9 MONTHS LEONARDO RESULTS IN LINE WITH INDUSTRIAL PLAN GROWTH TARGETS

News / Finance, Manufacturer

Leonardo's Board of Directors approved the results at 30 September 2019.

Alessandro Profumo, Leonardo CEO stated "*The first nine months of 2019 are another important step forward on our journey: we are delivering consistently across our main businesses. We are reconfirming 2019 Guidance. We are fully focused on executing our Industrial Plan aimed at value creation for all our stakeholders. We have been achieving this through successfully driving commercial momentum and top line growth, improving profitability, investing and building for a sustainable future, all with a disciplined financial strategy*".

In the first 9 months of 2019, the Group continued its progress and growth trend for its Key Performance Indicators. Results were in line or ahead of the set targets. All main businesses delivered higher results and were able to offset the lower contribution from certain strategic JVs. RoS for the Group was substantially in line with the comparative period.
The Net Result before extraordinary transactions benefited from a reduction in the amortisation of assets related to Purchase Price Allocation, in addition to the transaction with Hitachi classified within the result related to discontinued operations.
In the first 9 months 2018, New Orders and Free Operating Cash Flow had benefitted from the NH90 Qatar contract and the cash-in from related advanced payments.

- **New Orders**, amounted to **EUR 8,579 million**, a strong increase excluding the € 3 bn effect of the NH90 Qatar contract booked in 3Q 2018. Order Intake in each business grew. *Defence Electronics & Security*, benefitted from important new orders in Europe, while Leonardo DRS as well as Aeronautics and Helicopters performed well
- **Backlog**, amounted to **EUR 35,672 million**, ensuring a coverage in terms of equivalent production equal to about three years
- **The book to bill** is equal to about 1
- **Revenues**, amounted to **EUR 9,134 million**, showed, compared to the comparative period (€ 8,240 mln), a significant increase (+10.8%) mainly related to the Defence Electronics & Security, higher activities in Leonardo DRS and Airborne Systems and, as well as

Aeronautics. Revenues also benefitted from the positive trend of USD/Euro exchange rate, compared to the nine months 2018

- **EBITA**, amounted to **EUR 686 million**, increasing compared to the first nine months of 2018 (€ 632 mln), as a result of the improvement of Helicopters, Defence Electronics & Security and Aeronautics, which more than offset the decline in the GIE-ATR Consortium - affected by lower deliveries, and in the Space Manufacturing
- **ROS**: equal to 7.5%, remained substantially in line with the comparative period (7.7%)
- **EBIT**, increased to **EUR 648 million** showed, compared to the first nine months of 2018 (€ 372 mln), an improvement of € 276 mln (+74.2%) due to an improved EBITA, as well as a decrease in restructuring costs and the completion of part of the amortisation of intangible assets deriving from the acquisition of Leonardo DRS (Purchase Price Allocation)
- **Net Result before extraordinary transactions**, increased to **EUR 367 million**, benefitting, compared to the comparative period, from an improved operating result, net of any related tax charge
- **Net Result** increased to **€ 465 mln** (€ 263 mln in the first nine months of 2018) takes account, following the completion of the transaction with Hitachi, of the effects of the release of a major part of the provision set aside against the guarantees provided upon the disposal of the transport business unit of Ansaldobreda S.p.A
- **Free Operating Cash Flow (FOCF)**, negative **EUR 1,217 million** (negative for € 800 mln in the comparative period), in line with the usual seasonal trend characterised by significant cash absorptions in the first part of the year, and by the different financial terms and conditions of some contracts. In the comparative period in 2018, substantial advance payments had been received from both the EFA Kuwait contract and NH90 Qatar contract
- **Group Net Debt**, of **EUR 4,301 million**, rose compared to 31 December 2018 (€ 2.351 mln), mainly as a result of the recognition at 1 January 2019 of financial liabilities arising from the application of IFRS 16, the negative performance of FOCF and the impact of the Vitrociset transaction on the net financial position
- **Net invested capital** showed, compared to 31 December 2018, a significant increase that, in addition to the seasonal trend of the cash flows, was attributable to the effect deriving from the adoption, starting from 1 January 2019, of IFRS 16 “Leases”

Outlook

In consideration of the results achieved in the first nine months of 2019 and of the expectations for the following months, we confirm the Guidance for the full year that was made at the time of the preparation of the financial statements at 31 December 2018.

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