



2Q/1H2020 Results Presentation

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Chief Executive Officer

Chief Financial Officer

—
Rome, 30 July 2020





Agenda

- > **Key messages**
- > 1H 2020 Results
- > Sector Results
- > Appendix

Chief Executive Officer

Chief Financial Officer



Key messages

Resilient 1H in face of unprecedented challenges. Confidence in the long term fundamentals unchanged

- We have responded robustly to the pandemic and we remained resilient in extreme market conditions
- We continue to actively manage the situation with mitigating actions and recovery plan in place, also benefitting from our business mix
- Our robust response and our business resilience give us confidence in our new FY2020 Guidance
- Looking forward, we expect certain challenges facing the civil side of our business to extend beyond 2020
- The medium-long term fundamentals of our business remain unchanged and we remain confident in our ability to succeed



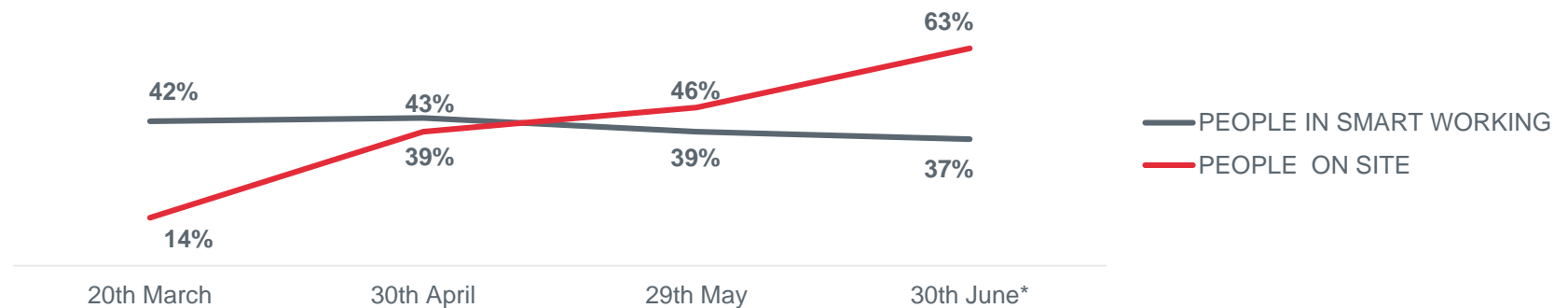
Demonstrating resilience in extreme market conditions

COMMERCIALLY

- Stable orders vs 2019, reflecting Group weighting to military / governmental programmes across businesses
- Strong support from governments in all our domestic markets

OPERATIONALLY

- Leonardo strategically relevant for our domestic markets
- Production facilities always in operation except for 2 days, although running at slower pace
- Month over month improvements in productivity and efficiencies since March challenges
- Increasing number of people on site



*Including operational people only



Demonstrating resilience in extreme market conditions

FINANCIALLY

- 1H on track despite extreme market conditions
- In FY2020, excluding COVID-19 resurgence and additional lockdowns, we expect
 - Order Intake slightly down YoY
 - Revenues substantially flat YoY
 - EBITA not immune but mitigation actions in place
 - Identified cost savings for 2020 from

	BUDGET 2020 BASELINE	FY2020 TARGET	1H2020 ACHIEVEMENT
LABOR COST	€ 2.9 bn	ca. 10%	ca. 50% of the total
CONTROLLABLE COSTS	€ 1.4 bn	10-15%	ca. 60% of the total
NET INVESTMENTS	€ 700-750 mln	40-50%	ca. 2/3 of the total

- FOCF neutral
- Strong liquidity position and financial flexibility

STRATEGICALLY

- Clear strategic path and solid fundamentals confirmed
- Increasingly international footprint strengthening diversification and resilience
- Significant Backlog of € 36 bn
- Investing in our future, leveraging on our products and technologies, both existing and in development, well recognised and value adding to clients
- Strong support of our key stakeholders



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1H 2020 highlights

Resilient top line with COVID-19 impacting performance

- **Our Group has remained resilient in the face of unprecedented market conditions**
- **We have continued to perform well**
 - Orders at € 6.1 bn flat YoY with Book to Bill at ≈ 1
 - Solid Group Revenues at € 5.9 bn, flat YoY
 - EBITA at € 292 mln, down 40% YoY, due to COVID-19 and mix
 - FOCF at € -1.9 bn, in line with cash seasonality and partially affected by COVID-19
- **We can rely on a strong financial and liquidity position**



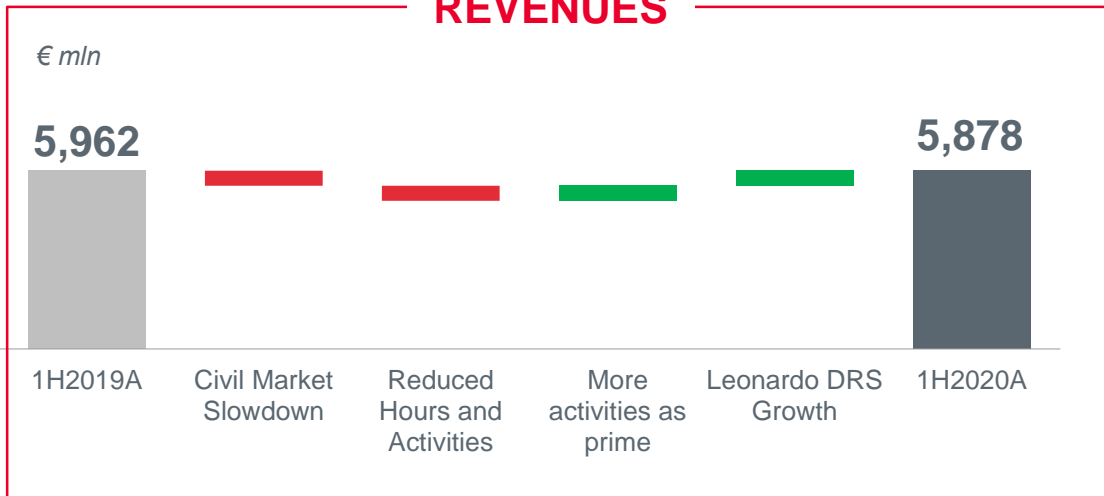
1H 2020 drivers for Orders and Revenues

ORDER INTAKE



- Civil market slowdown, especially from civil helicopter market (-50%)
- Export campaign delays due to travel restrictions
- Increase in domestic military/governmental orders

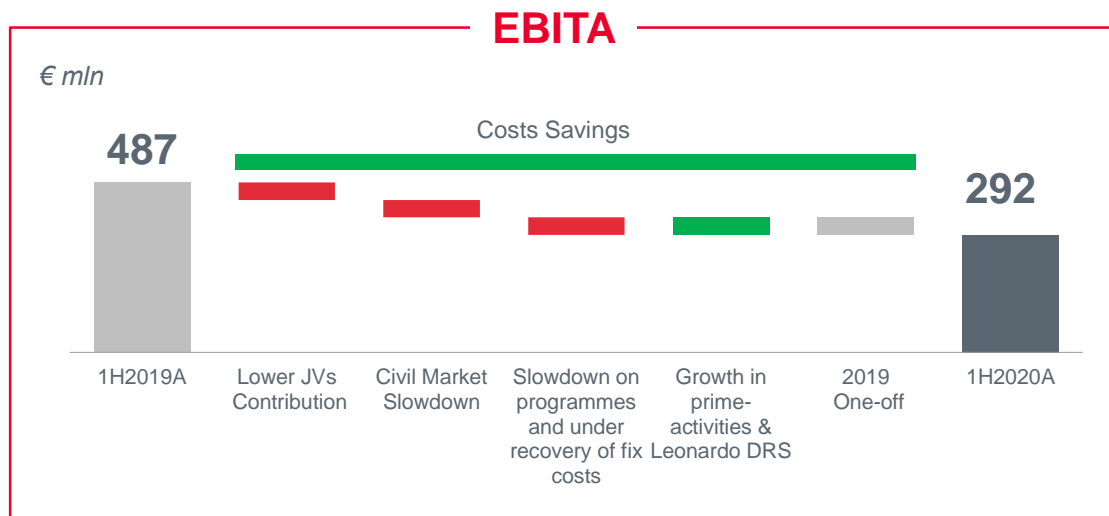
REVENUES



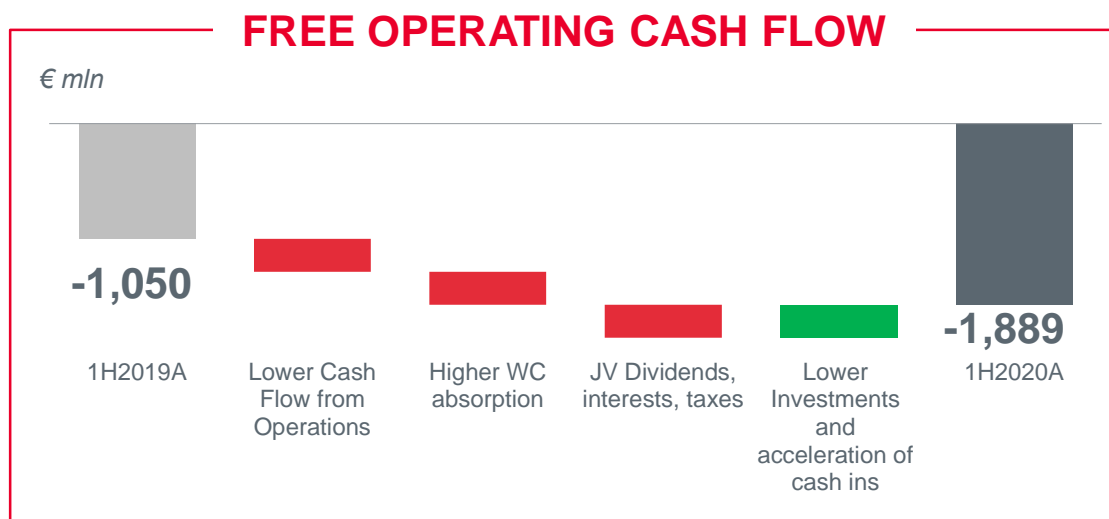
- Civil market slowdown affecting Aerostructures and lower civil helicopter deliveries
- Lower productive hours (worked hours -13%) and slowdown in programme execution
- More activities on large programmes associated with prime contractorship (mainly EFA Kuwait) diluting margins
- Leonardo DRS confirming growth path



1H 2020 drivers for EBITA and FOCF



- Lower JV contribution (ATR and Space Manufacturing)
- Lower activity and profitability on the civil side
- Worse mix due to higher activities in developmental/low rate initial production or in contracts where we are prime contractor
- Lower efficiency and productivity with reduced working hours and reduced ability to recover costs
- Positive impact from cost saving measures



- Higher cash absorption from operations and working capital
- Cash-ins more weighted towards 2H
- Lower investments and acceleration of cash-ins



Order Intake

Stable orders vs 2019, reflecting strength of domestic military / governmental business

	€ mln	Δ % YoY	
1H2019A	6,145		
HELICOPTERS	2,526	+48.0%	Higher domestic military/Governmental orders (IMOS UK, AW169 and NEES for Italy and TH-73A in US)
ELECTRONICS EUROPE*	1,420	-29.3%	Lower order intake due to large order in UK Airborne Systems in 1H19
LEONARDO DRS*	1,445	+3.5%	Additional orders for Mounted Family of Computer Systems (MFoCS) for US Army
AIRCRAFT**	669	-32.2%	F-35, C-27J and EFA offsetting large 1H2019 M-345 contract for Italian Air Force
AEROSTRUCTURES**	343	-8.0%	Affected by lower demand from ATR
ELIMINATIONS & OTHER	-258		
1H2020A***	6,104	-0.7%	ORDER BACKLOG of € 36 bn <ul style="list-style-type: none"> • 35% Helicopters • 35% Defence Electronics & Security • 30% Aeronautics

*Excluding € 7 mln of Defence Electronics & Security eliminations

**Excluding € 34 mln of Aeronautics eliminations

*** Including ca. € 39 mln of positive forex



Revenues

EFA Kuwait ramp up and Leonardo DRS offsetting COVID-19 effects

	€ mln	Δ % YoY	
1H2019A	5,962		
HELICOPTERS	1,693	-10.7%	Slowdown in operations and lower civil deliveries due to COVID-19, partially offset by CS&T and NH90 Qatar
ELECTRONICS EUROPE*	1,812	-3.2%	Reduction in volume growth due to COVID-19 effects
LEONARDO DRS*	1,107	+10.8%	Higher volumes driven by higher activities relating to the equipment upgrade provided to the US Army
AIRCRAFT	1,074	+24.7%	Production slowdown more than offset by EFA Kuwait ramp-up and customer support
AEROSTRUCTURES	473	-15.1%	B787 and ATR production slowdown due to COVID-19
ELIMINATIONS & OTHER	-225		
1H2020A**	5,878	-1.4%	

* Excluding € 22 mln of Defence Electronics & Security eliminations

** Including ca. € 28 mln of positive forex



EBITA and Profitability

Slowdown driven by JVs, civil business and mix

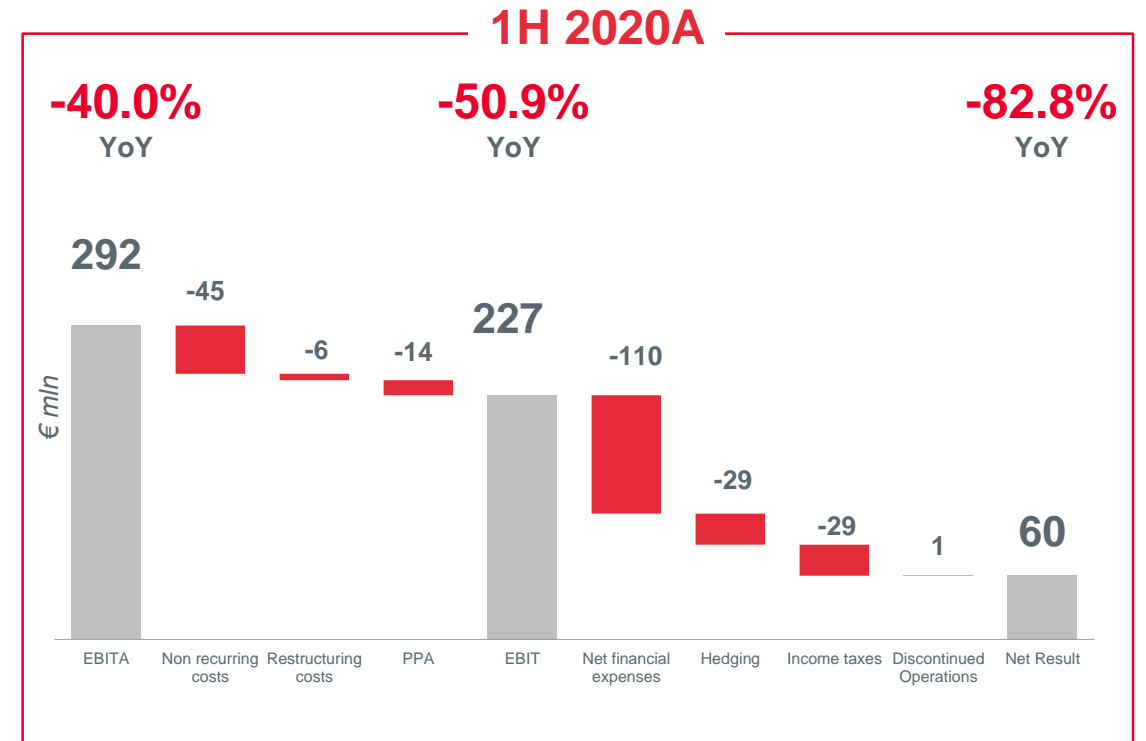
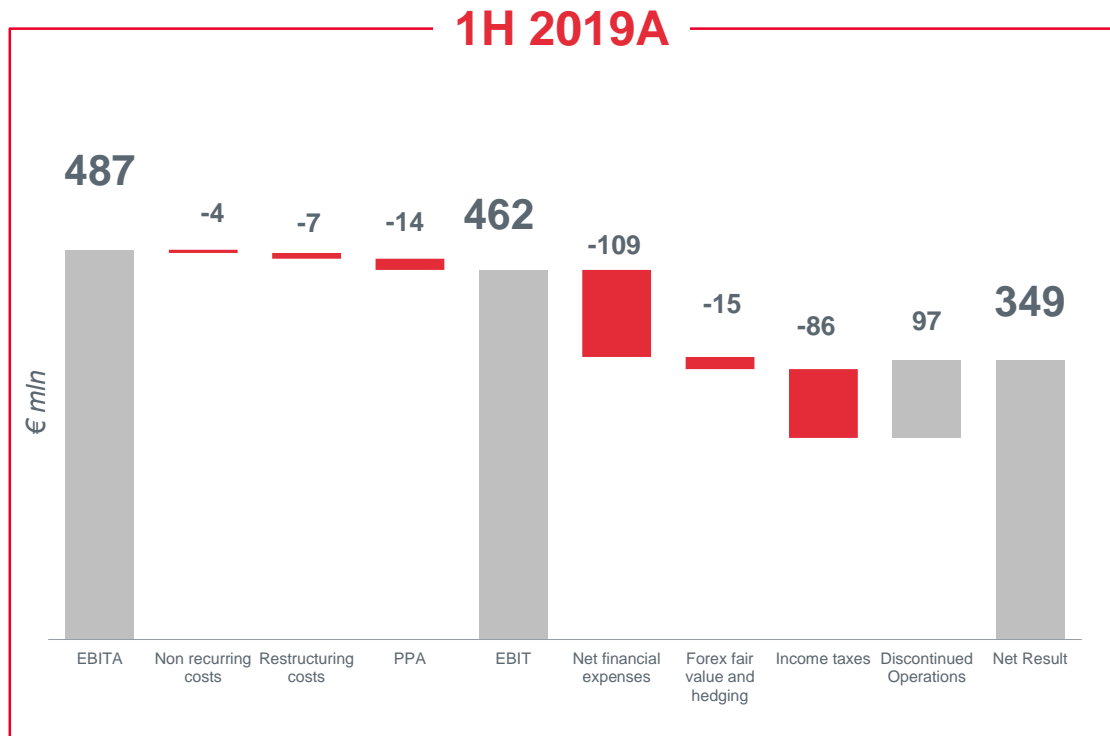
	€ mln (RoS)	RoS	Δ % YoY	
1H2019A	487	8.2%		
HELICOPTERS	139	8.2%	-30.5%	Driven by slowdown in Revenues and lower efficiencies due to COVID-19. 1H2019 benefitted from revision of UK pension scheme
ELECTRONICS EUROPE	102	5.6%	-40.7%	Lower efficiency, delays in programme execution, worse revenue mix and extra-costs in Automation
LEONARDO DRS	64	5.7%	+14.3%	Driven by higher Volumes
AIRCRAFT	122	11.4%	-6.2%	Lower productivity due to COVID-19, worse mix and prime contractor activities (i.e.EFA Kuwait)
AEROSTRUCTURES	-12	-2.5%	-50.0%	Lower productive hours driving under recovery of fixed costs and manufacturing efficiencies due to COVID-19, partially offset by settlement with Airbus for A380 termination
ATR	-34	n.a.	n.a.	Lower deliveries due to COVID-19. 1 aircraft delivered in 1H20 vs 21 aircraft in 1H29
SPACE	-10	n.a.	-176.9%	TAS lower productivity due to COVID-19 and lower activities in commercial Telecommunication
CORPORATE & OTHER	-79		-5.3%	
1H2020A*	292	5.0%	-40.0%	

* Including ca. € 1 mln of positive forex



From EBITA to Net Result

Net Result affected by EBITA performance and higher financial expenses associated with FX hedging



- EBIT down 50.9% due to EBITA decrease and COVID-19 extra costs
- Net Result at € 60 mln mainly affected by EBITA performance with slightly higher financial expenses associated with FX hedging

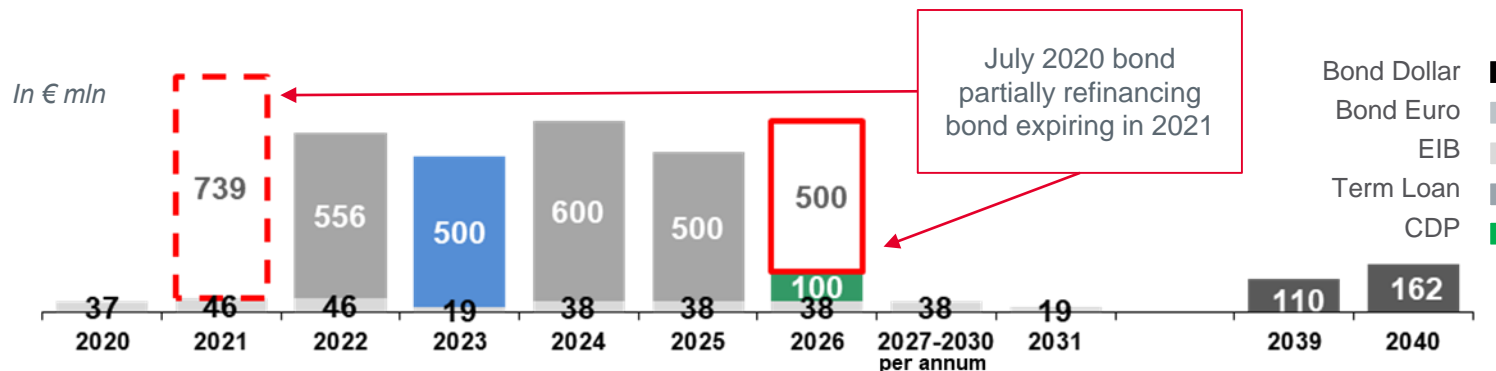


Balanced debt maturity profile

Successful issuance of € 500 mln bond

DEBT MATURITY *

Average life: ≈ 5.3 years **



NEW DEBT INSTRUMENT



- Taking advantage of the improved financial market conditions
- The offer has been 4x oversubscribed, confirming Leonardo's creditworthiness
- Confirming commitment to pursue a disciplined financial strategy

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

* Pro forma at 30 June 2020 of the € 500 mil bond issued in July 2020 in order to refinance the bond expiring in January 2021

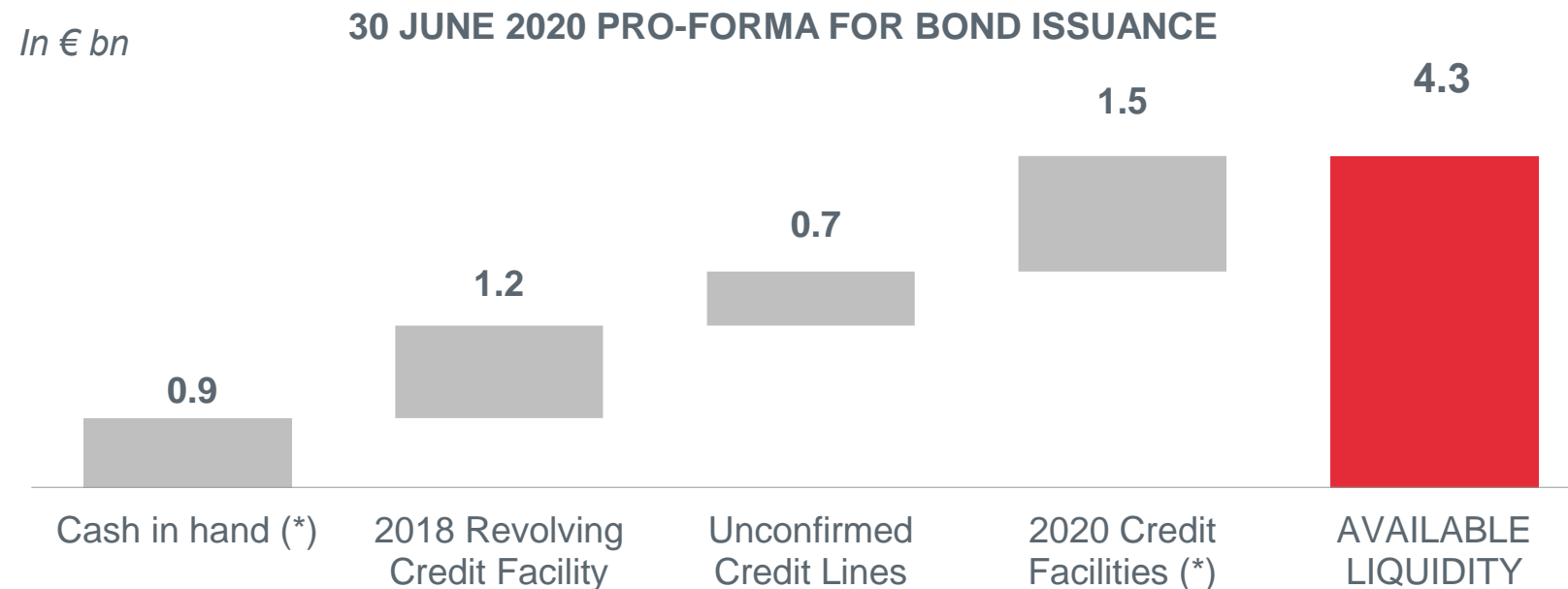
** Excluding the bond expiring in January 2021 and including the new bond issued in July 2020



Liquidity position remains robust, especially given these exceptional times

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

- 30 June cash balance of approx. € 0.9 bn, pro forma cash-in associated with the €500mIn early July bond issuance
- Available Credit lines worth € 3.4 bn (confirmed and unconfirmed)
- Bank Bonding lines of € 10.9 bn, of which approximately € 3.7 bn available to support commercial activity



* Pro forma for May 2020 Credit Facilities reduction due to the € 500 mln bond issuance in July 2020



2020 Guidance

Assuming no COVID-19 resurgence and no further lockdowns in 2H 2020

		FY2019A	FY2020 Guidance
New Orders	(€ bn)	14.105	12.5 – 13.5
Revenues	(€ bn)	13.784	13.2 – 14.0
EBITA	(€ mln)	1,251	900 – 950
FOCF	(€ mln)	241	heading to neutral
Group Net Debt	(€ bn)	2.8*	ca. 3.3**

*Including IFRS 16 effect of ca. € 0.5 bn

**Including € 0.1 bn higher IFRS16 effect, Kopter acquisition (ca. € 0.2 bn) and dividend payment

2020 exchange rate assumptions: € / USD = 1.15 and € / GBP = 0.88

Q&A



SECTOR RESULTS

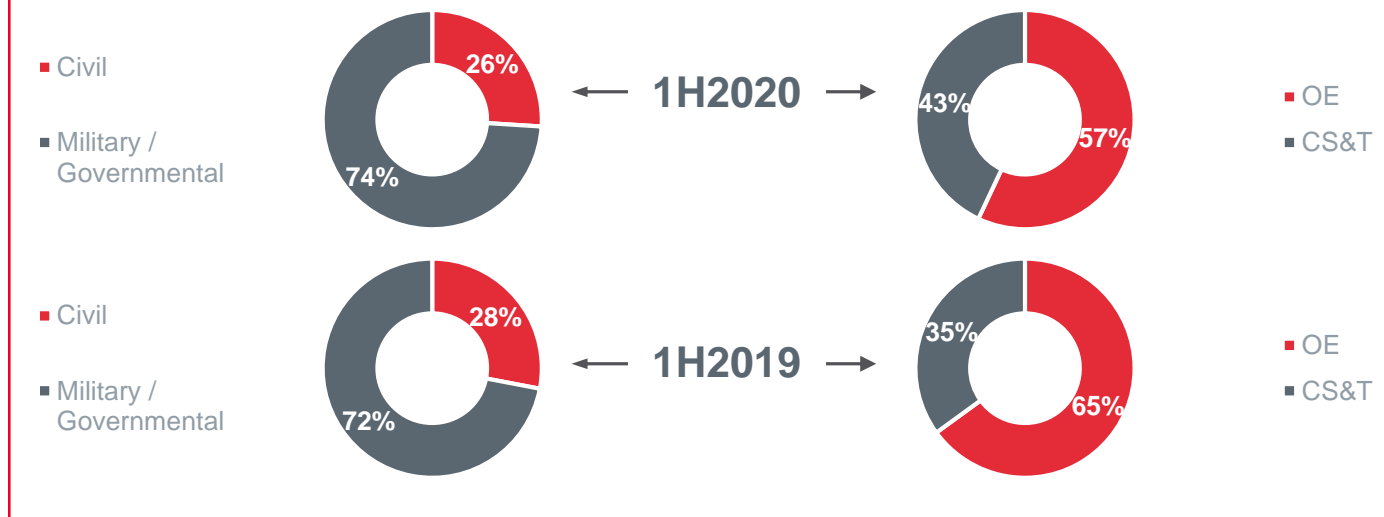




Helicopters

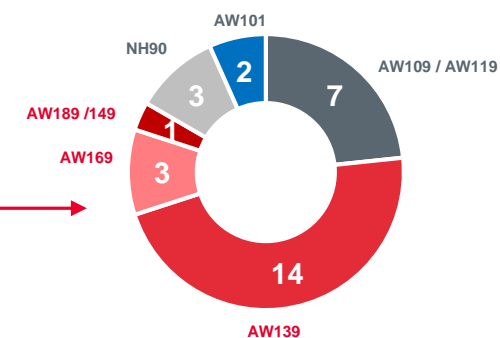
	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
€ mln							
Orders	1,019	1,040	+2.1%	1,707	2,526	+48.0%	4,641
Revenues	1,082	989	-8.6%	1,895	1,693	-10.7%	4,025
EBITA	144	121	-16.0%	200	139	-30.5%	431
RoS	13.3%	12.2%	-1.1 p.p.	10.6%	8.2%	-2.4 p.p.	10.7%

REVENUES BY CUSTOMER / SEGMENT

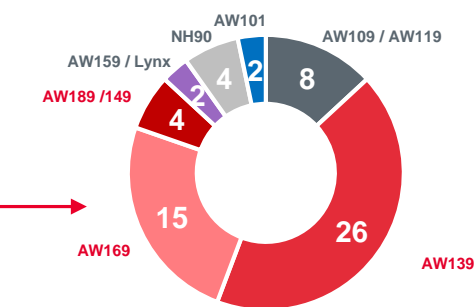


DELIVERIES BY PROGRAMME

1H2020 = 30 new units



1H2019 = 61 new units



AW FAMILY



Defence Electronics & Security

ELECTRONICS - EU

	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
€ mln							
Orders	1,185	558	-52.9%	2,008	1,420	-29.3%	4,444
Revenues	997	966	-3.1%	1,871	1,812	-3.2%	4,289
EBITA	96	56	-41.7%	172	102	-40.7%	427
RoS	9.6%	0.6%	-9.0 p.p.	9.2%	5.6%	-3.6 p.p.	10.0%

LEONARDO DRS

	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
\$ mln							
Orders	797	914	+14.7%	1,577	1,592	+1.0%	2,923
Revenues	605	643	+6.3%	1,129	1,219	+8.0%	2,729
EBITA	36	33	-8.3%	63	70	+11.1%	208
RoS	6.0%	5.1%	-0.9 p.p.	5.6%	5.7%	+0.1 p.p.	7.6%

Avg. exchange rate €/€ @ 1.1023 in 1H2020

Avg. exchange rate €/€ @ 1.1298 in 1H2019



Aeronautics

AIRCRAFT

	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
€ mln							
Orders	578	155	-73.2%	987	669	-32.2%	1,904
Revenues	479	643	+34.2%	861	1,074	+24.7%	2,329
EBITA	71	95	+33.8%	130	122	-6.2%	320
RoS	14.8%	14.8%	+0.0 p.p.	15.1%	11.4%	-3.7 p.p.	13.7%

AEROSTRUCTURES

	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
€ mln							
Orders	315	199	-36.8%	373	343	-8.0%	948
Revenues	282	245	-13.1%	557	473	-15.1%	1,125
EBITA	0	14	n.m.	-8	-12	-50.0%	-11
RoS	0.0%	5.7%	+5.7 p.p.	-1.4%	-2.5%	-1.1 p.p.	-1.0%

ATR

	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
€ mln							
EBITA	13	-16	-223.1%	-1	-34	-3,300%	53



Space

	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
EBITA	12	-8	-166.7%	13	-10	-176.9%	39

APPENDIX





2Q/1H 2020 Results

Group Performance

	€ mln	2Q 2019	2Q 2020	% Change	1H2019	1H2020	% Change	FY 2019
New Orders		3,627	2,683	-26.0%	6,145	6,104	-0.7%	14,105
Backlog					36,321	35,920	-1.1%	36,513
Revenues		3,237	3,287	+1.5%	5,962	5,878	-1.4%	13,784
EBITA		324	251	-22.5%	487	292	-40.0 %	1,251
	<i>RoS</i>	10.0%	7.6%	-2.4 p.p.	8.2%	5.0%	-3.2 p.p.	9.1%
EBIT		306	197	-35.6%	462	227	-50.9%	1,153
	<i>EBIT Margin</i>	9.5%	6.0%	-2.5 p.p.	7.7%	3.9%	-3.8 p.p.	8.4%
Net result before extraordinary transactions		175	118	-32.6%	252	59	-76.6 %	722
Net result		272	119	-56.3%	349	60	-82.8 %	822
EPS (€ cents)		0.473	0.206	-56.4%	0.607	0.103	-83.0%	1.428
FOCF		64	-294	-559.4%	-1,050	-1,889	-79.9%	241
Group Net Debt					4,098	5,074	+23.8 %	2,847
Headcount					48,755	49,733	+2.0 %	49,530

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



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



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