Leonardo Presentation

Mediobanca CEO Conference

Alessandro Profumo — *Chief Executive Officer*

Alessandra Genco — *Chief Financial Officer*

23 – 24 June 2020

Agenda

> **Leonardo Overview**

> 1Q 2020 Results

> Sector Results

> Appendix

Delivering long term sustainable growth

- **A lot was achieved in recent years: we have delivered on promises and executed our Industrial Plan**
  - › Well balanced business
  - › Solid Backlog
  - › Met or beated targets on all metrics

COMMERCIAL STRATEGY

- FY19 Orders **€ 14.1 bn**
  (vs. € 12.5 - 13.5 bn Guidance)
- FY19 Revenues **€ 13.8 bn**
  (vs. € 12.5 - 13.0 bn Guidance)

OPERATING PERFORMANCE

- FY19 EBITA **€ 1,251 mln**
  (vs. € 1,175 - 1,225 mln Guidance)
- FY19 RoS **9.1%**
- FY19 Net Result **€ 822 mln**

CASH GENERATION AND FINANCIAL STRATEGY

- FY19 FOCF **€ 241 mln**
  (vs. ca. € 200 mln Guidance)
- FY19 Group Net Debt* **€ 2.8 bn**
  (in line with Guidance)

- **Clear targets in our priority sectors and clear view of the strategic path**

- **Actively managing current challenges due to COVID-19**

Well balanced business

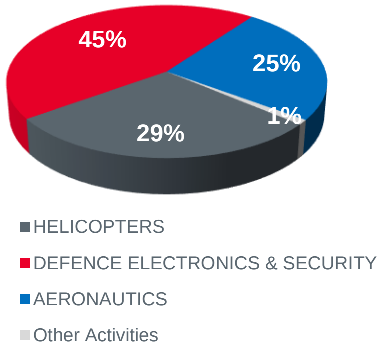
Military / Governmental business accounts ca. 82% of 2019 Revenues; Civil ca. 18%

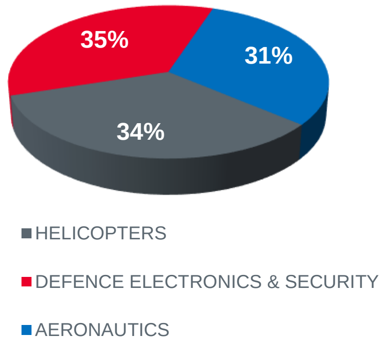
2019 REVENUES € 13.8 bn

2019 BACKLOG* € 36.5 bn

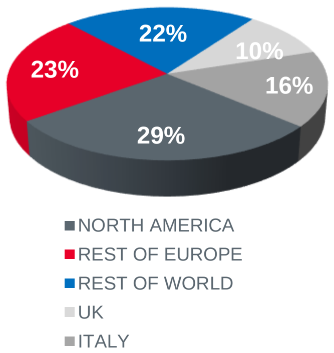
GLOBAL PLAYER IN THE AEROSPACE, DEFENCE AND SECURITY

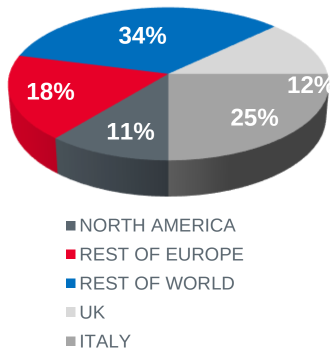
BY DIVISION



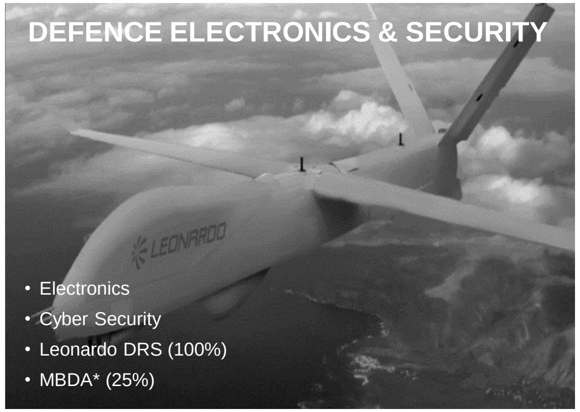


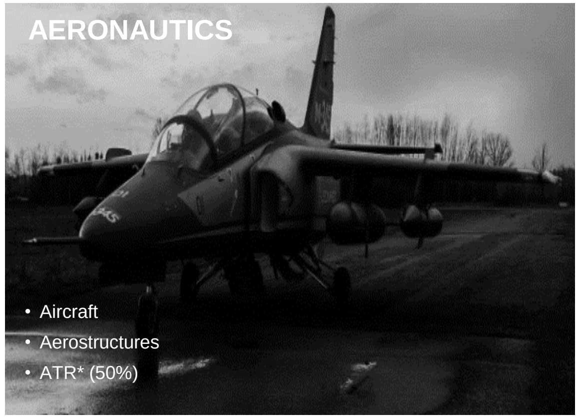
BY GEOGRAPHY

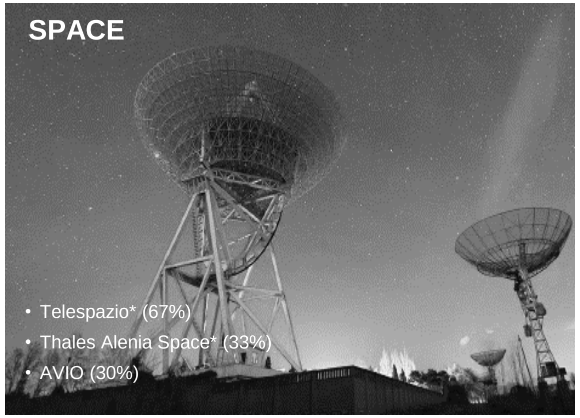




*Not including Soft Backlog







(*) = Joint Ventures; (%) = Leonardo's share

Our global presence
Stronger international footprint

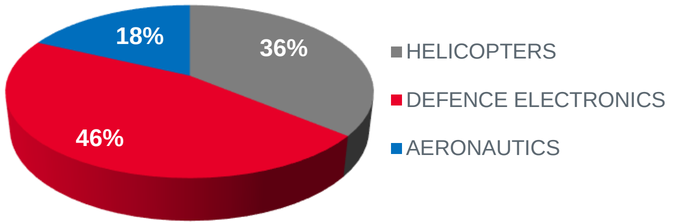
Outstanding achievements
- i.e. NH90 in Qatar
- i.e. MH-139, TH-119 and MFoCS in US
- i.e. M345 in Italy
- i.e. AESA radar in UK (hundreds of Electronics contracts with individual value < € 10 mln)

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

- **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	• Travel restrictions affecting commercial campaign finalisation • Slowdown in civil demand – civil ca. 18% of 2019 revenues • Travel ban impacting deliveries	• 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	• New rules to protect people affecting › Productivity and efficiencies › Programme execution	• Facilities are all running, however › Lower presence in sites as well as lower efficiency driving lower productive hours › Slowdown already visible on programme execution across divisions
SUPPLY CHAIN	• Potential effects on key suppliers	• 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	PROTECTING OUR BUSINESS – ACTIVELY USING ALL AVAILABLE LEVERS
• **Moved fast** • **Protective measures to ensure safety** • **Adapted working practices** • **No employees furloughed**	**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. STRENGHTEN LIQUIDITY** • € 2 bn additional credit facilities

Agenda

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> **1Q 2020 Results**

> Sector Results

> Appendix

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**

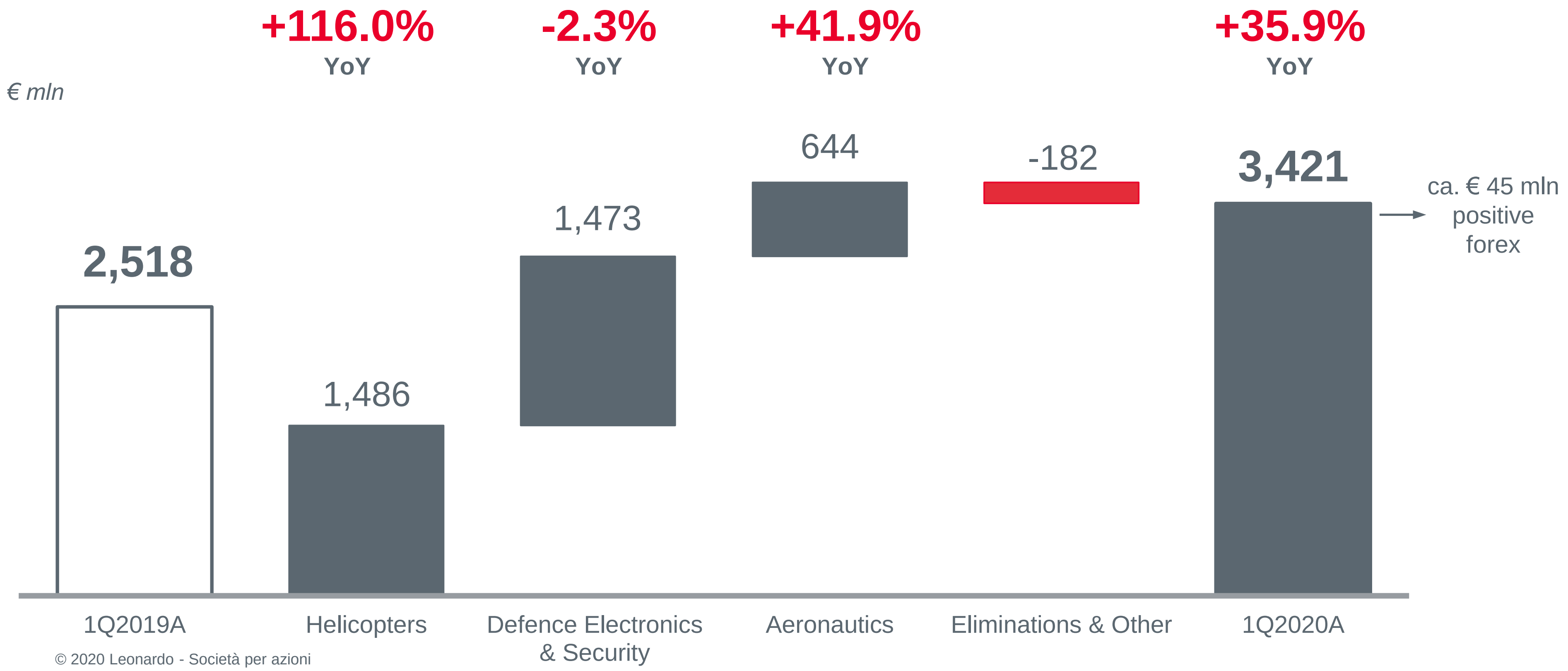
Order Intake

Continuous positive commercial momentum

Driven by IMOS programme for UK MoD and AW119 contract for US Navy

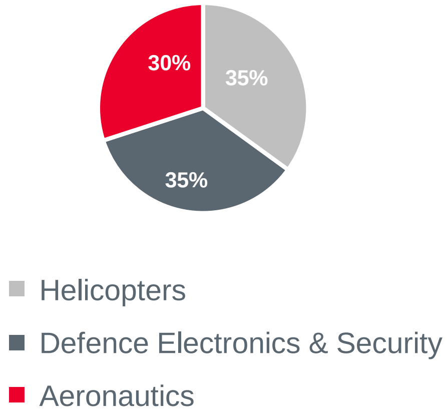
Solid contribution from Electronics and Leonardo DRS

Driven by Aicraft (F-35, C-27J and EFA) and Aerostructures (ATR)



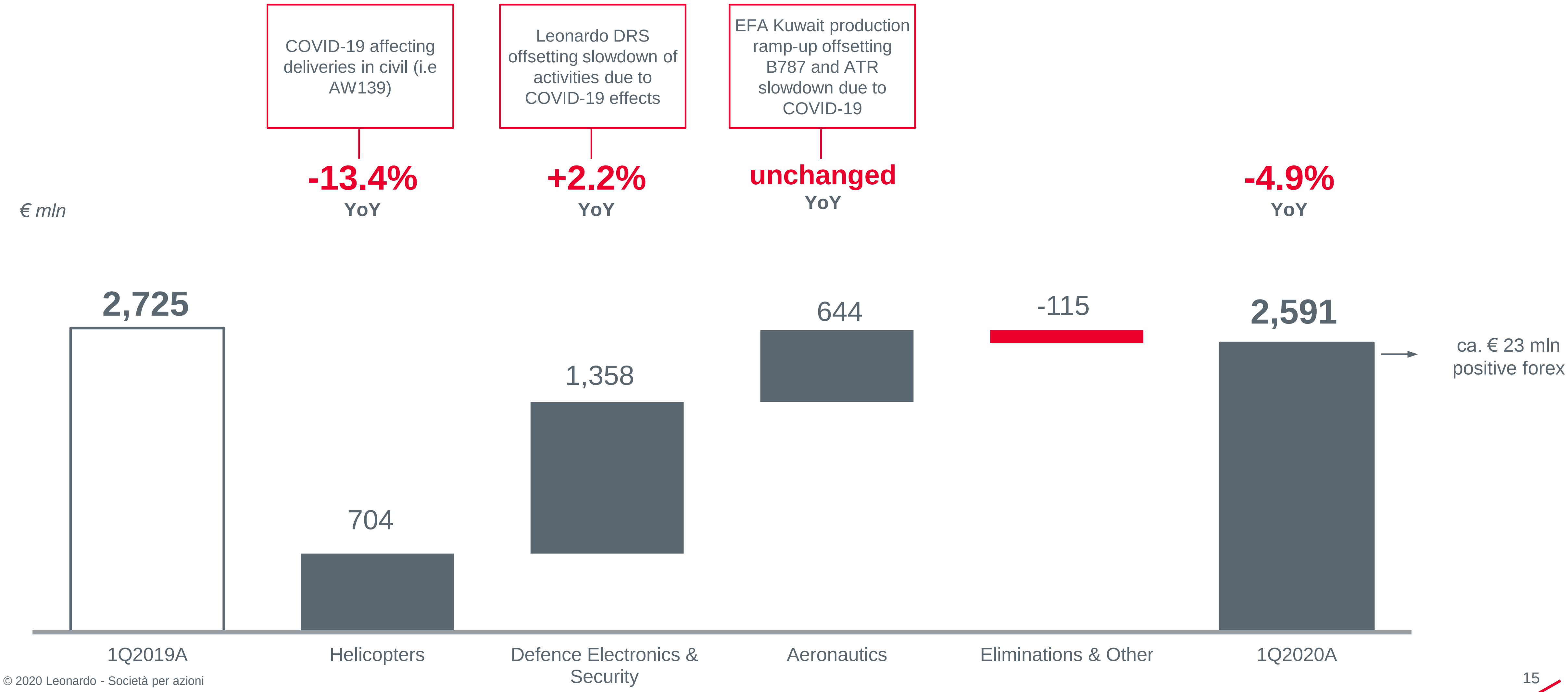
ORDER BACKLOG

1Q2020 **€ 37.0 bn**



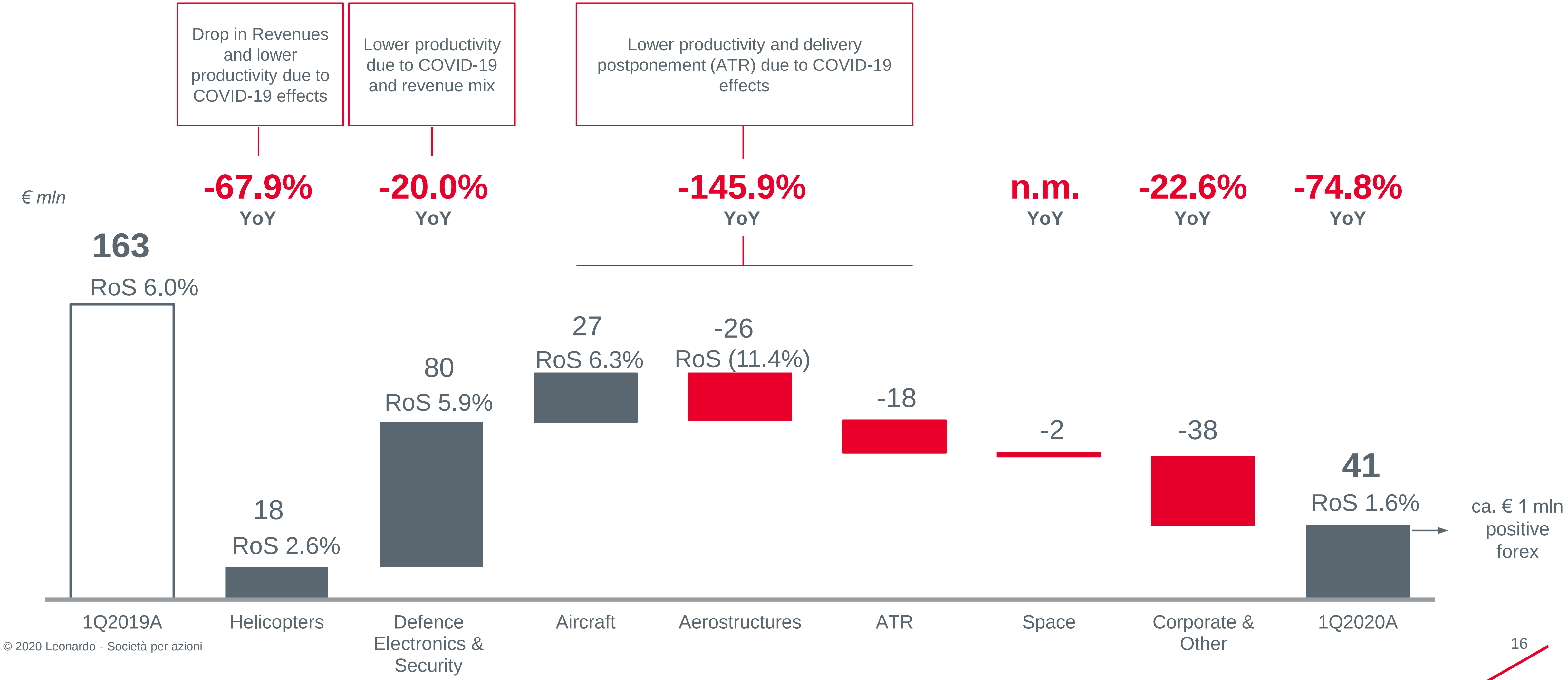
Revenues

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



EBITA and Profitability

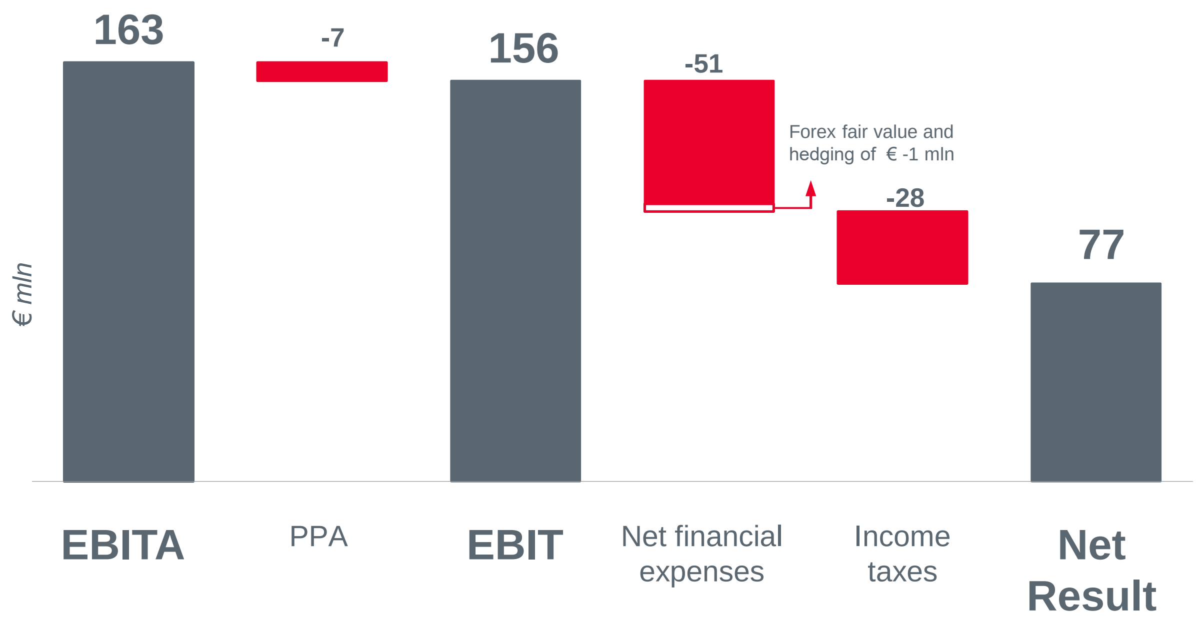
Performance affected by COVID-19 leading to lower revenues and lower productivity across all businesses



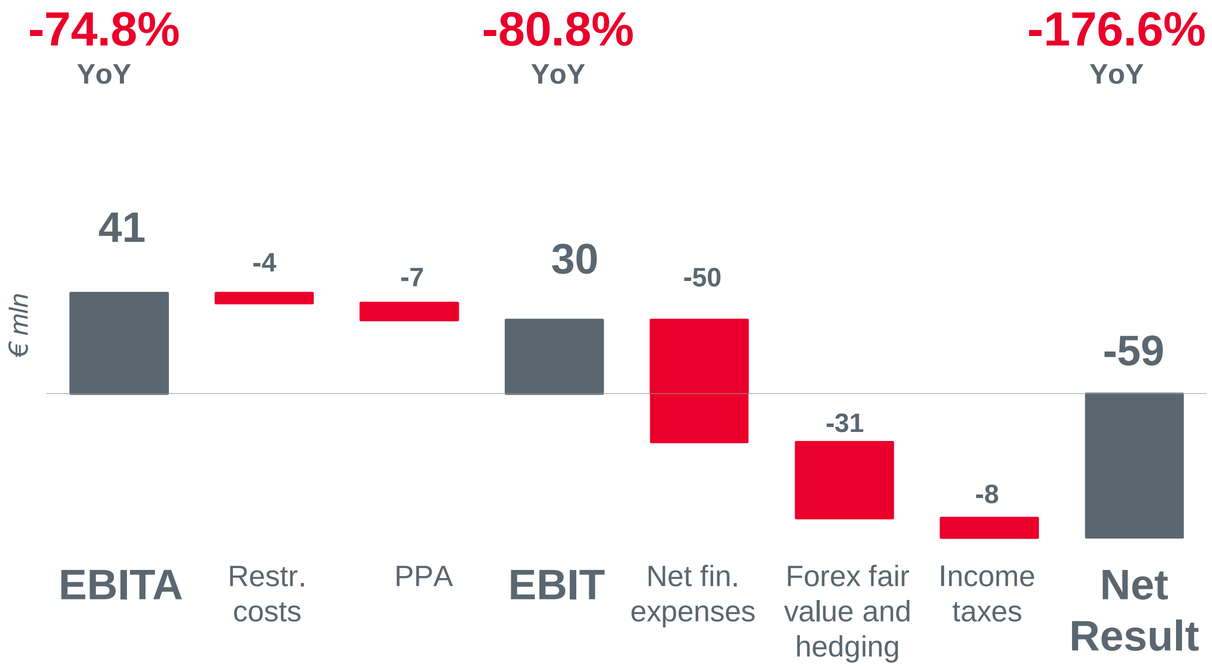
From EBITA to Net Result

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

1Q 2019A



1Q 2020A

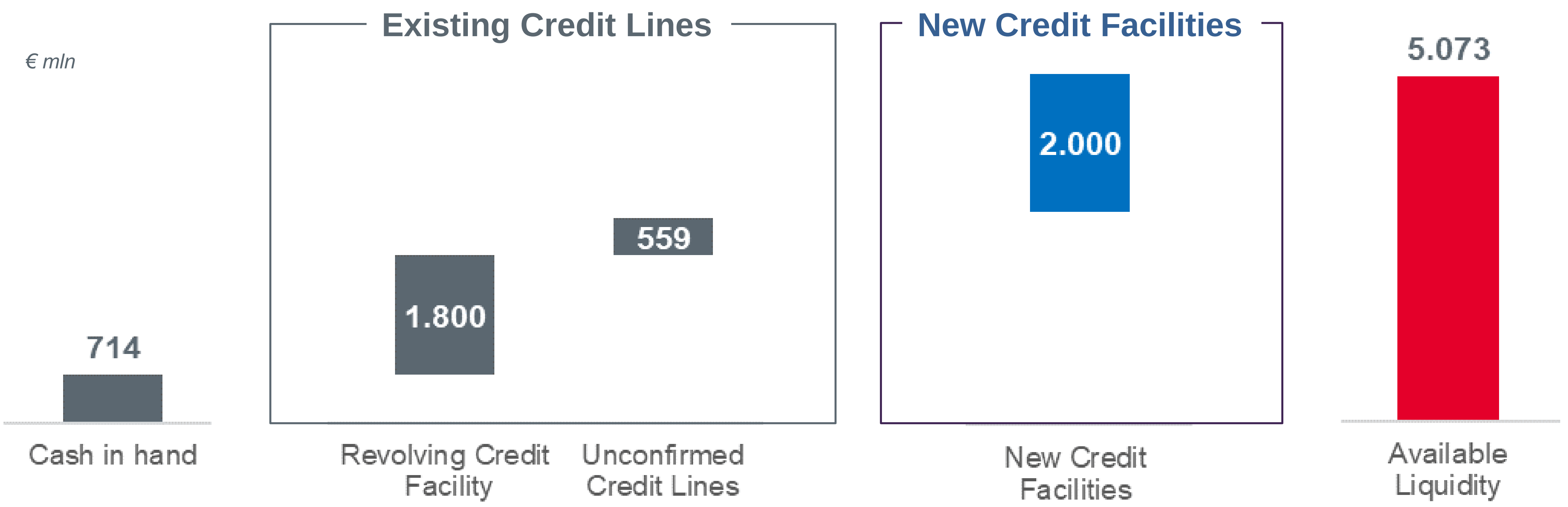


- EBIT down 80.8% due to EBITA decrease
- Net Result at € -59 mln affected by EBITA performance and higher financial expenses, associated with forex fair value and hedging

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

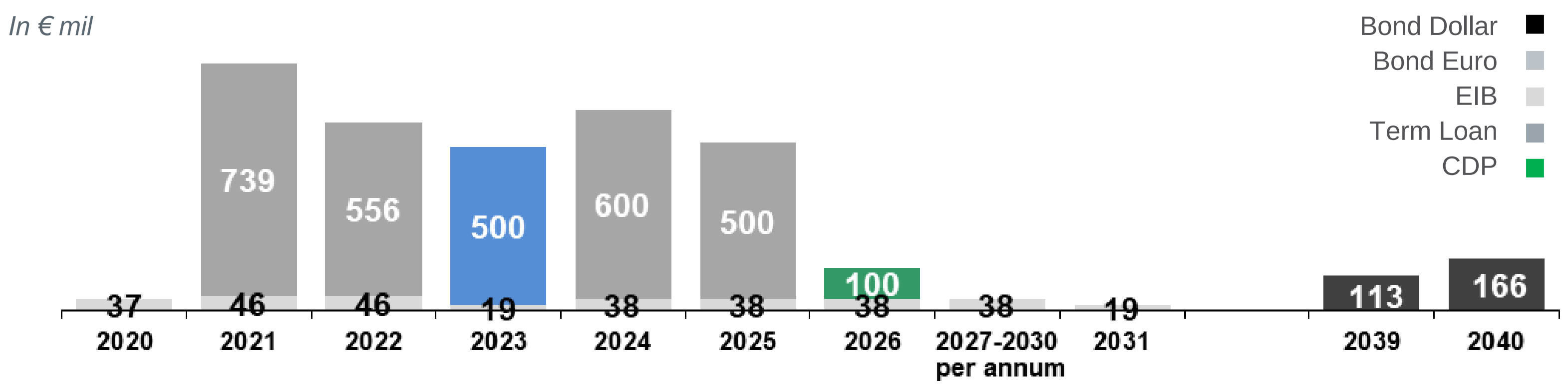
STRONG LIQUIDITY POSITION of € 5+ bn as of 31 March 2020*



*pro forma for new credit facilities

Balanced debt maturity profile

DEBT MATURITY
Average life: ≈ 4,5 years



CREDIT RATING

	As of today	Before last review	Date of review
Moody's	Ba1 / *Stable Outlook*	Ba1 / *Positive Outlook*	October 2018*
S&P	BB+ / *Stable Outlook*	BB+ / *Positive Outlook*	April 2020
Fitch	BBB- / *Negative Outlook*	BBB- / *Stable Outlook*	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*	EBITA *Aerostructures*	EBITA *GIE-ATR*
Delayed / lower deliveries	✓✓✓	✓✓						✓✓✓
Slowdown in programme execution	✓		✓✓✓	✓✓	✓✓✓	✓✓		
Lower productivity		✓✓		✓✓		✓✓	✓✓✓	

What we are seeing

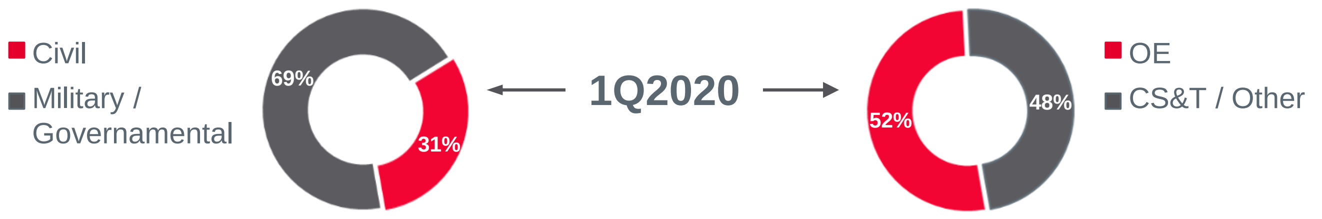
- Leonardo strategically relevant for our domestic markets
- Q1 reflecting initial impact of COVID-19 - Q2 expected to be affected the most
- FY2020 COVID-19 impact will be significant but not yet reliably quantifiable: 2020 Guidance suspended
- Mitigating actions promptly in place
- Short-term challenges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

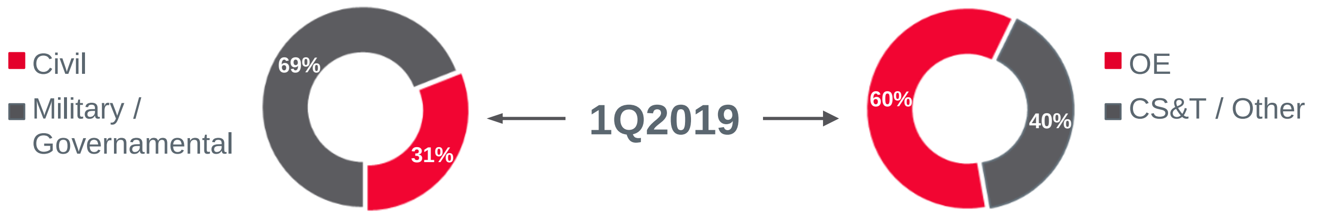
SECTOR RESULTS

Helicopters

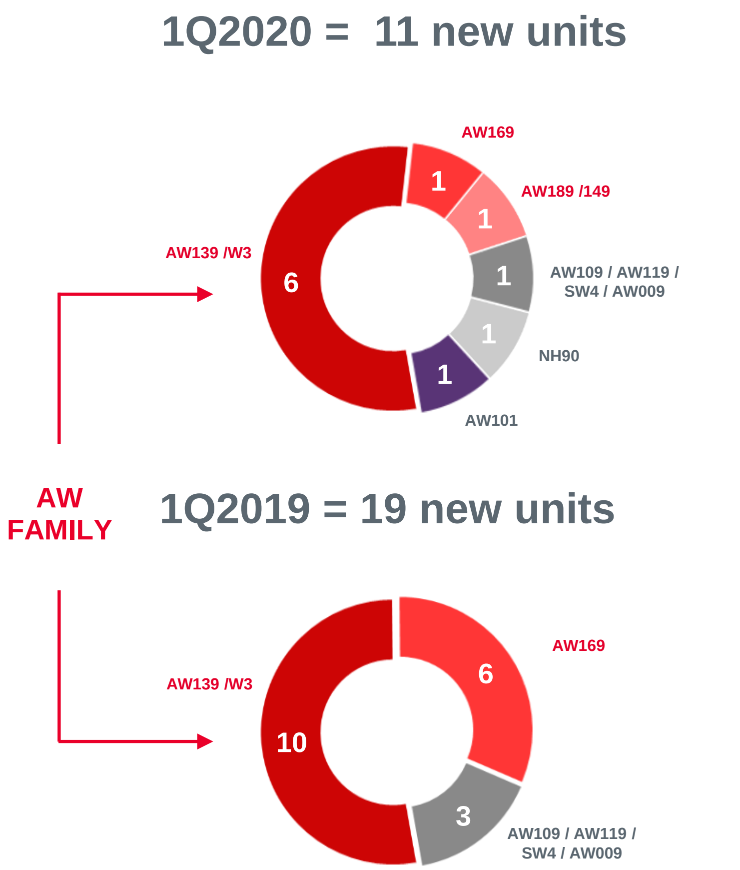
€ mln	1Q 2019	1Q 2020	% Change	FY 2019
Orders	688	1,486	*+116.0%*	4,641
Revenues	813	704	*-13.4%*	4,025
EBITA	56	18	*-67.9%*	431
RoS	*6.9%*	*2.6%*	*-4.3 p.p.*	*10.7%*

REVENUES BY CUSTOMER / SEGMENT





DELIVERIES BY PROGRAMME



Defence Electronics & Security

ELECTRONICS - EU

€ mln	1Q 2019	1Q 2020	% Change	FY 2019
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

€ mln	1Q 2019	1Q 2020	% Change	FY 2019
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	*unchanged*	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

€ mln	1Q 2019	1Q 2020	% Change	FY 2019
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
RoS	*6.0%*	*1.6%*	*-4.4 p.p.*	*9.1%*
EBIT	156	30	-80.8%	1,153
EBIT Margin	*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

(1) EBITDA net of depreciation of rights of use

	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

Development costs capitalised as intangible assets as at 31 December 2019

€ mln	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

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