



Leonardo Presentation

Bank of America Merrill Lynch

Alessandro Profumo

Chief Executive Officer

Alessandra Genco

Chief Financial Officer

—
11 June 2020





Agenda

- > **Leonardo Overview**
- > 1Q 2020 Results
- > Sector Results
- > Appendix

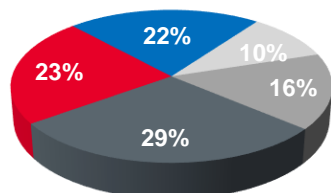


Global player in the Aerospace, Defence and Security with an integrated offer of high-tech solutions for both military requirements and civil applications

2019 REVENUES

€ 13.8 bn
16% from Italy

2019 REVENUES BY GEOGRAPHY



- NORTH AMERICA
- REST OF EUROPE
- REST OF WORLD
- UK
- ITALY

HELICOPTERS



29% of 2019 Revenues

DEFENCE ELECTRONICS & SECURITY



45% of 2019 Revenues

- Electronics
- Cyber Security
- Leonardo DRS (100%)
- MBDA* (25%)

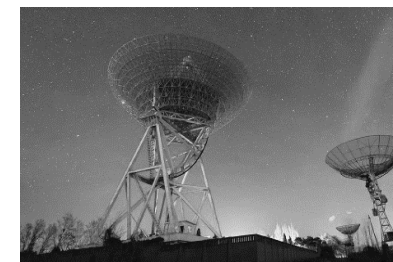
AERONAUTICS



25% of 2019 Revenues

- Aircraft
- Aerostructures
- ATR* (50%)

SPACE



- Telespazio* (67%)
- Thales Alenia Space* (33%)
- AVIO (26%)

Other activities accounts ca. 1% of 2019 Revenues
 *Joint ventures
 (%) = Leonardo's share



Our global presence

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)

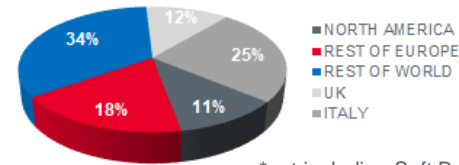
Top line growth driven by high quality products and solutions

Accelerating Order Intake

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

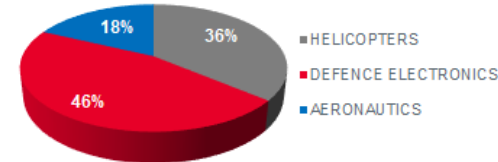
WORLDWIDE PRESENCE

- FY2019 Backlog*
€ 36.5 bn



*not including Soft Backlog

- Cumulated 2018-2019 Orders
ca. € 30 bn



WELL BALANCED ACROSS THE GROUP



ca. **150** countries use our products, systems and services

77% of Italian-based production is exported with a value of € 6.9 bn



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

TRANSFORM TO GROW

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

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



Actively managing current challenges

- Proud of how our organisation and our people have responded
- Moved quickly to keep our people safe and ensure business continuity
- Relatively resilient military and governmental; civil demand slowdown
- COVID-19 impact on production efficiencies, programme execution and deliveries
- Mitigating actions and recovery plans already in place
- Too early to assess the full impact of the pandemic: FY2020 Guidance suspended
- Confidence in long-term strengths



What we are seeing

Current dynamics

	MARKET DYNAMICS	OUR EXPERIENCE
SALES / COMMERCIAL	<ul style="list-style-type: none">• Travel restrictions affecting commercial campaign finalisation• Slowdown in civil demand – civil ca. 18% of 2019 revenues• Travel ban impacting deliveries	<ul style="list-style-type: none">• No major disruption to campaigns to date – but potential to have an effect across the Group• OEMs crisis expected to impact on Aerostructures• Helicopters deliveries down (11 in 1Q20vs 19 in 1Q19)• No deliveries in ATR in 1Q20
OPERATIONS	<ul style="list-style-type: none">• New rules to protect people affecting<ul style="list-style-type: none">› Productivity and efficiencies› Programme execution	<ul style="list-style-type: none">• Facilities are all running, however<ul style="list-style-type: none">› Lower presence in sites as well as lower efficiency driving lower productive hours› Slowdown already visible on programme execution across divisions
SUPPLY CHAIN	<ul style="list-style-type: none">• Potential effects on key suppliers	<ul style="list-style-type: none">• No major disruption so far but remains a concern – will continue to monitor closely



Our actions and responses

Clear recovery plan and mitigation actions

PROTECTING OUR PEOPLE

- Moved fast
- Protective measures to ensure safety
- Adapted working practices
- No employees furloughed

PROTECTING OUR BUSINESS – ACTIVELY USING ALL AVAILABLE LEVERS

- 1. ACTIVELY WORKING WITH DOMESTIC CUSTOMERS**
 - Leveraging institutional support
 - Leveraging technologies in emerging opportunities
- 2. RECOVERING OPERATING AND INDUSTRIAL PERFORMANCE**
 - Return to normal in our plants, maximising smart working effectiveness
 - Reassess production/delivery plans and align purchase plans
 - Continuous review of impacts and recovery plan with divisions
- 3. SUPPLY CHAIN MANAGEMENT**
 - Actively assessing potential issues
- 4. PRIORITISE INVESTMENTS**
 - ca.20%-25% savings expected
- 5. COST REDUCTION**
 - Cost revisions on all programmes and expenses
 - Controllable costs down 10-15%
 - Labour cost savings ca. 10%
- 6. STRENGTHEN LIQUIDITY**
 - € 2 bn additional credit facilities



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- > **1Q 2020 Results**
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1Q 2020 highlights

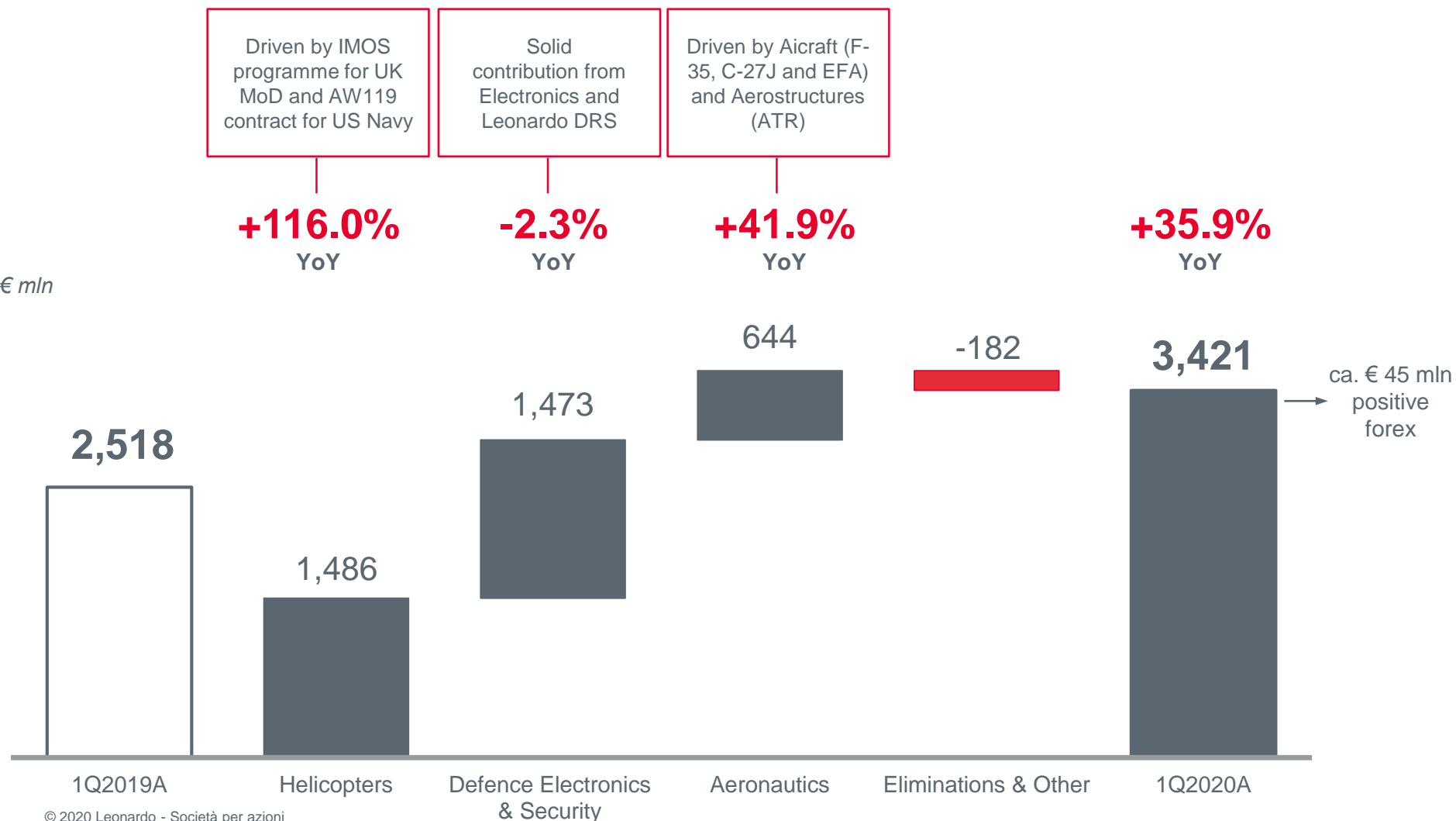
Solid Order growth with COVID-19 beginning to impact performance

- **Good start to the year both commercially and operationally**
- **Commercial strategy achieving targets in line with our expectations**
 - Strong Q1 Orders at € 3.4 bn up 36% YoY with Book to Bill at ≈ 1
 - Solid Backlog at € 37 bn ensuring ca. 2.5 years of equivalent production
- **March impacted by measures introduced to combat COVID-19**
 - Lower productivity and slowdowns in programme executions
 - Delay in deliveries in civil Helicopters and ATR due to the travel ban
- **Significant impact seen on Q1 Revenues and EBITA, less material on FOCF**
 - Revenues at € 2.6 bn slightly lower YoY mainly due to slowdown in programme execution and lower deliveries
 - EBITA at € 41 mln, down 75% YoY, due to lower revenues and lower productivity
 - FOCF at € -1.6 bn in line with cash seasonality and partially affected by COVID-19
- **2020 Guidance suspended**



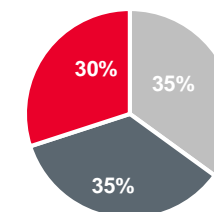
Order Intake

Continuous positive commercial momentum



ORDER BACKLOG

1Q2020 € 37.0 bn

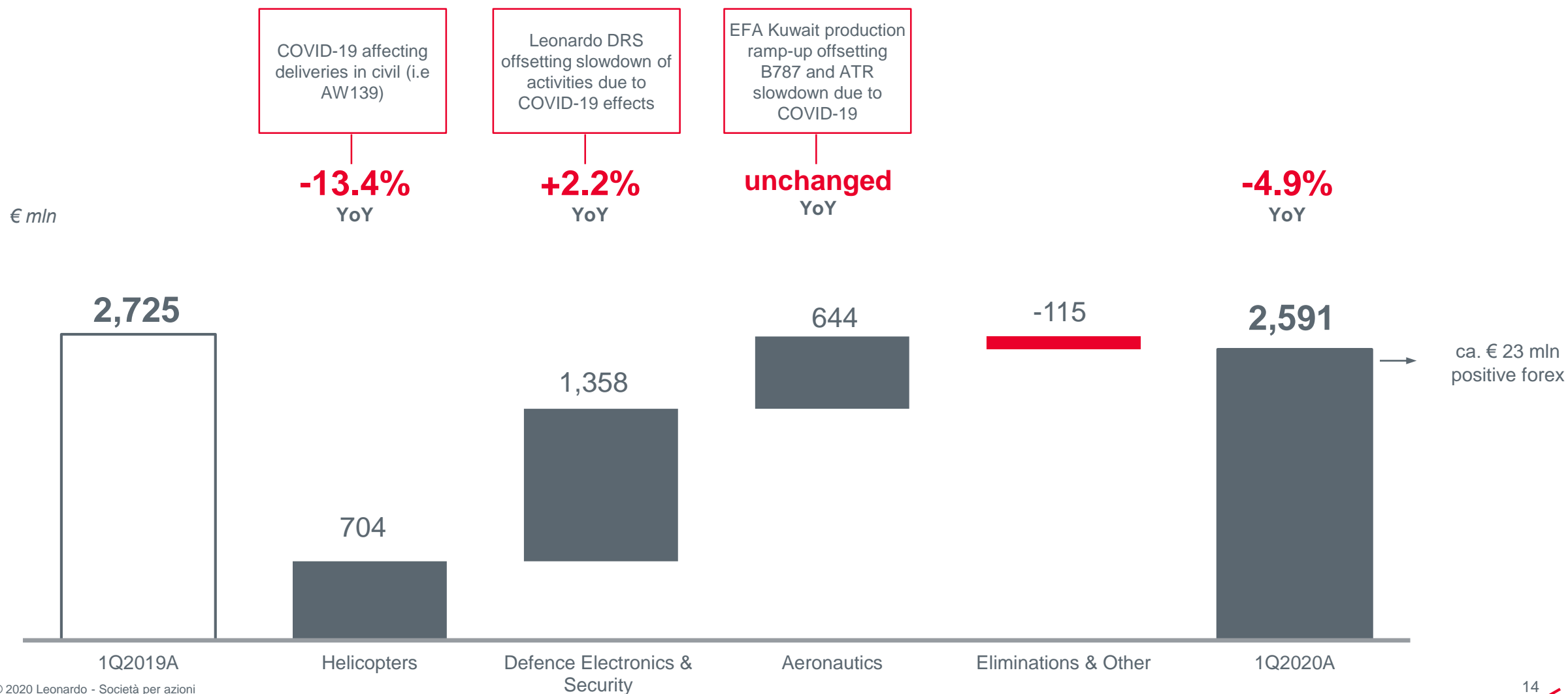


- Helicopters
- Defence Electronics & Security
- Aeronautics



Revenues

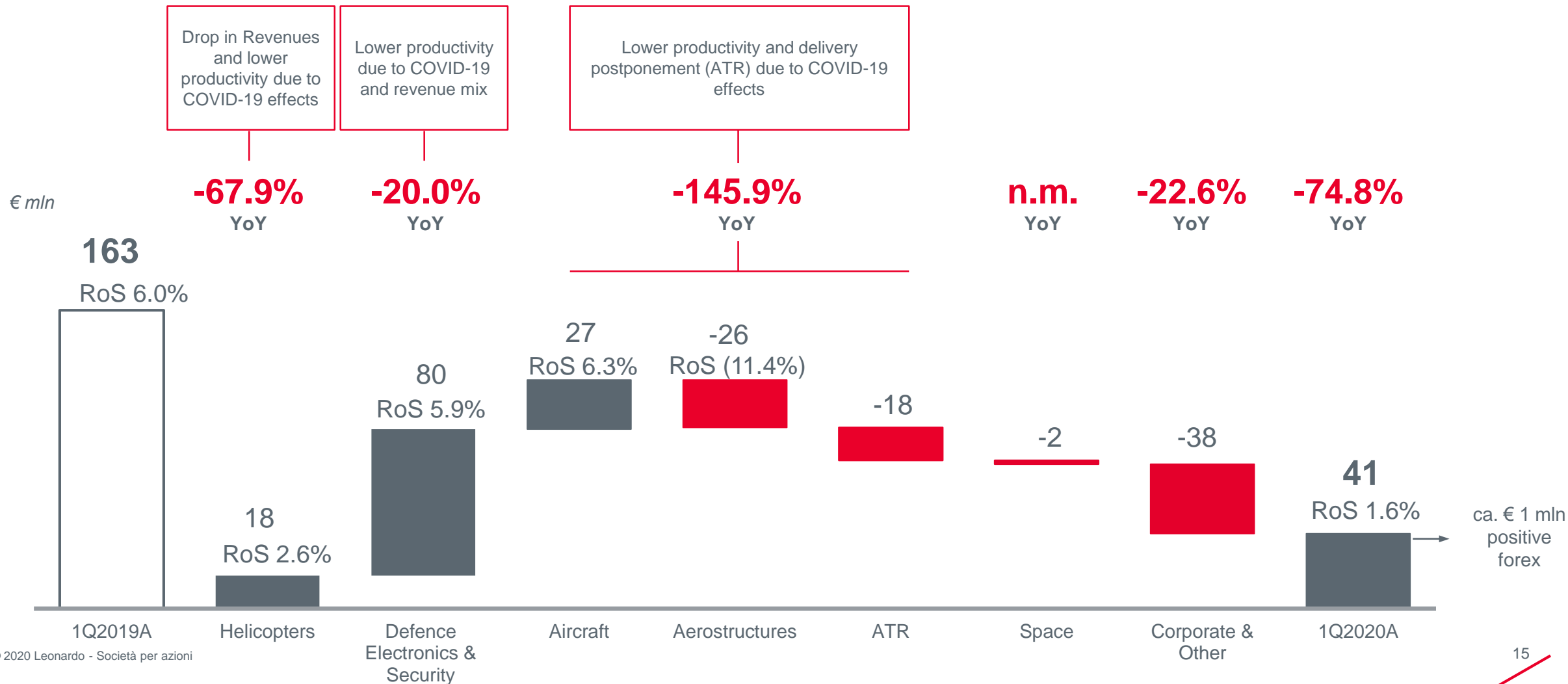
5% down YoY driven by Civil Helicopter deliveries, due to COVID-19





EBITA and Profitability

Performance affected by COVID-19 leading to lower revenues and lower productivity across all businesses

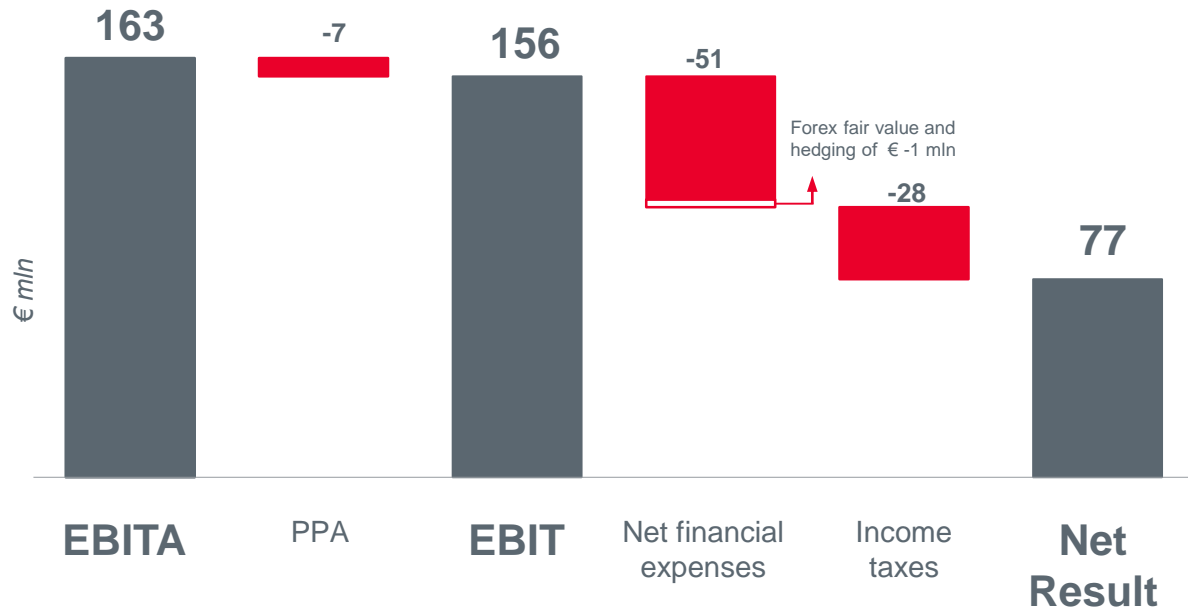




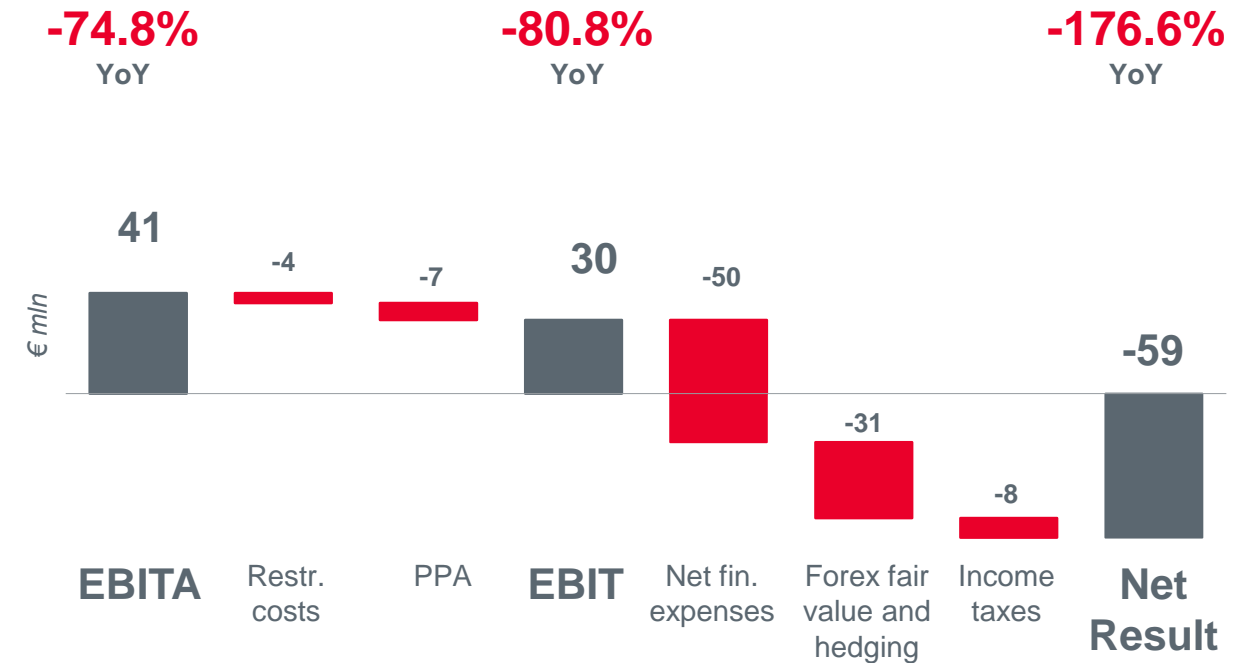
From EBITA to Net Result

Net Result affected by EBITA performance and higher financial expenses FX related

1Q 2019A



1Q 2020A



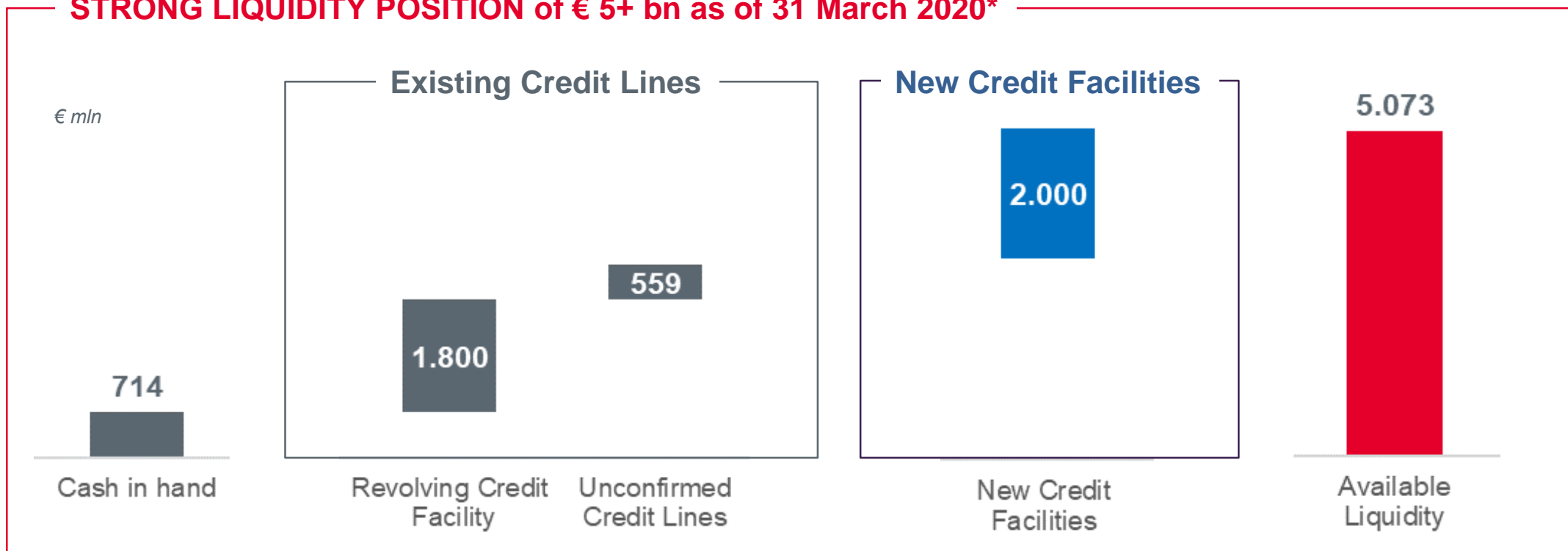
- EBIT down 80.8% due to EBITA decrease
- Net Result at € -59 mln affected by EBITA performance and higher financial expenses, associated with forex fair value and hedging



Strong liquidity position

- On May 6, 2020 **Leonardo signed € 2.0 bn credit facilities** with a pool of leading international bank
 - › The new facilities have a maturity up to 24 months and have no financial covenants
- The credit lines will support the Group's financial flexibility and bolster liquidity

STRONG LIQUIDITY POSITION of € 5+ bn as of 31 March 2020*





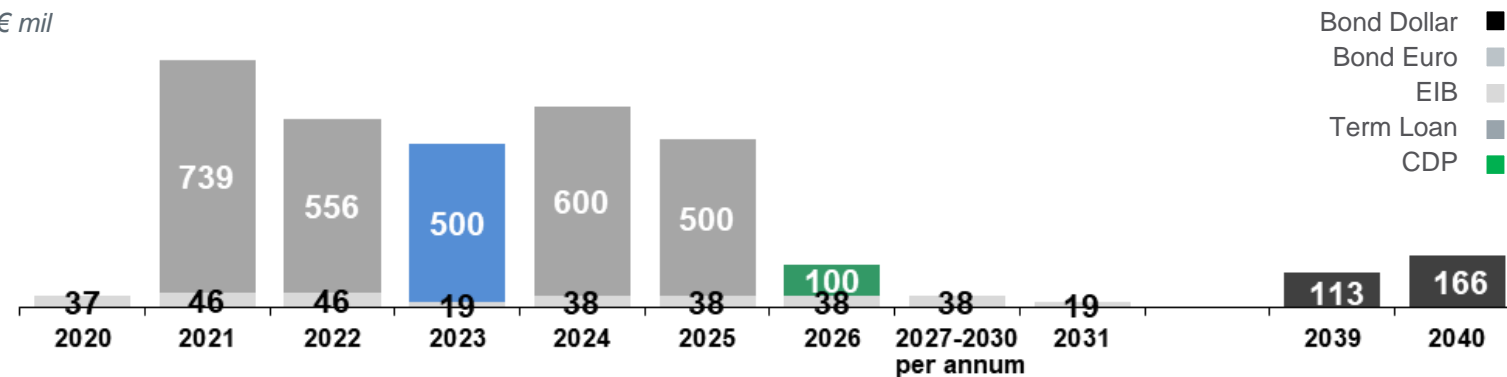
Balanced debt maturity profile

DEBT MATURITY

Average life: ≈ 4,5 years



In € mil



CREDIT RATING

	As of today	Before last review	Date of review
Moody's	Ba1 / <i>Stable Outlook</i>	Ba1 / <i>Positive Outlook</i>	October 2018*
S&P	BB+ / <i>Stable Outlook</i>	BB+ / <i>Positive Outlook</i>	April 2020
Fitch	BBB- / <i>Negative Outlook</i>	BBB- / <i>Stable Outlook</i>	May 2020

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



What we are seeing

COVID-19 Impact on Divisions in Q1

- Measures implemented to contain virus spread, including travel bans and lockdowns, impacted Q1
 - › Inability to finalise deliveries
 - › Programme execution slowdown
 - › Lower productivity

COVID-19 IMPACTS

	HELICOPTERS		ELECTRONICS		AERONAUTICS			
	Revenue	EBITA	Revenue	EBITA	Revenue	EBITA		
						Aircrafts	Aerostructures	GIE-ATR
Delayed / lower deliveries	✓ ✓ ✓	✓ ✓						✓ ✓ ✓
Slowdown in programme execution	✓		✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓		
Lower productivity		✓ ✓		✓ ✓		✓ ✓	✓ ✓ ✓	



What we are seeing

- **Leonardo strategically relevant for our domestic markets**
- **Q1 reflecting initial impact of COVID-19 - Q2 expected to be affected the most**
- **FY2020 COVID-19 impact will be significant but not yet reliably quantifiable: 2020 Guidance suspended**
- **Mitigating actions promptly in place**
- **Short-term challenges do not change the Group's solid medium-long term fundamentals**

SECTOR RESULTS

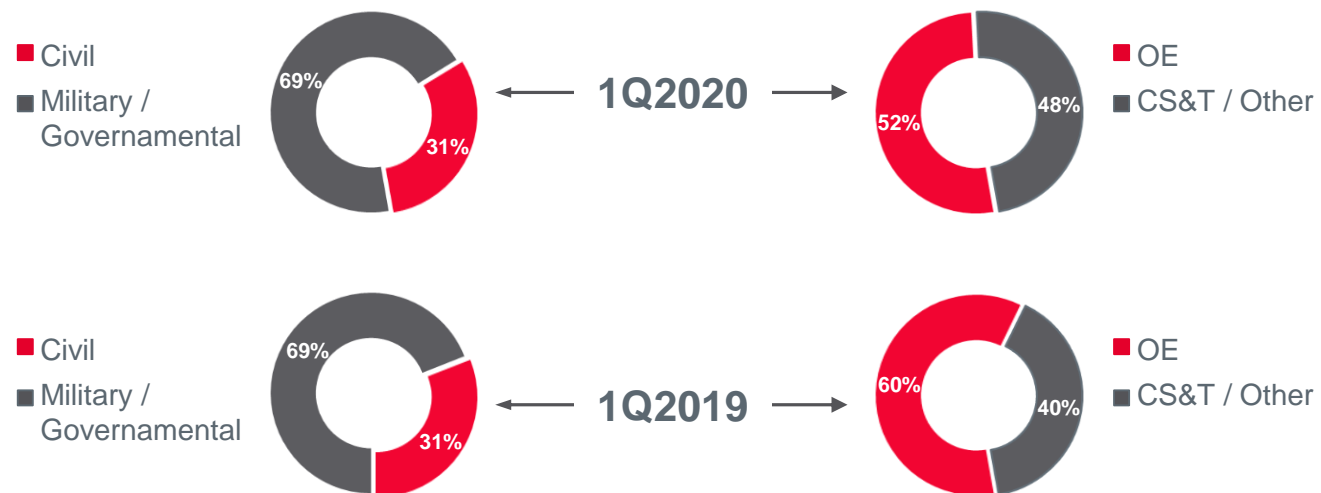




Helicopters

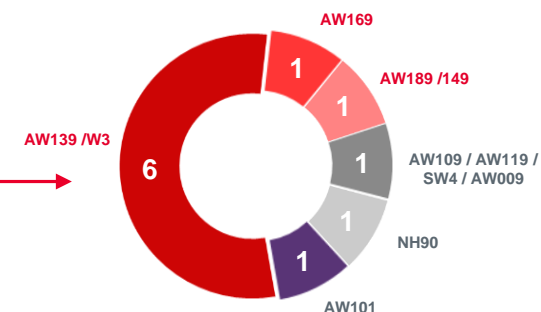
€ mln	1Q 2019	1Q 2020	% Change	FY 2019
Orders	688	1,486	+116.0%	4,641
Revenues	813	704	-13.4%	4,025
EBITA	56	18	-67.9%	431
RoS	6.9%	2.6%	-4.3 p.p.	10.7%

REVENUES BY CUSTOMER / SEGMENT

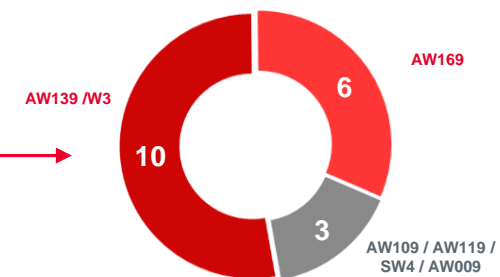


DELIVERIES BY PROGRAMME

1Q2020 = 11 new units



1Q2019 = 19 new units





Defence Electronics & Security

ELECTRONICS - EU

	1Q 2019	1Q 2020	% Change	FY 2019
€ mln				
Orders	823	862	+4.7%	4,444
Revenues	874	846	-3.2%	4,289
EBITA	76	46	-39.5%	427
RoS	8.7%	5.4%	-3.3 p.p.	10.0%

LEONARDO DRS

	1Q 2019	1Q 2020	% Change	FY 2019
€ mln				
Orders	687	615	-10.5%	2,611
Revenues	461	523	+13.4%	2,438
EBITA	24	34	+41.7%	186
RoS	5.2%	6.4%	+1.2 p.p.	7.6%

Avg. exchange rate €/€ @ 1.1023 in 1Q2020

Avg. exchange rate €/€ @ 1.1357 in 1Q2019



Aeronautics

€ mln	1Q 2019	1Q 2020	% Change	FY 2019
Orders	454	644	+41.9%	2,788
Revenues	644	644	<i>unchanged</i>	3,390
EBITA	37	-17	-145.9%	362
RoS	5.7%	-2.6%	-8.3 p.p.	10.7%

Space

€ mln	1Q 2019	1Q 2020	% Change	FY 2019
EBITA	1	-2	-300%	39

APPENDIX





1Q2020 Results

Group Performance

	1Q 2019	1Q 2020	% Change	FY 2019
€ mln				
New Orders	2,518	3,421	+35.9%	14,105
Backlog	36,575	37,000	+1.2%	36,513
Revenues	2,725	2,591	-4.9%	13,784
EBITA	163	41	-74.8%	1,251
<i>RoS</i>	6.0%	1.6%	-4.4 p.p.	9.1%
EBIT	156	30	-80.8%	1,153
<i>EBIT Margin</i>	5.7%	1.2%	-4.5 p.p.	8.4%
Net result before extraordinary transactions	77	-59	-176.6%	722
Net result	77	-59	-176.6%	822
EPS (€ cents)	0.134	-0.103	-230.1%	1.428
FOCF	-1,114	-1,595	-43.2%	241
Group Net Debt	4,016	4,396	+9.5%	2,847
Headcount	48,040	49,180	+2.4%	49,530

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



Covenant FY2019

	FY2019A Post IFRS 16
EBITDA ⁽¹⁾	€ 1,743 mln
Net Interest	€ -182 mln
EBITDA / Net Interest	9.6
THRESHOLD	> 3.25

	FY2019A Post IFRS 16
Group Net Debt	€ 2,847 mln
Leasing (IFRS 16)	€ -451 mln
Financial Debt to MBDA	€ -651 mln
Group Net Debt for Covenant	€ 1,745 mln
EBITDA	€ 1,743 mln
Group Net Debt / EBITDA	1.0
THRESHOLD	< 3.75

(1) EBITDA net of depreciation of rights of use



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



Contacts

Valeria Ricciotti

Head of Investor Relations and Credit Rating Agencies

+39 06 32473.697

valeria.ricciotti@leonardocompany.com

Leonardo Investor Relations and Credit Rating Agencies

+39 06 32473.512

ir@leonardocompany.com



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