthening the unmanned business

SPACE



- Increase stake in Avio from 14% to about 28%, aimed at boosting the space launchers sector

DEFENCE ELECTRONICS AND CYBER



- Acquisition of the US company Daylight Solutions, leader in Quantum Cascade Lasers sector, aimed at reinforcing the opto-electronics segment of Leonardo DRS

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 and shareholders return



Q&A



SECTOR RESULTS

FY2016 Sector results

Helicopters

€ Mln	4Q			FY		
	2016	2015	% Change	2016	2015	% Change
Orders	2,199	1,029	113.7%	3,737	3,910	(4.4%)
Revenues	1,074	1,267	(15.2%)	3,639	4,479	(18.8%)
EBITA	145	177	(18.1%)	430	558	(22.9%)
ROS %	13.5%	14.0%	(0.5) p.p.	11.8%	12.5%	(0.7) p.p.

- ✦ Strong order intake in Q4, as expected, in challenging market conditions, mainly due to the UK AW159 IOS and the new exploration and escort helicopter for Italian Army
- ✦ Revenues down due to persisting tough market conditions (i.e. O&G and other civil segments) and earlier production issues with the new AW169 now resolved
- ✦ Impressively resilient margins of just under 12%, driven by continued focus on efficiencies
- ✦ For the 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 solidly at double digit, in line with 2016

FY2016 Sector results

Electronics, Defence & Security Systems*

€ Mln	4Q			FY		
	2016	2015	% Change	2016	2015	% Change
Orders	2,487	3,174	(21.6%)	6,726	6,974	(3.6%)
Revenues	1,901	1,865	1.9%	5,468	5,656	(3.3%)
EBITA	289	258	12.0%	558	512	9.0%
ROS %	15.2%	13.8%	1.4 p.p.	10.2%	9.1%	1.1 p.p.

- ✦ Good commercial performance, with book to Bill at 1.2x
- ✦ Sharp improvement in profitability due to benefits from Industrial Plan actions and profitability recovery in some areas
- ✦ DRS top line affected by change in perimeter
- ✦ Cost savings actions offsetting lower profitability in DRS due to change in mix of activities
- ✦ 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	4Q			FY		
	2016	2015	% Change	2016	2015	% Change
Orders	439	483	(9.1%)	1,923	2,022	(4.9%)
Revenues	583	508	14.8%	1,753	1,805	(2.9%)
EBITA	65	33	97.0%	128	126	1.6%
ROS %	11.1%	6.5%	4.6 p.p.	7.3%	7.0%	0.3 p.p.

FY2016 Sector results

Aeronautics

€ Mln	4Q			FY		
	2016	2015	% Change	2016	2015	% Change
Orders	368	482	(23.7%)	10,158	1,741	483.5%
Revenues	1,070	978	9.4%	3,130	3,118	0.4%
EBITA	149	149	0.0%	347	312	11.2%
ROS %	13.9%	15.2%	(1.3) p.p.	11.1%	10.0%	1.1 p.p.

- * Very good order intake even excluding the Eurofighter Kuwait (€ 7.95bn)
- * *Aircrafts* revenue increase offsetting slight decline in *Aerostructures*
- * Significant improvement in EBITA driven by *Aerostructures*
- * 2017 revenues expected in line with 2016 and “double digit” profitability confirmed. Profitability benefitting from efficiency-improvement and cost reduction actions aimed at offsetting the winding down of some military programmes and lower contribution from ATR

FY2016 Sector results

Space

	4Q			FY		
	2016	2015	% Change	2016	2015	% Change
EBITA	34	10	240.0%	77	37	108.1%

€ Mln

- ✦ Increase in Manufacturing volumes driven by Telecommunication and Earth Observation; Space Services in line with 2016
- ✦ EBITA materially recovered, as expected
- ✦ 2017 Profitability expected in line with 2016, with growing Manufacturing Revenues



APPENDIX

FY2016 results

Group Performance

	4Q			FY		
	2016	2015	% Change	2016	2015	% Change
€ Mln						
New Orders	4,447	4,580	(2.9%)	19,951	12,371	61.3%
Backlog				34,798	28,793	20.9%
Revenues	3,968	3,994	(0.7%)	12,002	12,995	-7.6%
EBITDA	714	692	3.2%	1,907	1,866	2.2%
<i>EBITDA Margin</i>	18.0%	17.3%	0.7 p.p.	15.9%	14.4%	1.5 p.p.
EBITA	506	463	9.3%	1,252	1,208	3.6%
<i>ROS %</i>	12.8%	11.6%	1.2 p.p.	10.4%	9.3%	1.1 p.p.
EBIT	351	285	23.2%	982	884	11.1%
<i>EBIT Margin</i>	8.8%	7.1%	1.7 p.p.	8.2%	6.8%	1.4 p.p.
Net result before extraordinary transactions	202	103	96.1%	545	253	115.4%
Group Net result	153	365	(58.1%)	505	487	3.7%
EPS (€ cents)	0.267	0.632	(57.8%)	0.879	0.843	4.3%
FOCF	1,094	1,242	(11.9%)	706	307	130.0%
Group Net Debt				2,845	3,278	(13.2%)
Headcount				45,631	47,156	(3.2%)

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.

FY2016 results

Development costs capitalised as intangible assets at 31 december 2016

<i>€mln</i>	Self Funded National Security	Self Funded Other	Total
01 Jan 2016 Opening Balance	1,437	520	1,957
Gross R&D capitalised	160	44	204
Depreciation and write offs	-126	-65	-191
Disposals	0	0	0
Net R&D capitalised	34	-21	13
Reclassifications and exchange differences	1	-9	-8
31 Dec 2016	1,472	490	1,962

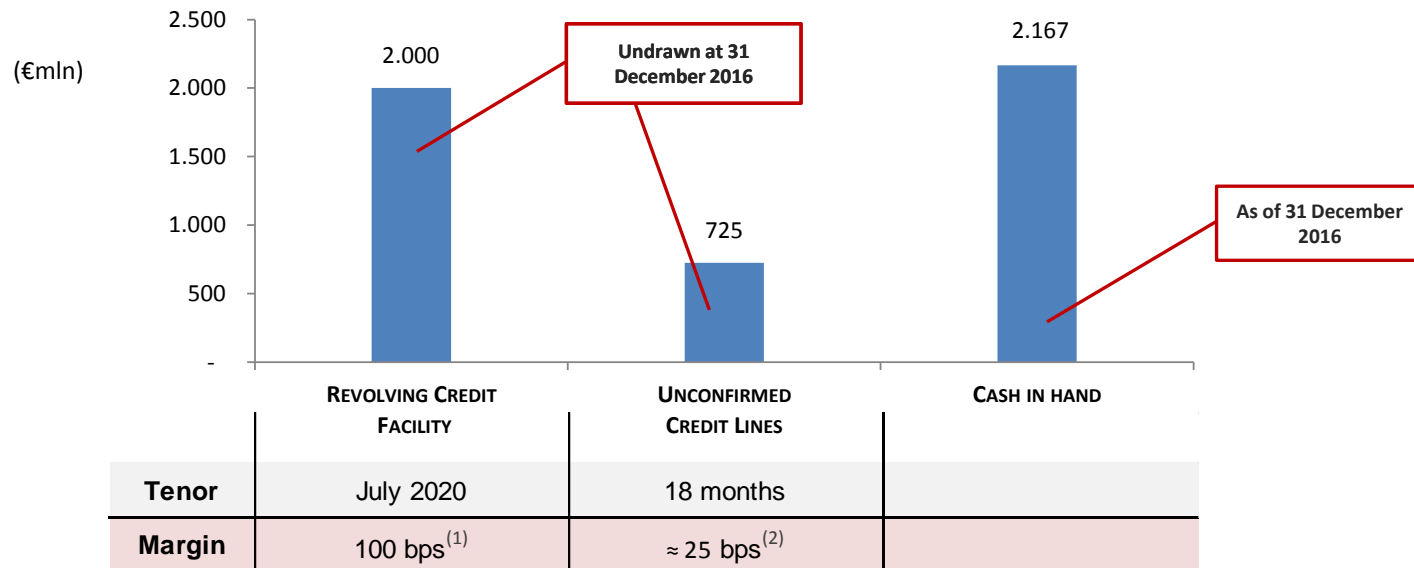
FY2016 results

Liquidity Position (as of end December 2016)

Availability of adequate committed liquidity lines

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

- 31 December cash balance of approx. €2.2Billion
- 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 €3.8 Billion to support Leonardo's commercial activity

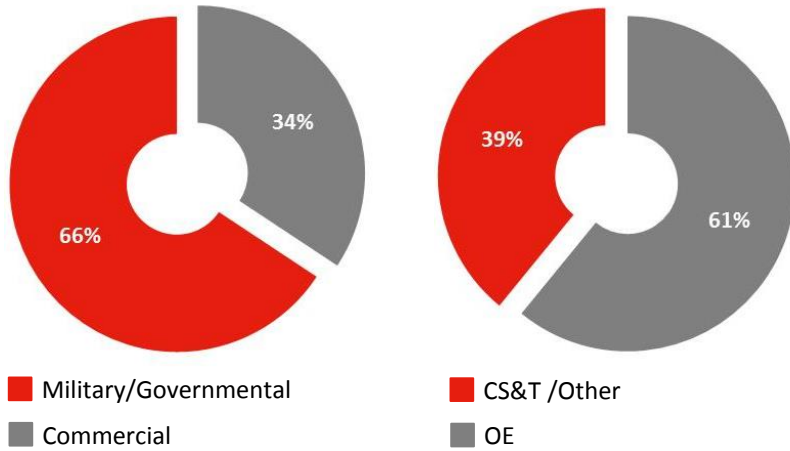


(1) Based on rating as of 31/12/2016

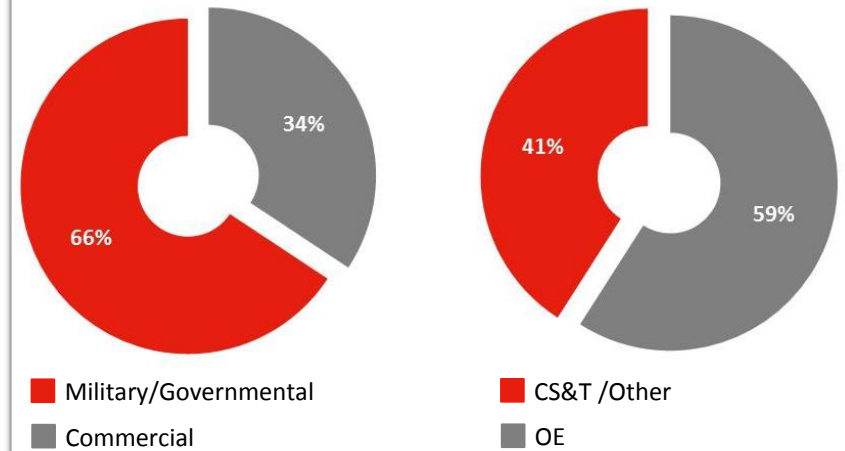
(2) Average. Expected to be renewed at maturity

Helicopters

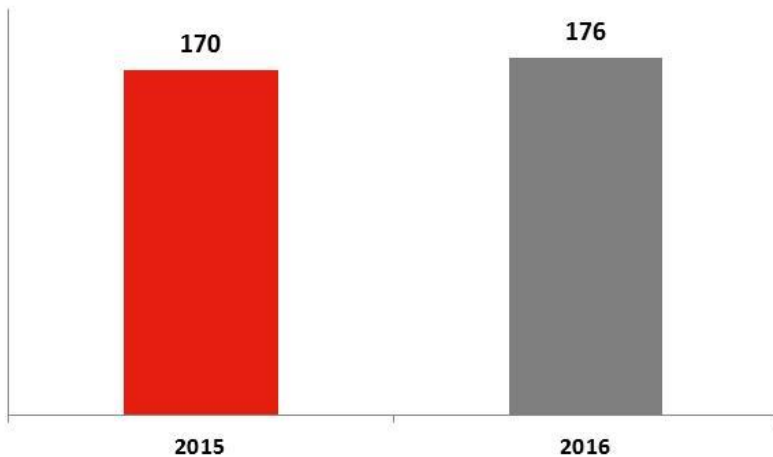
2015 REVENUES BY CUSTOMER/SEGMENT



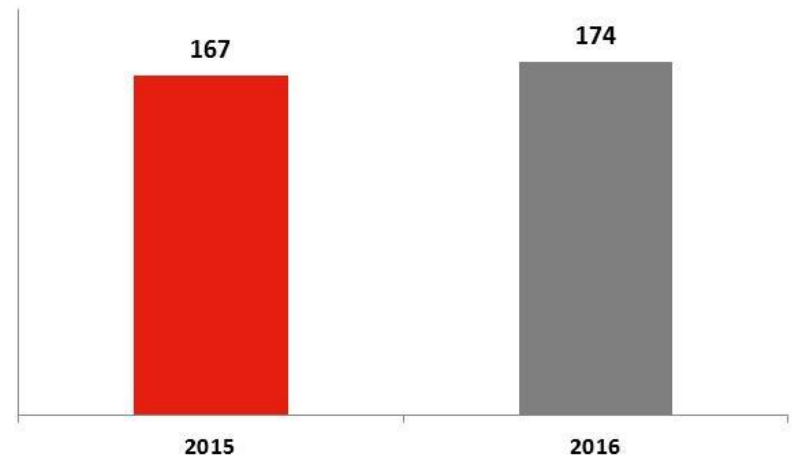
2016 REVENUES BY CUSTOMER/SEGMENT



UNITS ORDERED



UNITS DELIVERED

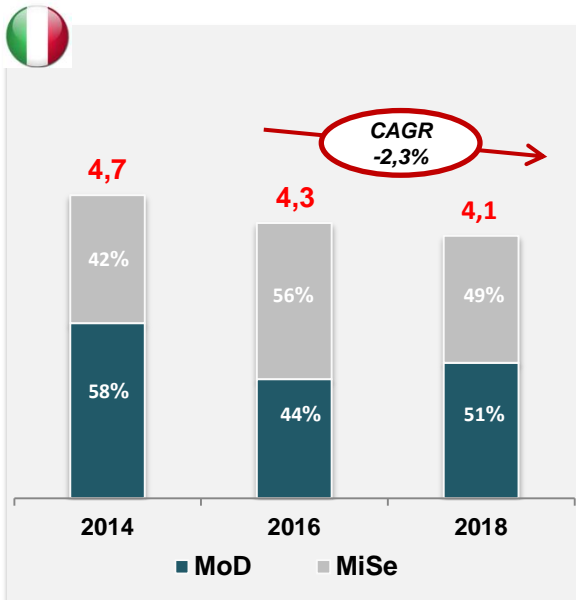


Acquisition of Daylight Solutions

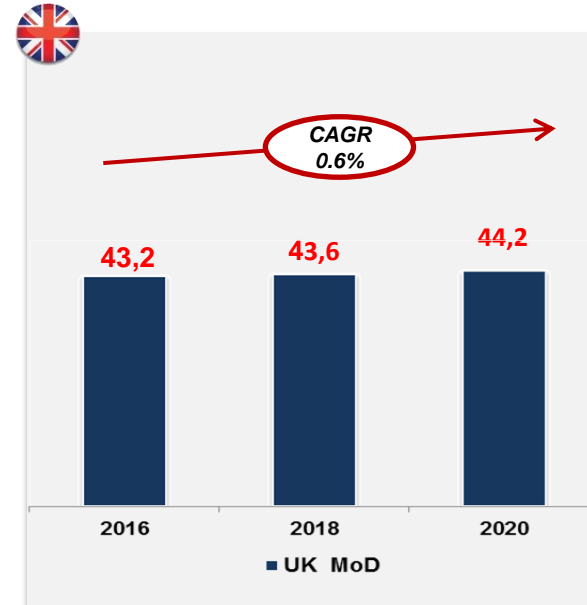
- * Significant step forward in achieving the objectives of Growth and Development of the Industrial Plan 2017-2021
- * Leonardo DRS extends leadership in infrared technology and supply of dual-use integrated solutions for civil and military customers
- * Leonardo DRS will pay US\$150 million for 100% 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)

Market environment

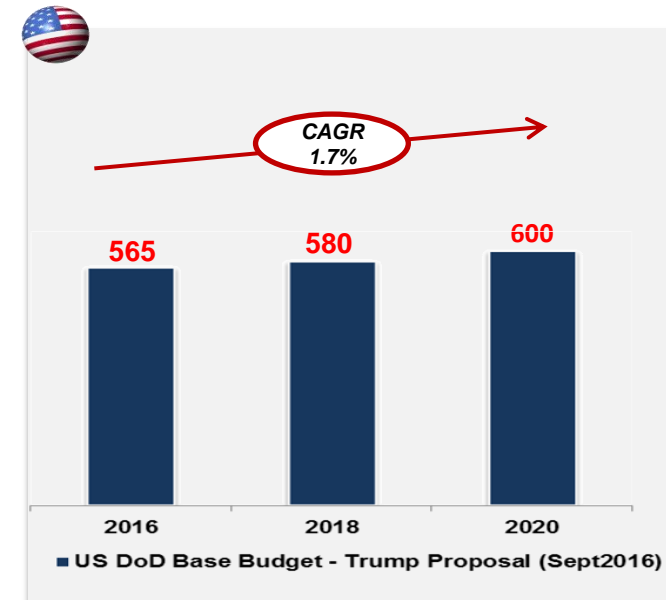
Domestic defence budgets - Italy continues to decline



Source: DPP (Documento Programmatico Pluriennale)



Source: IHS Janes - Jan. 2017



Source: Leonardo DRS estimates

- ❖ In 2016 defense budget at 1.15% of GDP, below the NATO target set at 2%
- ❖ Main items remain 'Personnel', while 'Investments' (Research, Development and Acquisition) is more limited, not in line with NATO and European trends
- ❖ "White Paper on International Security and Defense" (April 2015) not yet implemented

- ❖ Defence spending expected to grow, according to SDRS Strategic Defence and Security Review 2015
- ❖ The weaker pound makes the acquisition of programs abroad more expensive
- ❖ Brexit could make 2% GDP target difficult to maintain
- ❖ Economy growth rate already lower than envisaged by the "SDSR"

- ❖ Defence Spending will rise with the Trump Administration, although not yet clarified, with particular benefits for Navy and Air Force
- ❖ The Trump Administration has inaugurated a new relationship with Aerospace and Defense industry and intends to achieve significant cost reductions on major aeronautic programmes

Market environment

European Defence Action Plan



- ✱ On 15 Dec. 2016, the European Council welcomed the "package" of initiatives presented by the European Commission known as "EDAP» (European Defence Action Plan) in order to
 - ✱ make most effective the spending of the Member States in common defence capabilities
 - ✱ strengthening European citizens security
 - ✱ promote a competitive and innovative industrial base
- ✱ The initiative is based on the following pillars/steps
 - ✱ European Defence Fund
 - ✱ Investment Supply Chain
 - ✱ Common European Market

Launch of these initiatives makes the future and choices increasingly dependent on the international context and the European co-operation

Market environment

What if all the NATO countries reach the 2% GDP target?

€ Mln

NATO countries	Total 2016 Budget	Δ "NATO 2% Target"	Total	Δ %
France	43,864	11,316	55,180	25.8%
Germany	39,743	33,980	73,723	85.5%
Netherlands	8,952	8,342	17,294	93.2%
Turkey	11,935	6,032	17,967	50.5%
Italy	18,271	22,723	40,994	124.4%
Spain	10,816	17,582	28,398	162.6%
Belgium	4,206	5,918	10,124	140.7%
Czech Republic	1,809	2,620	4,429	144.8%
Denmark	3,535	3,045	6,580	86.1%
USA	664,058		664,058	✓
UK	59,699		59,699	✓
Poland	10,496		10,496	✓
Greece	4,773		4,773	✓
Estonia	467		467	✓

Among the largest EU countries Italy has the largest gap with the 2% GDP target

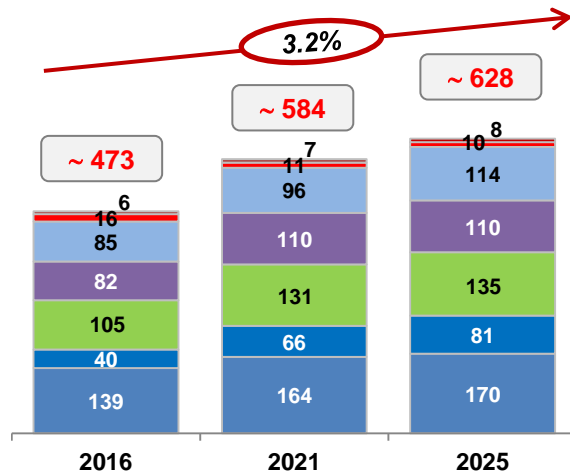
Source: Leonardo estimates based on NATO Budget, 2016

Reaching the 2% GDP in Italy would positively and materially impact Leonardo military revenues, not only by preserving the national industrial base but also by supporting potential export opportunities

Market environment

A&D market dimension and sector evolution

WORLDWIDE MARKET EVOLUTION BY MACRO-BUSINESS SECTOR (2016 - 2025) - € BN



Macro-Business Sector	CAGR % 2016-2021	CAGR % 2021-2025
CIVIL HELICOPTERS	4,9	3,0
MILITARY HELICOPTERS	-6,8	-3,4
SPACE	2,4	4,3
SECURITY	6,13	0 (*)
DEFENCE ELECTRONICS AND SYSTEMS (**)	4,6	0,7
MILITARY AERONAUTICS (***)	10,7	5,0
CIVIL AERONAUTICS	3,3	0,9

Segment reduction mainly due to US market, with limited effects on Leonardo

(*) Scarce visibility from 2021 onwards
 (**) Including missile systems
 (***) Including military UAS systems

Source: Leonardo estimates/ IHS Jane's, 2016

KEY TRENDS (2016 – 2025)

Helicopters

- average annual value of ca. € 19 bn (ca. € 30 bn, including logistics and after-sales services), confirmed growth in civil / commercial and a reduction in military due to the completion of ongoing programs (mainly in US) and the lack of new programs in the given period

Space

- average annual value of ca. € 100 bn, growing, with demand driven by Institutional, supported by missions for Earth observation, communications and navigation, and increasingly oriented towards end-to-end solutions including 'service'. Expected growth forecasts in satellites constellations in LEO orbit and small /medium-sized satellites (500 to 2,000 kg) for TLC

Security and IT Systems

- average annual value of ca. € 100 bn, with demand mainly driven by 'Security' (70% of the total), which benefits from border protection needs, also to monitor key areas and respond to emergencies (i.e. natural disasters, illegal immigration)

Defence Electronics and Systems

- average annual value of ca. € 127 bn. Defence Electronics is characterized by the increasing demand for (i) integrated and interoperable solutions for C4ISR modernization, and (ii) TBM (Tactical Ballistic Missile) solutions ; Defence Systems show a steady growth in tracked vehicles and MBT tied to new operating requirements, as well as moderate growth for underwater systems

Aeronautics / UAS

- average annual value of € 222 bn (**). Aeronautics: Civil, wide body and single aisle, retains considerable volumes (over 70% of the market), despite reduction in wide-body production rates (A380, B777, B747); volume of new orders is expected to decrease due to the completion of the demand "peak". Growth in Military is linked to major programs deliveries (EFA, F-35, Rafale, Gripen, A-400M, etc.)
- UAS – Military Appl: highly dynamic segment driven by ISR applications, withUCAV systems that will enter into service after 2025, and growing opportunities for rotorcraft systems. Civil Appl. Significantly growing, influenced by progress in flight safety issues, certification and regulation

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

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Sustainability



Member since 2010



Participation since 2008



Member since 2016



[Sustainability and Innovation Report 2015](#)

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.