

LETTER TO SHAREHOLDERS

Dear Shareholders,

2016 was a key year for your Company, radically different from the past: more transparent, streamlined, focused, effective, efficient and with a more solid balance sheet. A Company that, thanks to the positive 2016 results, showing a material debt reduction, proposes again the distribution of dividends as a key element of the shareholders remuneration and a clear sign of a new normality and sustainability.

Results achieved, commercial and also economic and financial, confirm the effectiveness of the choices on which the Industrial Plan, prepared in 2014, is based which have made your Company more focused on “core business” and ultimately stronger, despite difficulties in some target markets, including civil helicopters.

Actions carried out in execution of such a plan have made it possible to successfully complete the first phase of the reorganisation and re-launching of the Group. A “new” Group, with a new brand, focused on its core business, with a more effective and efficient governance structure, characterised by an increasingly growing cash generation, and, consequently, by a debt level that is most appropriate to its size, as well as by positive financial results, in line with its main competitors, thanks to the benefits of cost reduction initiatives and the improvement of industrial processes.

From a commercial point of view, 2016 was characterised by a significant order growth (+61%) compared to 2015, thanks to important commercial successes, in line with the strict selectivity of new orders, like, for example, those in the Electronics, Defence & Security Systems, achieving a book-to-bill of more than 1.2 in both 2015 and 2016, and the contract for the supply of 28 Eurofighter Typhoon to the Kuwait Ministry of Defence for about €bil. 8, the most important order in the history of the Group.

From an economic and financial point of view, 2016 was characterised by further growth in operating profitability due to improvements in all areas, including Helicopters which is experiencing challenges in some reference markets.

This increase has made it possible to achieve an EBIT, EBITA and EBITDA improvement compared to 2015, even on declining revenues, with a ROS increased from 9.3% to 10.4%. Net result before extraordinary transactions more than doubled compared to 2015, thanks to the improvement of EBITA, reduced EBITDA volatility, reduced financial charges and lower tax impact.

2016 was also characterised by a marked improvement in cash-flow performance, with a FOCF more than doubled (+130%) compared to 2015 also thanks to the effect of the first advance payment on the Kuwait Eurofighter contract, and the Group net debt reduction, due to better cash performance and despite significantly negative exchange rate differences. This improvement and a more solid financial structure allowed a further reduction in the debt-to-equity ratio to 0.65 in 2016, already below 1 from 2015.

Results achieved so far represent a solid foundation for the further development and growth of your Company, as outlined in the new 2017-2021 Industrial Plan, thanks to a more effective focus on markets, to be achieved through a unified presence and more competitive offerings, and to actions aimed at both organic and external growth of the core business, all supported by an increasing industrial efficiency.

Your Company is well placed to face future challenges of development and growth and to continue to be a key player in the global market with its own technologies and solutions. Targets and actions put in place by the Board of Directors for profitable growth are inspired by long-term business sustainability, also economic and financial, as the ability to build a solid and credible journey aimed at creating value for all domestic and international stakeholders, including shareholders, customers, employees to the entire industry.

The results we have achieved and those we set ourselves to pursue cannot be attained without the constant commitment of our management and of all those working in your Company, to whom the Board of Directors expresses its sincere appreciation for the efforts they have made up to this time.

For the Board of Directors

The Chairman
(Giovanni De Gennaro)



The Chief Executive Officer and General Manager
(Mauro Moretti)

