



Morgan Stanley Industrial CEOs Unplugged 2023 Presentation

Rome

6 September 2023



Electronics



Helicopters



Aircraft



Cyber &
Security



Space



Unmanned
Systems



Aerostructures

Agenda

- **Key messages**
- Financial review
- Q&A
- Sector results
- Appendix

Roberto Cingolani, Chief Executive Officer

Alessandra Genco, Chief Financial Officer



CEO Introduction

A great knowledge-based company with strong market position

- **Leader** across Helicopters and Defence Electronics
- **Key player** in international cooperation programmes
- **Well positioned** in key domestic markets
- **Leading portfolio** offering across the businesses
- **Solid H1 performance**; reconfirming FY guidance



Confirmed key pillars for creating value, deleveraging and improving cash flow generation ...

...but this is also the right moment to think about the future



A new era of defence

Understanding how to best support our clients in fulfilling their future needs

- **Changing nature** of the conflict as demonstrated by the war in Ukraine
- **Bytes** instead of bullets
- Concept of conventional defence **evolving into National Security**
- Leonardo's **technology leadership** to be boosted and accelerated to adapt to global changes underway

Leonardo's product portfolio and the company positioning in the international geopolitical scenario will have to evolve



Building the Leonardo of the future

Evolving product portfolio and positioning to meet geopolitical developments and technological transformation

New era of defence and technological transformation



Geopolitical and strategic positioning

- More international
- Leveraging existing strong businesses
- Expanding into complementary and synergistic businesses



Leaner and stronger organisation

- Complementary and strong Leadership Team in place
- New Co General Manager
- Clear strategy of attraction, retention, and development of talent



Products/technologies for the future

- Massive digitalization to boost core products
- Supporting communities to face global changes
- Stronger and more focused R&D activities

Understanding customer needs in 10 years from now

An innovative and agile business that is strongly positioned for growth



Reinforcing and strengthening the core products

More recurrent revenues, higher margins and low capex requirements

STRATEGIC PRODUCTS & SERVICES

AW169, AW139, AW189
SIMULATORS
NEW ADVANCED SERVICES

JSF F-35, EUROFIGHTER
INTERNATIONAL FLIGHT TRAINING SCHOOL
M-345, M-346

COMMUNICATIONS SYSTEM
RADAR
ONBOARD AVIONICS
OPTRONIC SYSTEMS

A220, B787, A321

WORKING ON THE FUTURE

FAST ROTORCRAFT
RUAV
NEW GENERATION HELICOPTER

EUROMALE
GCAP

VERTICAL

Cyber security and resilience embedded for the entire product life
Connectivity
Big Data & Advanced Analytics
Services from satellites

SERVITIZATION

Making Space and Cyber strategic priorities



SPACE

- Total market value of ~\$350bn (~70% services and Ground equipment)
- Estimated to reach a value of ~ \$1tn in the next decade

CYBER

- Cumulative market value of ~ €700bn between 2024-28
- Estimated segment growth of 8% CAGR 2024-2028



LEONARDO TODAY

- Operates through JVs and Electronics Division
- Present in the main space programmes (e.g. Prisma, Copernicus, Galileo, ...)

- 4 capabilities: Secure Cloud & Data Valorisation, Global Monitoring & Transportation, Secure Communications, Cyber Security & resilience

OUR ROADMAP

- Leverage key assets to strengthen the offer of value-added services
- Work on application domain of new technologies
- Drive growth through digital transformation

- Upgrade existing products with a cyber by design approach over the entire lifecycle
- Natively embed Cyber in new programs
- Address evolving defence and institutional customer needs
- Serve civil markets leveraging secure cloud and data valorisation platforms



Key takeaways

1. **Strengthening the core business**
2. **Making the organisation more efficient**
3. **Optimising the product portfolio**
4. **Growing international presence**
5. **Improving cash generation and profitability** through new high-tech service based products
6. **More focused R&D** to drive our transformation in an evolving environment
7. **Targeting** new business in **Space and Cyber security** domains helping to ensure increased cash conversion

This will be presented in the New Industrial Plan, to be delivered at the beginning of 2024



Agenda

- Key messages
- **Financial review**
- Q&A
- Sector results
- Appendix

Roberto Cingolani, Chief Executive Officer

Alessandra Genco, Chief Financial Officer



1H 2023 Highlights

- Strong commercial activity
- Continued strong demand for our products driving top line growth
- Solid profitability across all divisions
- Stepping up FOCF
- Confirming deleveraging path

	1H2022A	1H2022 Adj. ¹	1H2023	% Δ ¹
ORDERS (€bn)	7.3	7.2	8.7	+21.4%
REVENUES (€bn)	6.6	6.5	6.9	+6.4%
EBITA (€mln)	418	407	430	+5.7%
FOCF (€mln)	-962	-973	-517	+46.9%
NET DEBT (€bn)	4.8	4.8	3.6	-24.1%



1) Adjusted perimeter to exclude the contribution of Global Enterprise Solutions



Order Intake

Commercially strong, reflecting continued strength of defence-governmental business

	€ mln	Δ % YoY	
1H2022A*	7,161		
HELICOPTERS	2,805	+28.5%	18 AW169M LUH for Austria; 3 AW159 MLU; AW101 export; 13 MH-139 for the US Air Force; other civil orders
ELECTRONICS EUROPE	3,045	+19.9%	Growing across all business areas. ECRS Mk2 for UK RAF, C2 Capabilities in Italy, defense systems and logistic support for Philippines, Joint Operational Command of the Joint Forces (JOC-COVI) in Cyber
LEONARDO DRS	1,339	+15.6%*	Integrated electric propulsion components for Columbia-class and infrared countermeasures for the US Armed Forces
AIRCRAFT	1,497	+0.5%	2 C-27J export orders, EFA logistic support and further orders for JSF
AEROSTRUCTURES	225	+42.4%	Mainly driven by new orders for ATR and B787; Airbus orders slightly decreasing
ELIMINATIONS & OTHER	-220		
1H2023A**	8,691	+21.4%	

* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

** Including ca. €44 mln of negative forex



Revenues

Solid performance confirming growth path

	€ mln	Δ % YoY	
1H2022A*	6,480		
HELICOPTERS	2,160	+2.4%	Increase due to dual-use models, CS&T despite expected lower contribution from NH90 Qatar
ELECTRONICS EUROPE	2,198	+4.2%	Growing volumes in all business areas, mainly in Cyber and Defense Systems
LEONARDO DRS	1,107	+6.8%*	Increase on the IM-SHORAD and MFOCS programmes
AIRCRAFT	1,348	+6.9%	Mainly driven by Euromale and JSF
AEROSTRUCTURES	327	+39.7%	Driven by ATR and B787 production rate increase
ELIMINATIONS & OTHER	-246		
1H2023A**	6,894	+6.4%	

* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

** Including ca. € 30 mln of negative forex



EBITA and Profitability

Improving Profitability

	€ mln	RoS	Δ % YoY	
1H2022A*	407	6.3%		
HELICOPTERS	157	7.3%	+4.0%	Solid performance driven by top-line growth
ELECTRONICS EUROPE	225	10.2%	+7.1%	Confirming strong profitability in core divisions
LEONARDO DRS	84	7.6%	-9.7%*	Lower profitability, as expected, due to business mix. 1H22 Columbia-Class profit step up
AIRCRAFT	160	11.9%	+6.7%	Strong profitability driven by EFA
AEROSTRUCTURES	-72	-22.0%	+18.2%	Higher asset utilisation from increased production volumes
ATR	-5	n.a.	n.m.	Lower contribution due to a one-off customer settlement in 1H22
SPACE	2		n.m.	Substantially flat YoY. Positive trend in Service. Manufacturing affected by Telco Business. Continued to be impacted by production delays due to persistent supply chain tension.
CORPORATE & OTHER	-121		-9.0%	
1H2023A**	430	6.2%	+5.7%	

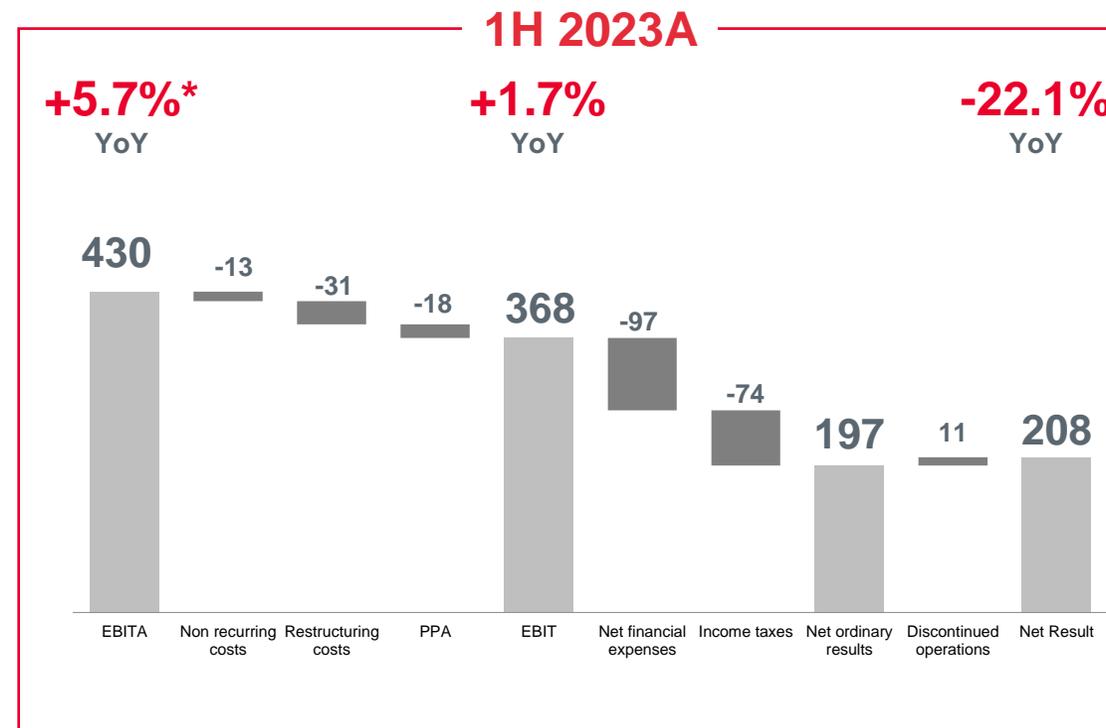
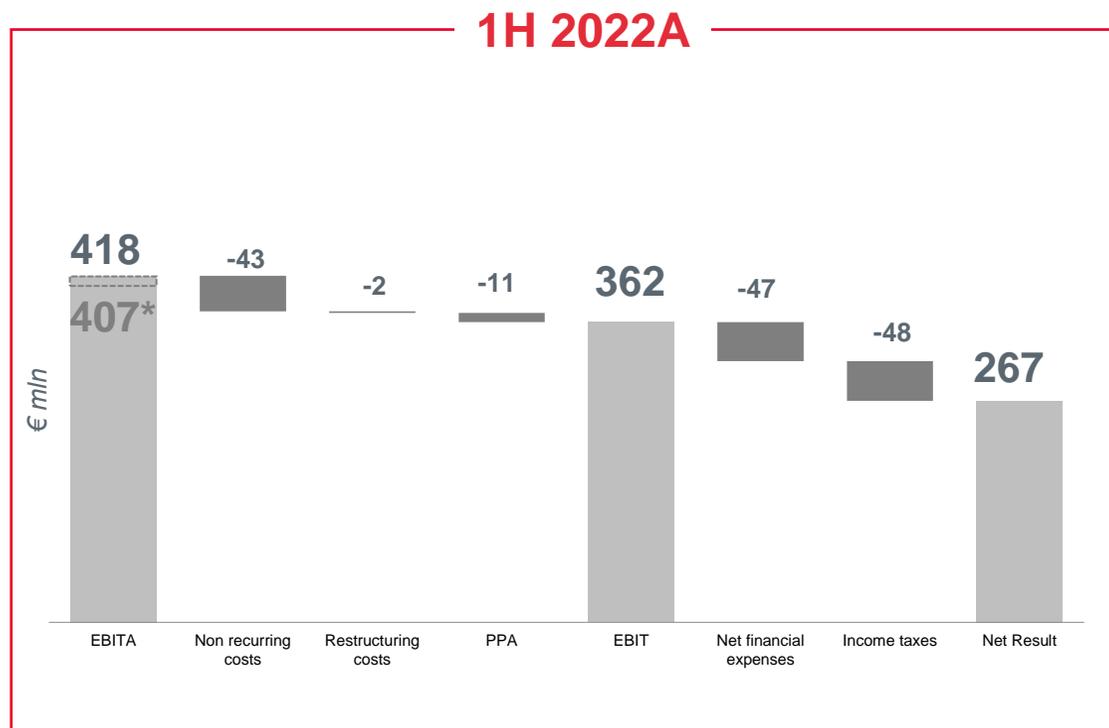
* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

** Including ca. € 3 mln of negative forex



From EBITA to Net Result

Solid bottom line



- Net Result impacted by higher financial expenses due to increasing rates and the performance of non strategic equity accounted JVs (in 1H22 financial expenses benefitted from fair value gains on FX hedges), higher income taxes also reflecting tax paid on dividend distribution within the Group and from JVs, and the gain for the disposal of ATM business in US

- Stepping up cash flow : 1H 2023 FOCF at € - 517 mln, up 46.9% vs 1H 2022 (€ - 973 mln*)
- Continued deleveraging with Net Debt down €1.2 bn vs 1H2022

* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions, sold in July 2022



2023 Guidance Confirmed

		2022A	2023E ¹
ORDERS (€bn)		17.3	ca.17
REVENUES (€bn)		14.7	15-15.6
EBITA (€mln)		1,218	1,260-1,310
FOCF (€mln)		539	ca. 600
NET DEBT (€bn)		3.0	ca. 2.6 ²



- Continued solid commercial momentum, with book-to-bill>1x
- Successfully navigating inflationary pressures
- Continued improvement in FOCF and focus on deleveraging

2023 exchange rate assumptions: € / USD = 1.10 and € / GBP = 0.87

1) Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration

2) Assuming dividend payment of € 0.14 p.s. and new leases for ca 100 mln



Agenda

- Key messages
- Financial review
- **Q&A**
- Sector results
- Appendix

Roberto Cingolani, Chief Executive Officer

Alessandra Genco, Chief Financial Officer



Q&A



Agenda

- Key messages
- Financial review
- Q&A
- **Sector results**
- Appendix

Roberto Cingolani, Chief Executive Officer

Alessandra Genco, Chief Financial Officer



Helicopters

Strong order growth

2018-2022 Results

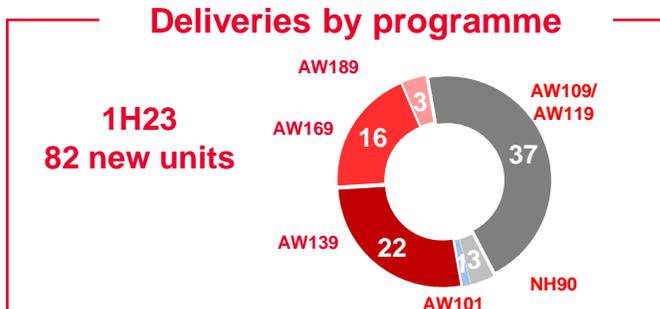


2Q/1H23 Results

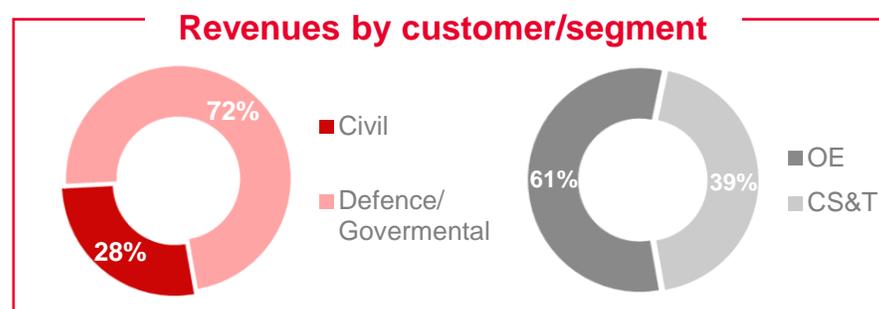
	2Q 2022	2Q 2023	% Change
Orders	1,320	916	-30.6%
Revenues	1,187	1,280	+7.8%
EBITA	115	119	+3.5%
RoS	9.7%	9.2%	-0.5 p.p.

	1H 2022	1H 2023	% Change
Orders	2,183	2,805	+28.5%
Revenues	2,110	2,160	+2.4%
EBITA	151	157	+4.0%
RoS	7.2%	7.3%	+0.1 p.p.

Deliveries by programme



Revenues by customer/segment



2023 Outlook(*)

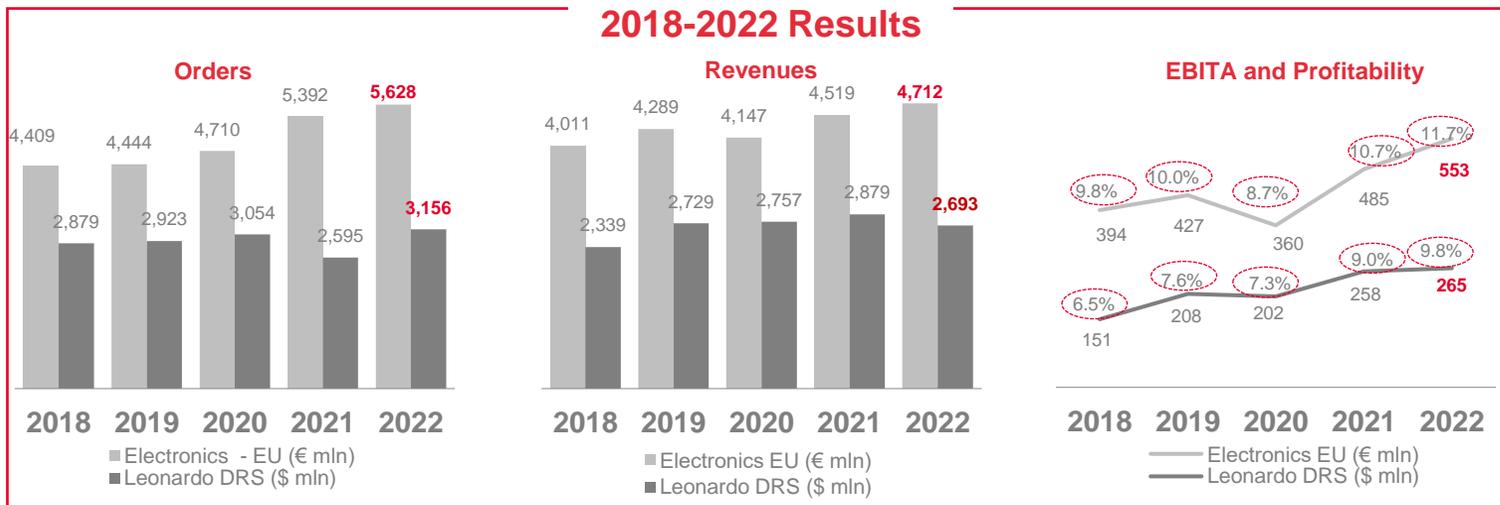
- Strong level of order intake expected both in civil and governmental; confirming increasing revenues and deliveries
- Good level of profitability supported by structured actions to offset inflationary pressure

(*) Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration



Electronics

Growing revenues and profitability



2Q/1H23 Results

ELECTRONICS - EU

€ mln	2Q 2022	2Q 2023	% Change
Orders	1,051	1,421	+35.2%
Revenues	1,154	1,152	-0.2%
EBITA	119	136	+14.3%
RoS	10.3%	11.8%	+1.5 p.p.

€ mln	1H 2022	1H 2023	% Change
Orders	2,540	3,045	+19.9%
Revenues	2,109	2,198	+4.2%
EBITA	210	225	+7.1%
RoS	10.0%	10.2%	+0.2 p.p.

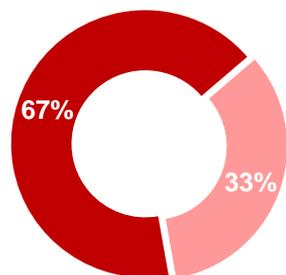
LEONARDO DRS

\$ mln ^(*)	2Q 2022 ¹	2Q 2023	% Change
Orders	547	698	+27.6%
Revenues	576	628	+9.0%
EBITA	46	58	+26.1%
RoS	8.0%	9.2%	+1.2 p.p.

\$ mln ^(*)	1H 2022 ¹	1H 2023	% Change
Orders	1,267	1,447	+14.2%
Revenues	1,134	1,197	+5.6%
EBITA	102	91	-10.8%
RoS	9.0%	7.6%	-1.4 p.p.

1) Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

1H23 Revenue by segment



■ Electronics ■ Leonardo DRS

2023 Outlook(**)

- Growing volumes and profitability driven by improving execution of backlog and investments
- Market dynamics still reflecting inflationary pressure and supply chain

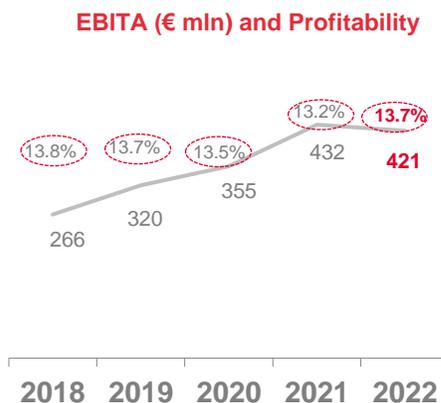
* Avg. exchange rate €/€ @ 1.09 in 1H22; Avg. exchange rate €/€ @ 1.08 in 1H23

** Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration

Aircraft

Solid profitability

2018-2022 Results

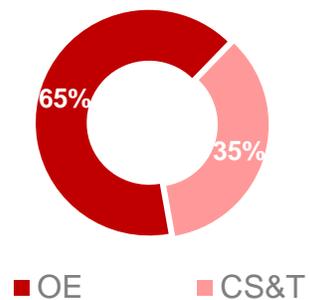


2Q/1H23 Results

€ mln	2Q 2022	2Q 2023	% Change
Orders	709	766	+8.0%
Revenues	690	789	+14.3%
EBITA	98	106	+8.1%
RoS	14.2%	13.4%	-0.8 p.p.

€ mln	1H 2022	1H 2023	% Change
Orders	1,490	1,497	+0.5%
Revenues	1,261	1,348	+6.9%
EBITA	150	160	+6.7%
RoS	11.9%	11.9%	0 p.p.

1H23 Revenues by platform



2023 Outlook(*)

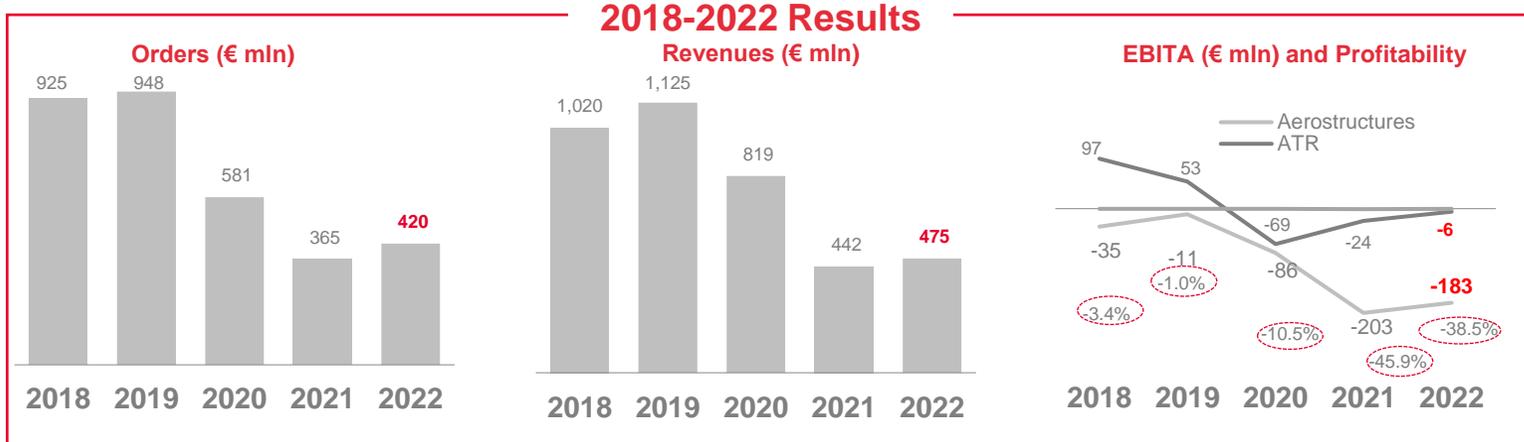
- Growing export market for proprietary platforms
- Confirming strong contribution from Fighter business lines (F-35 and Eurofighter)

* Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration



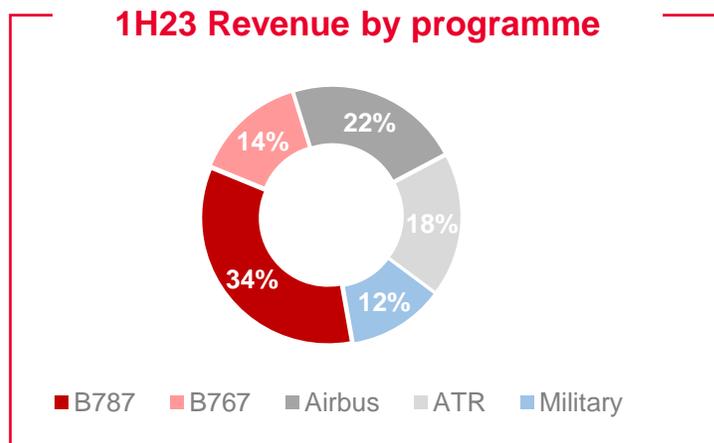
Aerostructures and ATR

Recovery on track



2Q/1H23 Results

Aerostructures		2Q 2022	2Q 2023	% Change
Orders	€ mln	64	99	+53.1%
Revenues		111	176	+59.5%
EBITA		(42)	(32)	+23.8%
RoS		(37.8%)	(18.2%)	- 19.6 p.p.
		1H 2022	1H 2023	% Change
Orders	€ mln	158	225	+42.4%
Revenues		234	327	+39.7%
EBITA		(88)	(72)	+18.2%
RoS		(37.6%)	(22.0%)	+15.6 p.p.
ATR				
EBITA	€ mln	9	11	+22.2%
EBITA	€ mln	(1)	(5)	n.a.



- 2023 Outlook(*)**
- Increasing volume driven by increasing production rate for Airbus and Boeing 787
 - Better profitability driven by higher asset utilisation
 - GIE-ATR expected increase deliveries

* Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration

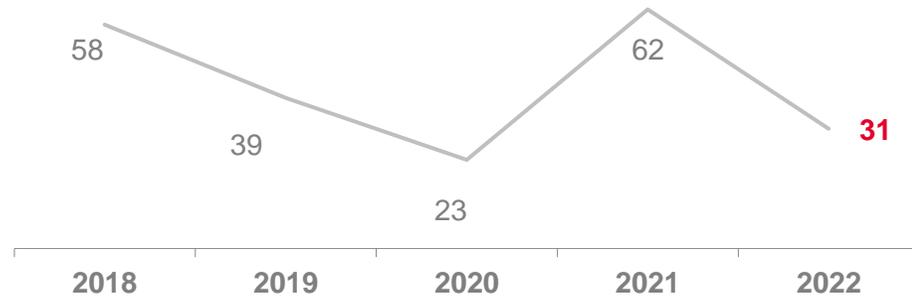


Space

Solid performance of Satellite services

2018-2022 Results

EBITA (€m)



2023 Outlook(*)

- Growing volumes driven by solid and increasing backlog

2Q/1H23 Results

	2Q 2022	2Q 2023	% Change
EBITA	-4	1	n.a.

	1H 2022	1H 2023	% Change
EBITA	3	2	-33.3%

* Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration



Agenda

- Key messages
- Financial review
- Q&A
- **Sector results**
- Appendix

Roberto Cingolani, Chief Executive Officer

Alessandra Genco, Chief Financial Officer



2Q/1H 2022 Results

Group Performance

	€ mln	2Q 2022	2Q 2023	% Change	1H2022	1H2023	% Change	FY 2022
New Orders		3,521	3,823	+8.6%	7,310	8,691	+18.9%	17,266
Backlog					36,358	39,119	+7.6%	37,506
Revenues		3,570	3,860	+8.1%	6,576	6,894	+4.8%	14,713
EBITA		286	325	+13.6%	418	430	+2.9%	1,218
	<i>RoS</i>	8.0%	8.4%	+0.4 p.p.	6.4%	6.2%	-0.2 p.p.	8.3%
EBIT		239	275	+15.1%	362	368	+1.7%	961
	<i>EBIT Margin</i>	6.7%	7.1%	+0.4 p.p.	5.5%	5.3%	-0.2 p.p.	6.5%
Net result before extraordinary transactions		193	157	-18.7%	267	197	-26.2%	697
Net result		193	168	-12.9%	267	208	-22.1%	932
EPS (€ cents)		0.333	0.278	-16.5%	0.462	0.341	-26.2%	1.611
FOCF		118	171	+44.9%	-962	-517	+46.3%	539
Group Net Debt					4,793	3,637	-24.1%	3,016
Headcount					50,441	52,306	3.7%	51,392

Free Operating Cash-Flow (FOCF): 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

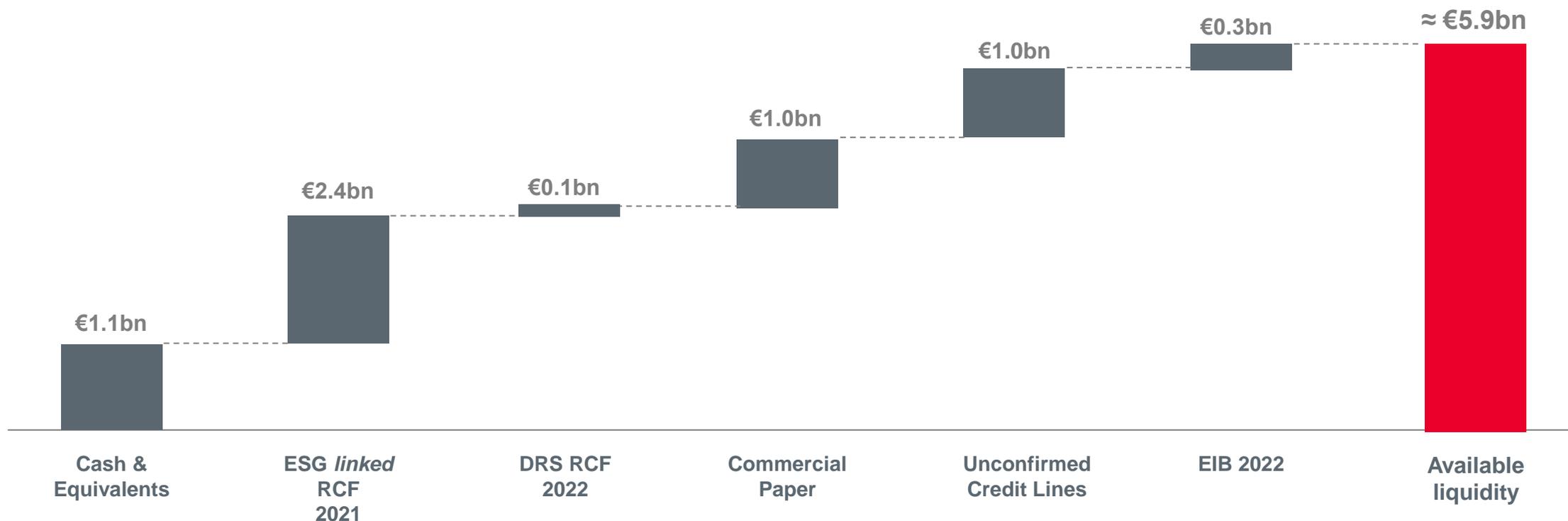


Solid Group liquidity ensures adequate financial flexibility

- Available credit lines

- ESG Credit Line signed in October 2021 equal to € 2.4bn
- Existing unconfirmed credit lines equal to € 1.0bn
- Commercial Paper, signed in August 2022, equal to € 1.0bn
- New «Sustainability-Linked» EIB loan equal to € 0.3bn

together with the Revolving Credit Facility signed in November 2022 by Leonardo DRS, following the merger with RADA, available for € 0.1bn and cash in-hands ensure a Group's liquidity of approx. € 5.9bn

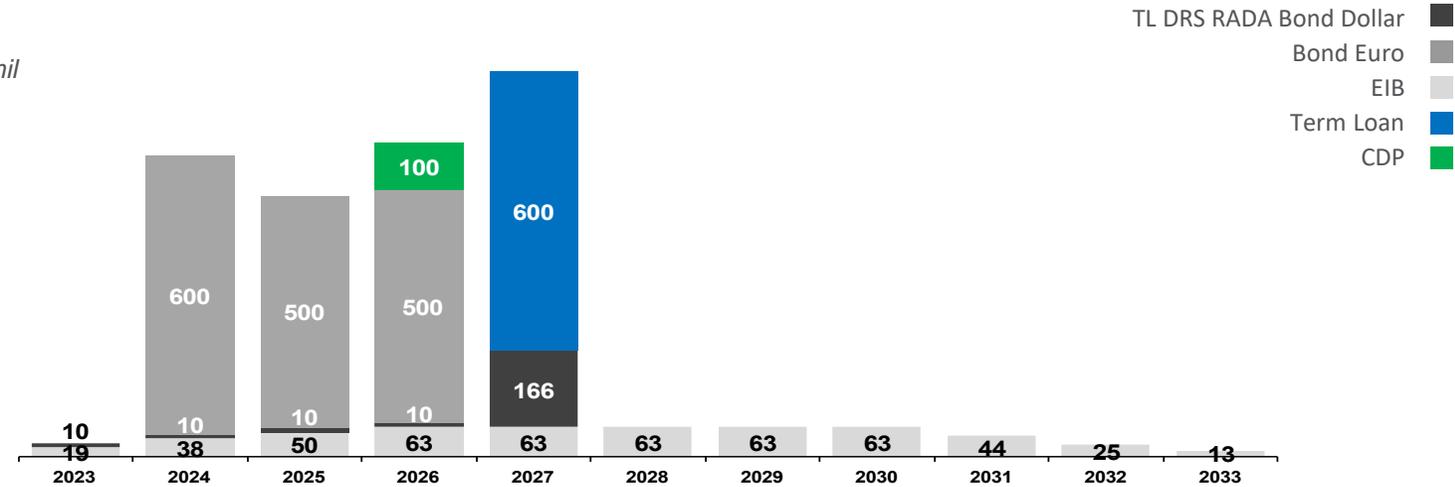


Balanced debt maturity profile

Debt maturity
Average life: ≈ 2.8 years



In € mil



CREDIT RATING

	As of today	Before last review	Date of review
Moody's	Baa3 / <i>Stable Outlook</i>	Ba1 / <i>Positive Outlook</i>	May 2023
S&P	BB+ / <i>Positive Outlook</i>	BB+ / <i>Stable Outlook</i>	May 2022
Fitch	BBB- / <i>Stable Outlook</i>	BBB- / <i>Negative Outlook</i>	January 2022



Covenants FY2022

	FY2022A Post IFRS 16
EBITDA*	€ 1,671 mln
Net Interest	€ 104 mln
EBITDA / Net Interest	16.1
THRESHOLD	> 3.25

	FY2022A Post IFRS 16
Group Net Debt	€ 3,016 mln
Leasing (IFRS 16)	- € 570 mln
Financial Debt to MBDA	- € 713 mln
Group Net Debt for Covenant	€ 1,733 mln
EBITDA*	€ 1,671 mln
Group Net Debt / EBITDA	1.0
THRESHOLD	< 3.75

* EBITDA net of depreciation of rights of use

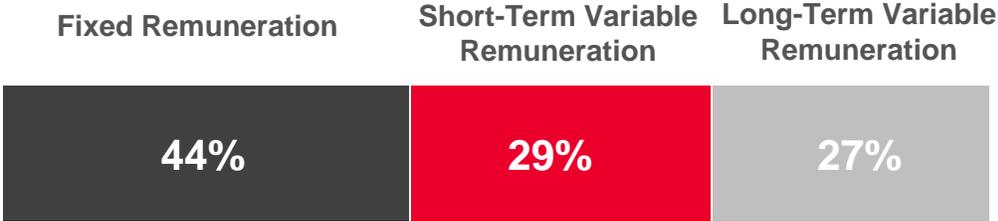


Remuneration Policy aligned with shareholders interests, business strategy and ESG criteria

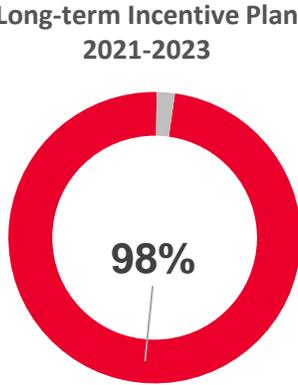
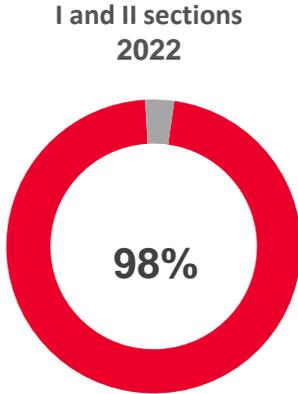
- Convergence of interests between management and shareholders
- Aligning the remuneration package with international market best practices
- Including Sustainability/ESG objectives, consistently with business strategy
- Complying with transparency and merit system principles of the Group strategy
- Attracting / retaining key performer resources
- Reducing excessively risk-oriented behavior



CEO REMUNERATION COMPONENTS



VOTING IN FAVOR OF REMUNERATION REPORT



CEO short term variable remuneration (MBO)

	Type of objective	KPIs	Weight	Functioning mechanism	Target / Guidance	
Performance Gate	Economic and Financials	Group EBITA	30%	On / off	1,260 € mil. – 1,310 € mil.	If one or both of the following thresholds are not achieved: <ul style="list-style-type: none"> • Group EBITA: 85% of Budget • Group FOCF: 100% of Budget the bonus related to both KPIs is set to zero.
		Group Free Operating Cash Flow (FOCF)	30%	Range Payout: 100%-150%	ca. 600 € mil.	
	Strategic	Launch of 3 lines of research for Leonardo Labs	15%	On / off	Strategic Plan	
		Book to Bill	15%	On / off	≥ 1	
	Sustainability	Inclusion in Dow Jones Sustainability Indices	5%	On / off	Inclusion of Leonardo	
		Reduction in average accident frequency rate	5%	On / off	$I_f \leq 3,3$	



Long Term Incentive Plan (LTIP)

KPIs	Weight	Reference financial period	Performance range (Target / Guidance)	Payout range
Relative Total Shareholder Return	35%	2025 (Delta vs 2023)	1-4 5- 6 7 8-13	100% 50% 25% 0%
Group Net Debt	25%	2025	Target (< 1.6 € bil.)	100%
			Minimum	50%
Return on Invested Capital	20%	2025	Target (>13%)	100%
			Minimum	50%
Climate Change (Reduction in emissions scope 1 and 2)	10%	2025	32.0	100%
			Minimum	50%
Gender diversity (% of women of total new hires with a STEM degree)	10%	2023-2025	26%	100%
			Minimum	50%

Beneficiaries: Chief Executive Officer and key managers (executive in the Company, Subsidiaries, associates (former employees) in top management and/or other management positions in the Company or Subsidiaries) up to a maximum of 250 resources.



Connecting ESG progress and remuneration

Confirming alignment between Industrial plan and management performance

10%

of **short-term** variable remuneration linked to ESG objectives

20%

of **long-term** variable remuneration linked to ESG objectives

Short-term incentive

CEO & General Manager

- 5% → Inclusion of Leonardo in DJSI
- 5% → Average accident frequency rate*

Managers

- 1,050+ managers, including Managers with Strategic Responsibilities and Senior Managers.

Long-term incentive

CEO & General Manager

- 10% → Scope 1 & 2 GHG Emissions**
- 10% → Gender diversity, percentage of female new hires w/ STEM***

Managers

- 215+ managers of the Group, including Managers with Strategic Responsibilities and Senior Managers

* Calculated according to the GRI method as number of accidents per 1,000,000 hours worked. The target is 3.3 at 2023

** Calculated according to the location-based method as a ratio of emissions of Scopes 1 and 2 location-based (tCO₂e) to revenues (€mil.) per year (Intensity of CO₂ emissions on revenues). The target is 32 at 2025.

*** Calculated as the ratio of female new hires with a STEM degrees out of total new hires with a STEM degrees – The average target is 26% over the three-year period 2023-2025



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.



CONTACTS

Valeria Ricciotti

Head of Investor Relations and Credit Rating Agencies

+39 06 32473.697

valeria.ricciotti@leonardo.com

Leonardo Investor Relations and Credit Rating Agencies

+39 06 32473.512

ir@leonardo.com

