LEONARDO: RETAINED CONFIDENCE IN SOLID MEDIUM-LONG TERM FUNDAMENTALS

News / Finance, Manufacturer

Good start to the year

- Strong order intake at € 3.4 billion, up 36%
- Key businesses on track, excluding COVID-19 impact
- Solid Backlog at € 37 billion, ensuring coverage for ca. 2.5 years

COVID-19 impact began in March

- Leonardo facilities designated strategic and all running
- Some slowdowns in production activities, lower productivity, lower efficiencies and delays in deliveries
- Revenues at € 2.6 billion (-5%YoY), EBITA at € 41 million (-75%YoY) and Net Result negative for € 59 million
- FOCF, in line with the usual seasonal trend, negative for € 1.6 billion

Quick and effective responses and actions

- Top priority: safety of employees, preserving business and production continuity
- Supporting institutions in the fight against the pandemic
- Mitigating actions and recovery plan addressing new market opportunities, increasing

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production efficiencies, reducing costs and investments
- Strong liquidity position: additional € 2 billion credit facilities signed for a total liquidity of € 5 billion

Not yet able to quantify full financial impact in 2020: 2020 Guidance suspended

- Civil portion of the business expected to be impacted by air traffic heavy slowdown (Aerostructures, ATR and civil Helicopters); civil business reported revenues of ca. 18% in 2019
- More resilient military and governmental markets

Continued focus on delivering Industrial Plan: retained confidence in solid medium-long term fundamentals

Leonardo's Board of Directors, convened today under the Chairmanship of Gianni De Gennaro, examined and unanimously approved the results of the first quarter 2020.

Alessandro Profumo, Leonardo CEO stated "First quarter 2020 results were in line with expectations before the COVID-19 impact in March. We reacted immediately to the pandemic with the primary goal to fully ensure the health and safety of our people while preserving business and production continuity. We have slowed down activities but never stopped, as we are a strategic business for our clients in key countries. We are supporting institutions with our products and technologies, using helicopters in EMS roles to move patients, C27J aircrafts to move medical equipment and providing secure communications. Our satellite services are ensuring connectivity and cyber security is supporting remote working and preventing cyber attacks. We are not able to quantify yet the COVID-19 impact in 2020 but we strongly believe in our solid fundamentals and remain fully focused on executing our Industrial Plan to create value for all our stakeholders".

The Group reacted promptly to the new scenario by implementing a series of measures primarily aimed at guaranteeing the full protection of the workers' health and safety, while preserving the continuity of its production relating to those business sectors considered strategic in the main countries in which the Group operates. In this context, monitoring and action plans have been developed to assess the impacts of COVID-19 on the various business areas and to limit its effects. From an operational point of view, the initiatives include actions aimed at recovering adequate productivity levels through the gradual increase of the workers' presence in the sites in safe conditions, the greater efficiency of remote processing with further investments in digital means and infrastructures, the review of work calendars to support the recovery of the delays accrued, in agreement with the trade unions, in the second half of the year. In parallel, the Group is carrying out a profound review of its cost base and investment level, reducing or delaying all initiatives and expenses not strictly necessary or strategic, in order to mitigate the effects of COVID-19 on the results of the year. At the same time, the credit lines were increased to ensure adequate financial liquidity for the Group.

The primary changes that marked the Group's performance compared with that of the previous year are described below.

- **New Orders**, amounted to **EUR 3,421 million** showed, compared to the first three months of 2019 (€ 2,518 mln), an increase of 35.9% essentially due to the Helicopters and, to a lesser extent, to the Aeronautics
- **Order Backlog**, amounted to **EUR 37,000 million** ensuring a coverage in terms of equivalent production equal to about 2.5 years

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- **Revenues**, amounted to **EUR 2,591 million**, showed, compared to the first three months of 2019, a slight reduction (€ 134 mln, equal to 4.9%) mainly related to the slowdowns recorded in the Helicopters and in particular to the lower deliveries attributable to the abovesaid effects from COVID-19
- **EBITA**, amounted to **EUR 41 million** (with a RoS of 1.6%), showed, compared to the first quarter of 2019, a decrease of € 122 mln due to the mentioned effects from COVID-19
- **EBIT**, amounted to **EUR 30 million**; showed, compared to the first three months of 2019 (€ 156 mln), a worsening equal to € 126 mln (-80.8%), mainly due to the decrease in EBITA, in addition to a slight increase in restructuring costs.
- **Net Result before extraordinary transactions, equal to the Net Result negative for EUR 59 million**, in addition to the EBITA worsening, was also affected by the higher impacts of financial expense
- **Free Operating Cash Flow (FOCF)**, negative for **EUR 1,595 million**, (negative for € 1,114 mln of the comparative period). Such performance, although confirming the usual interim trend that is characterised by significant cash absorptions in the first part of the year, was partially affected by certain critical issues that have arisen in the last month of the quarter as a result of COVID-19
- **Group Net Debt**, amounted to **EUR 4,396 million**, increased compared to 31 December 2019 (€ 2,847 mln) mainly as a result of the negative FOCF performance

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