# 1Q 2019 Results Presentation

**Alessandro Profumo** Chief Executive Officer

**Alessandra Genco** Chief Financial Officer

Rome, 8 May 2019

LEONARDO

*Investor Relations and Credit Rating Agencies*

**Executing the Industrial Plan**
*Chief Executive Officer*

**1Q 2019 Results & Outlook**
*Chief Financial Officer*

**Appendix**

# Solid start to the year

- **Good progress on top line growth**
  - Orders up 16% at € 2.5 bn
  - Revenues up 11% at € 2.7 bn
  - EBITA up 7% at € 163 mln
  - Net Result up 54% at € 77 mln
  - FOCF at € (1.1) bn
- **2019 Guidance confirmed**
- **Fully focused on Industrial Plan execution**

# Executing the Industrial Plan

## Strong demand for our products

- **2019: € 380 mln for 4 AW101 plus support and training**
  - Deliveries by 2022
- **2018: > € 115 for 4 M346 plus support**
  - Deliveries by 2020

POLAND

- **2018-2019: Mounted Family of Computer Systems (MFoCS II) for U.S. Army**
- **2018: $ 1.4 bn for up to 84 MH139 plus support and training for U.S. Air Force**
  - Initial operational capability by 2021

USA

*Focus on growing international presence across international markets*

Executing the Industrial Plan
*Chief Executive Officer*

**1Q 2019 Results & Outlook**
*Chief Financial Officer*

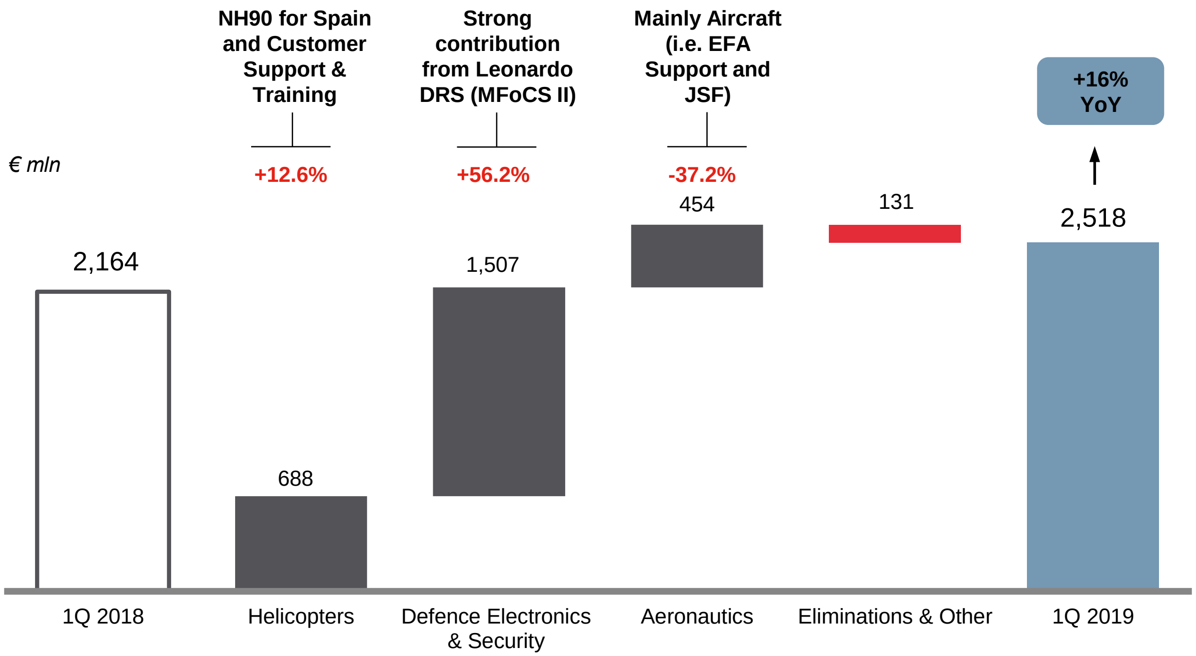
Appendix

# 1Q 2019 Highlights

- **Solid 1Q 2019 performance**
  - Orders at € 2.5 bn, up 16% YoY
  - Revenues at € 2.7 bn, up 11 % YoY
  - EBITA at € 163 mln, up 7 % YoY, with RoS at 6.0%
  - FOCF at € (1.1) bn influenced by seasonality
  - Net Debt at € 4.0 bn, reflecting IFRS16 adoption from 1st January 2019
- **2019 Guidance confirmed**

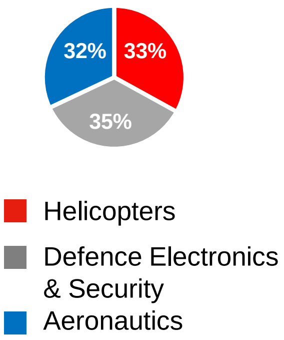
# Order intake

## Solid performance driven by Leonardo DRS and Helicopters



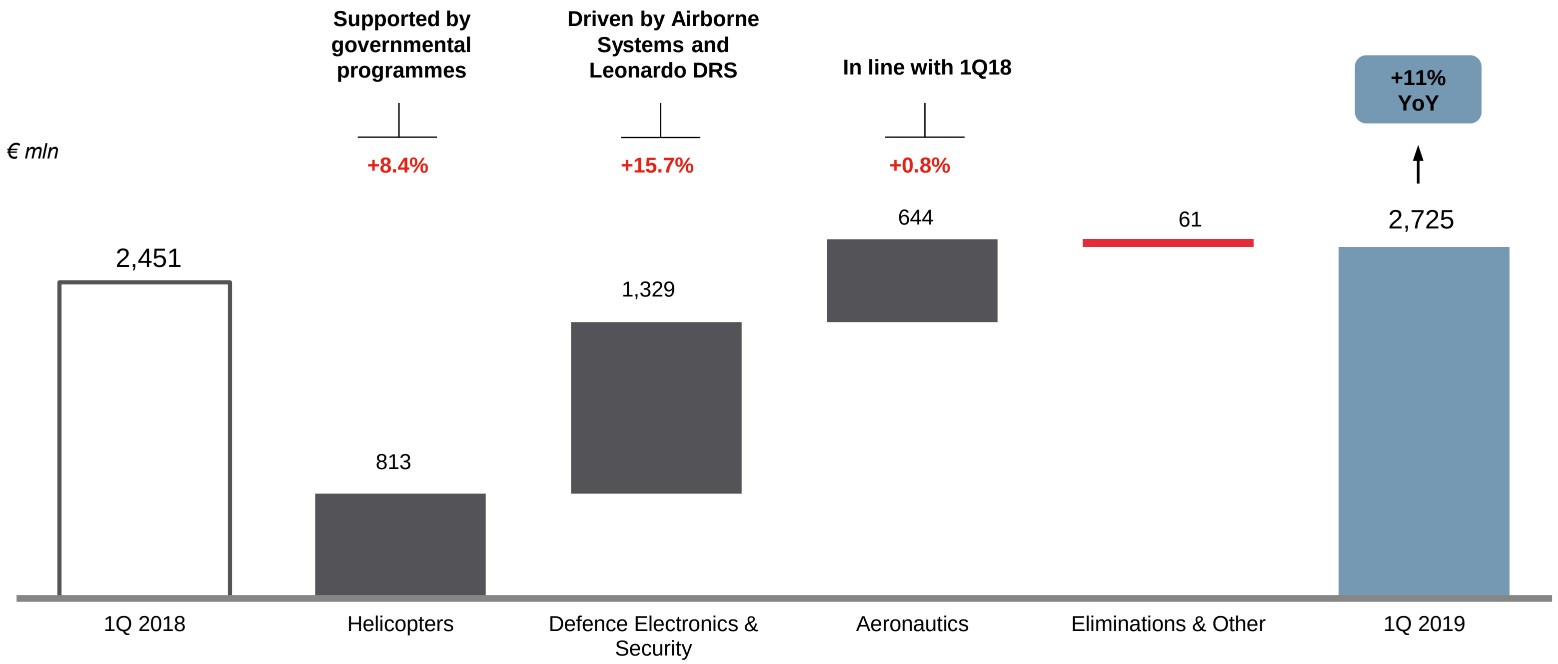

**ORDER BACKLOG**

**1Q 2019 ca. € 36.6 bn**



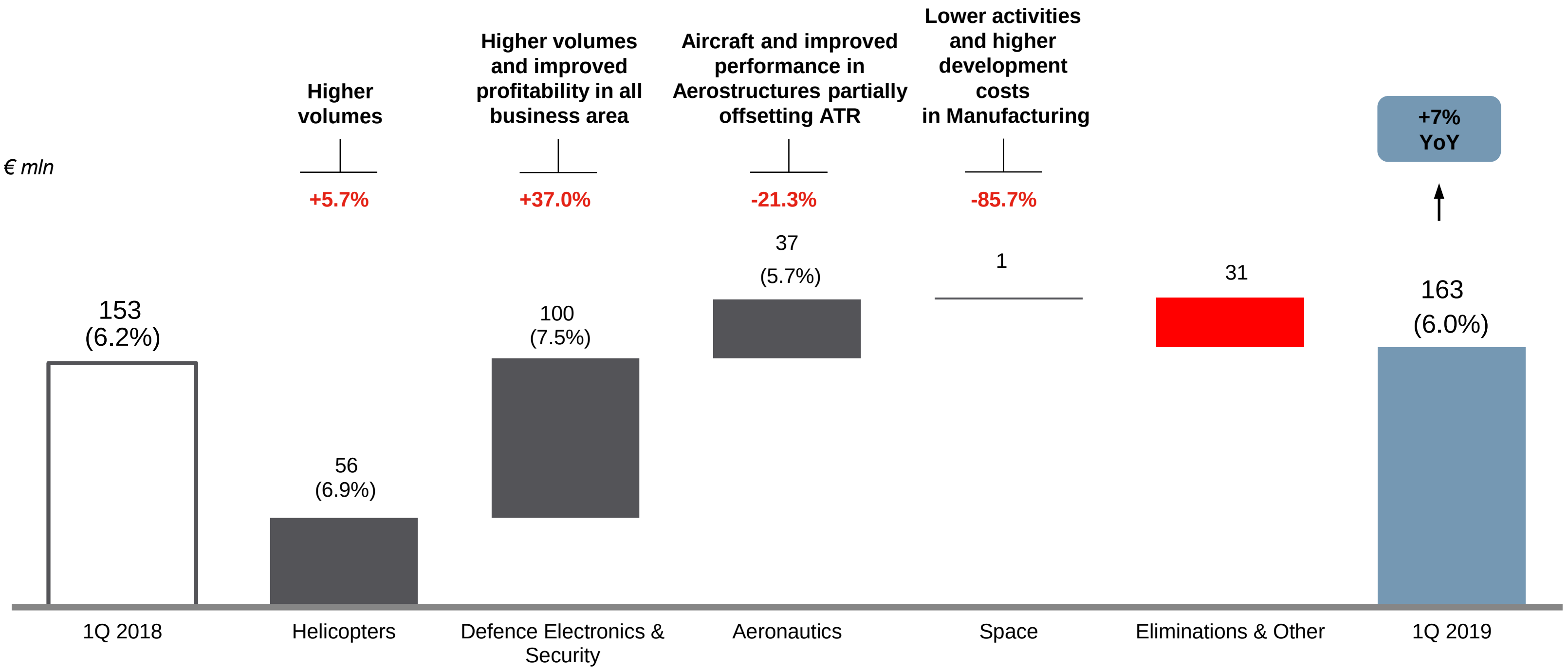
# Revenues

## Positive momentum in Defence Electronics and Helicopters



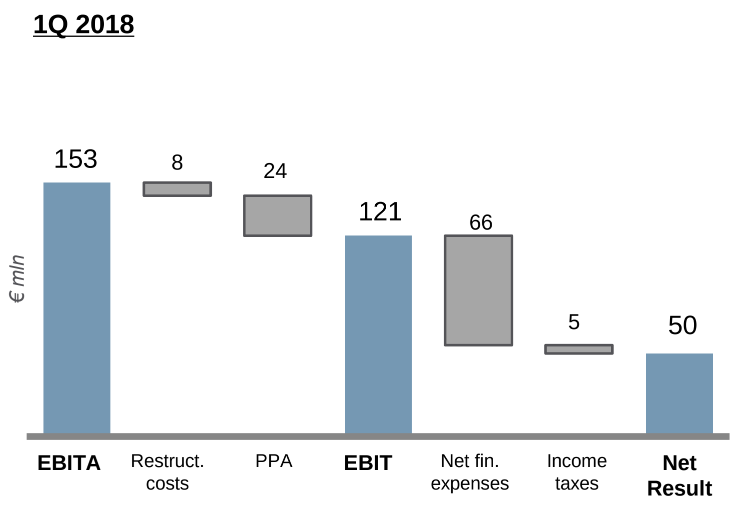
# EBITA and Profitability

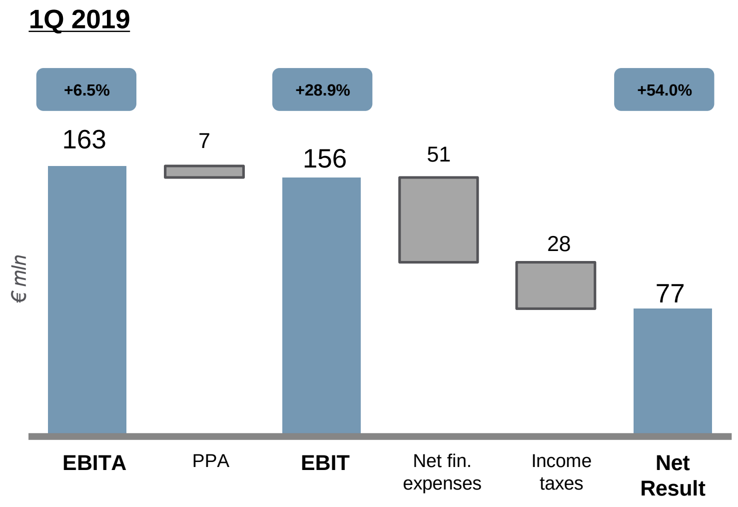
## Solid performance across all businesses, with lower contribution from JVs



# Net Result

## Below the line benefitting from lower restructuring, PPA and net financial expenses




- EBIT up 29%,driven by higher EBITA, lower restructuring costs and PPA
- Net Result benefitting from higher EBIT and lower financial expenses despite higher taxes

# FY 2019 Guidance confirmed

| | | FY2018A | FY2019 Guidance |
|---|---|---|---|
| **New Orders** | *(€ bn)* | 15.124 | 12.5 - 13.5 |
| **Revenues** | *(€ bn)* | 12.240 | 12.5 - 13.0 |
| **EBITA** | *(€ bn)* | 1.120 | 1.175 - 1.225 |
| **FOCF** | *(€ mln)* | 336 | ca. 200 |
| **Group Net Debt** | *(€ bn)* | 2.4 | ca. 2.3 |
| | | | ca. 2.8* |

*2018 exchange rate assumptions: €/USD 1.25 and €/GBP 0.90*

*Including IFRS16 effect of ca. € 0.4 - 0.5 bn

# Closing remarks

- **Good progress on top line growth**
- **2019 Guidance confirmed**
- **Fully focused on Industrial Plan execution**

# SECTOR RESULTS

# Helicopters

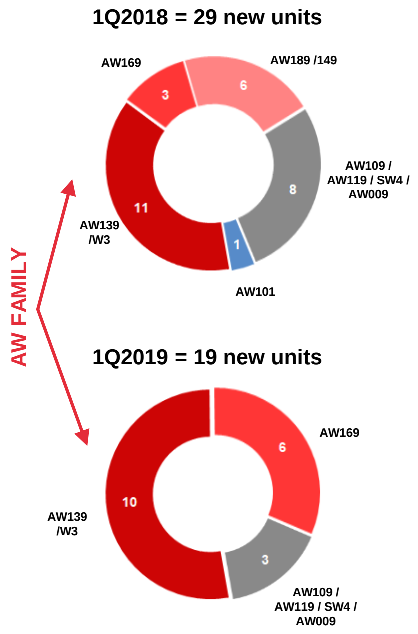
## Well positioned to capture growth opportunities

| € mln | 1Q 2018 | 1Q 2019 | % Change | FY 2018 |
|---|---|---|---|---|
| Orders | 611 | 688 | 12.6% | 6,208 |
| Revenues | 750 | 813 | 8.4% | 3,810 |
| EBITA | 53 | 56 | 5.7% | 359 |
| *RoS* | *7.1%* | *6.9%* | *-0.2 p.p.* | *9.4%* |

**2019 OUTLOOK**

- Well placed in most attractive segments
- Profitability strengthening; back to double digit in 2020
- Continuing industrial processes optimisation to improve competitiveness

**DELIVERIES BY PROGRAMME**



# Defence Electronics & Security

## Remain strong

**ELECTRONICS - EU**

| € mln | 1Q 2018 | 1Q 2019 | % Change | FY 2018 |
|---|---|---|---|---|
| Orders | 622 | 823 | *32.3%* | 4,409 |
| Revenues | 789 | 874 | *10.8%* | 4,011 |
| EBITA | 55 | 76 | *38.2%* | 394 |
| *RoS* | *7.0%* | *8.7%* | *1.7 p.p.* | *9.8%* |

**LEONARDO DRS**

| $ mln | 1Q 2018 | 1Q 2019 | % Change | FY 2018 |
|---|---|---|---|---|
| Orders | 424 | 780 | *84.0%* | 2,880 |
| Revenues | 455 | 524 | *15.2%* | 2,339 |
| EBITA | 22 | 27 | *22.7%* | 151 |
| *RoS* | *4.9%* | *5.2%* | *0.3 p.p.* | *6.5%* |

*Avg. exchange rate €/$ @ 1.1357 in 1Q2019*
*Avg. exchange rate €/$ @ 1.2295 in 1Q2018*

**2019 OUTLOOK**

- 2019 revenue expected to increase
- Profitability improvement
- Leonardo DRS benefitting from positive market trends

# Aeronautics

## Aircrafts positive outlook offsetting lower ATR

| € mln | 1Q 2018 | 1Q 2019 | % Change | FY 2018 |
|---|---|---|---|---|
| Orders | 723 | 454 | *-37.2%* | 2,569 |
| Revenues | 639 | 644 | *0.8%* | 2,896 |
| EBITA | 47 | 37 | *-21.3%* | 328 |
| *RoS* | *7.4%* | *5.7%* | *-1.7 p.p.* | *11.3%* |

**2019 OUTLOOK**

- Higher revenues compared to 2018
  - Aircraft production increase (especially EFA Kuwait)
- Good levels of profitability supported by
  - Solid Aircraft performance
  - First signs of recovery in Aerostructures benefitting from efficiency improvement in line with expectations

# Space

## Pressure on Manufacturing

| € mln | 1Q 2018 | 1Q 2019 | % Change | FY 2018 |
|---|---|---|---|---|
| EBITA | 7 | 1 | -85.7% | 58 |

**2019 OUTLOOK**

- Continued downturn in telecommunication market expected to affect Manufacturing activities

# APPENDIX

# 1Q 2019 Results

## Group Performance

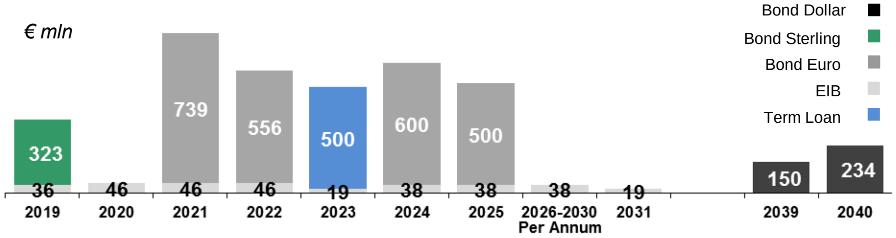
| *€ mln* | 1Q 2018 | 1Q 2019 | % Change | FY 2018 |
|---|---|---|---|---|
| New Orders | 2,164 | 2,518 | *16.4%* | 15,124 |
| Backlog | 33,360 | 36,575 | *9.6%* | 36,118 |
| Revenues | 2,451 | 2,725 | *11.2%* | 12,240 |
| EBITA | 153 | 163 | *6.5%* | 1,120 |
| *RoS* | *6.2%* | *6.0%* | *-0.2 p.p.* | *9.2%* |
| EBIT | 121 | 156 | *28.9%* | 715 |
| *EBIT Margin* | *4.9%* | *5.7%* | *0.8 p.p.* | *5.8%* |
| Net result before extraordinary transactions | 50 | 77 | *54.0%* | 421 |
| Net result | 50 | 77 | *54.0%* | 510 |
| EPS (€ cents) | 0.087 | 0.134 | *54.0%* | 0.888 |
| FOCF | -1,057 | -1,114 | *-5.4%* | 336 |
| Group Net Debt | 3,595 | 4,016 | *11.7%* | 2,351 |
| Headcount | 45,606 | 48,040 | *5.3%* | 46,462 |

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

# Solid Financial Position as at end of March 2019

**DEBT MATURITY**

Average life: ≈ 5,7 years (1)




**Repayment Conditions of New Debt Instruments**

The Term Loan Facility is characterized by a 5 years bullet repayment; the EIB financing is a 12 year amortizing loan with a 4 year grace period

**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+ / *Negative Outlook* | April 2015 |
| **Fitch** | BBB- / *Stable Outlook* | BB+ / *Positive Outlook* | October 2017 |

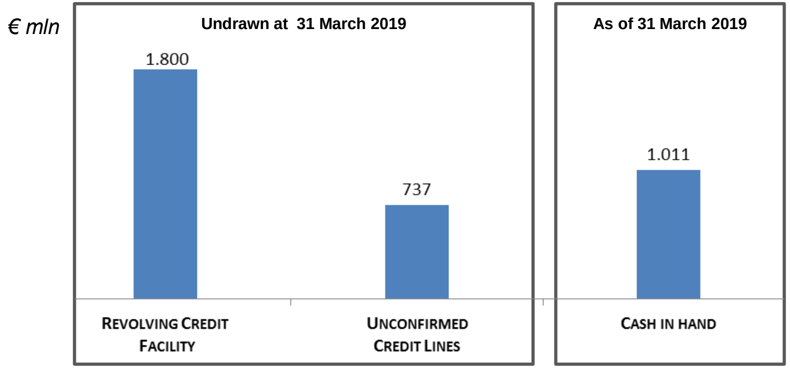
**Moody's stated that this review is not due to Leonardo's stand-alone credit rating but is the consequence of Italy's country downgrade*

(1) Pro forma of EIB Financing drawndown and excluding reimbursements due in 2019

# Availability of adequate committed liquidity lines as at end of March 2019

**In order to cope with possible swings in financing needs, Leonardo can leverage:**

- 31 March cash balance of € 1.0 bn
- Credit lines worth € 2.5 bn (confirmed and unconfirmed)
- The Revolving Credit Facility signed on 14 February 2018 amounts at € 1.8 bn with a margin of 75bps and will expire in 2023
- Bank Bonding lines of approximately € 2.8 bn to support Leonardo's commercial activity




| | | | |
|---|---|---|---|
| Tenor | July 2023 | 12 months | |
| Margin | 75 bps (1) | ~30 bps (2) | |

(1) *Based on rating as of 31/03/2019*
(2) *Average. Expected to be renewed at maturity*

# IFRS 16

- IFRS 16 redefines recording methods of operating leases in the financial statements imposing a single recognition method for all types of leasing, with the consequent recognition in the balance sheet of the tangible assets and liabilities for future payments

- The main impacts deriving from the application of the new principle are:
  - recording of non-current assets equal to rights of use on tangible and intangible assets against existing leasing contracts
  - recognition of financial liabilities equal to the present value of future rentals

- The Group has applied this principle starting from 1st January 2019

- The estimated impact on the Group Financial Debt for FY 2019 will be ca. € 0.4-0.5 bn

# 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.

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