Results at 30 September 2019

Disclaimer

This Interim Reporting at 30 September 2019 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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Group results and financial position

The first nine months of 2019 consolidated the growth trend recorded by the Group during FY 2019, with results in line or beyond the set targets.

This growth is related to all the Key Performance Indicators. Regarding new orders and the Free Operating Cash Flow the first nine months of 2018 had benefited from the NH90 Qatar contract and the cash-in of the related advance payments. The results posted by all businesses are up and able to offset the lower contribution from certain strategic JVs, with a ROS figure substantially in line with the comparative period.

The net result before extraordinary transactions benefited from a reduction in the amortisation of assets deriving from the Purchase Price Allocation, in addition to the transaction with Hitachi classified within the result related to discontinued operations.

The primary changes that marked the Group’s performance compared to the previous year are described below. A more thorough analysis can be found in the section covering the trends in each business segment.

Key performance indicators ("KPI")

	September 2019	**September 2018**	**Change**	**2018**
New orders	8,579	9,390	(8.6%)	15,124
Order backlog	35,672	34,501	3.4%	36,118
Revenue	9,134	8,240	10.8%	12,240
EBITDA	1,064	928	14.7%	1,534
EBITA	686	632	8.5%	1,120
ROS	*7.5%*	*7.7%*	*(0.2) p.p.*	*9.2%*
EBIT	648	372	74.2%	715
EBIT Margin	*7.1%*	*4.5%*	*2.6 p.p.*	*5.8%*
Net Result before extraordinary transactions	367	164	123.8%	421
Net result	465	263	76.8%	510
Group Net Debt	4,301	3,503	22.8%	2,351
FOCF	(1,217)	(800)	(52.1%)	336
ROI	*11.4%*	*11.5%*	*(0.1) p.p.*	*16.4%*
ROE	*10.3%*	*5.1%*	*5.2 p.p.*	*9.7%*
Workforce	49,234	46,413	6.1%	46,462

Please refer to Annex 2 on “Non-GAAP performance indicators” for definitions.

	30 September 2019				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	2,234	11,509	2,736	270	9.9%
Defense Electronics & Security	4,643	12,821	4,337	342	7.9%
Aeronautics	2,012	11,958	2,304	165	7.2%
Space	-	-	-	23	n.a.
Other activities	146	351	326	(114)	(35.0%)
Eliminations	*(456)*	*(967)*	*(569)*	-	*n.a.*
Total	**8,579**	**35,672**	**9,134**	**686**	**7.5%**

	30 September 2018				
	New orders	Order backlog at 31 Dec. 2018	Revenues	EBITA	ROS
Helicopters	4,685	12,151	2,656	217	8.2%
Defense Electronics & Security	3,569	12,572	3,855	288	7.5%
Aeronautics	1,420	12,220	2,025	167	8.2%
Space	-	-	-	31	n.a.
Other activities	75	146	256	(71)	(27.7%)
Eliminations	*(359)*	*(971)*	*(552)*	-	*n.a.*
Total	**9,390**	**36,118**	**8,240**	**632**	**7.7%**

	Change %				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	(52.3%)	(5.3%)	3.0%	24.4%	1.7 p.p.
Defense Electronics & Security	30.1%	2.0%	12.5%	18.8%	0.4 p.p.
Aeronautics	41.7%	(2.1%)	13.8%	(1.2%)	(1.0) p.p.
Space	n.a.	n.a.	n.a.	(25.8%)	n.a.
Other activities	94.7%	140.4%	27.3%	(60.6%)	(7.3) p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(8.6%)**	**(1.2%)**	**10.8%**	**8.5%**	**(0.2) p.p.**

Commercial performance

New orders showed, compared to the first nine months of 2018, a decrease (8.6%) due to the *Helicopters* sector that benefitted in 2018 from the acquisition of the NH90 Qatar order for about €bil. 3. Apart from such reduction, each business increased, in particular the *Defence Electronics & Security* sector that benefitted from important new orders in the Europe Area and at Leonardo DRS, and to a lesser extent, the *Aeronautics* and *Helicopters* sectors.

The book to bill ratio is equal to about 1. The order backlog ensures a coverage in terms of equivalent production equal to about three years.

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Business performance.

	For the nine months ended 30 September		Change	% Change
(€ millions)	***2019***	***2018***		
Revenues	9,134	8,240	894	10.8%
Purchases and personnel expenses	(8,109)	(7,407)		
Other net operating income/(expenses)	(19)	15		
Equity-accounted strategic JVs	58	80		
Amortisation, depreciation and write-offs	(378)	(296)		
EBITA	**686**	**632**	**54**	**8.5%**
ROS	*7.5%*	*7.7%*	(0.2) p.p.	
Non-recurring income/(expenses)	(7)	-		
Restructuring costs	(11)	(187)		
Amortisation of intangible assets acquired as part of business combinations	(20)	(73)		
EBIT	**648**	**372**	**276**	**74.2%**
EBIT Margin	*7.1%*	*4.5%*	2.6 p.p.	
Net financial income/(expenses)	(188)	(177)		
Income taxes	(93)	(31)		
Net Result before extraordinary transactions	**367**	**164**	**203**	**123.8%**
Net result related to discontinued operations and extraordinary transactions	98	99		
Net profit/(loss) for the period attributable to:	**465**	**263**	**202**	**76.8%**
- owners of the parent	*465*	*262*		
- non-controlling interests	*-*	*1*		

Revenues showed, compared to the first nine months of 2018, an increase (+10.8%) mainly related to the *Defence Electronics & Security* sector, for higher activities in Leonardo DRS and within the *Airborne Systems* and, to a lesser extent, to the *Aeronautics* sector. Furthermore revenues benefitted, compared to the comparative period, from the positive trend of USD/Euro exchange rate.

EBITA equal to €mil. 686 (with a ROS of 7.5%) increased compared to the first nine months of 2018 (€mil. 632 - ROS of 7.7%), as a result of the improvement recorded in the *Helicopters* sector, in the *Defence Electronics & Security* sector and in the *Aeronautics* Divisions, which more than offset the decline in the results posted by the GIE-ATR Consortium, adversely affected by lower deliveries, and in the manufacturing segment of the Space sector.

EBIT equal to €mil. 648 showed, compared to the first nine months of 2018 (€mil. 372), an improvement of €mil. 276 (+74.2%) due to an improved EBITA, as well as to a decrease in restructuring costs and the completion of major part of the amortisation of intangible assets deriving from the acquisition of Leonardo DRS (Purchase Price Allocation).

The **Net result before extraordinary transactions** (€mil. 367) benefitted, compared to the comparative period, from an improved operating result, net of any related tax burden.

The **Net Result** (€mil. 465) takes account, following the signature of the transaction with Hitachi, of the effects of the release of a major portion of the provision set aside against the guarantees provided upon the disposal of the transport business unit of Ansaldobreda S.p.A.

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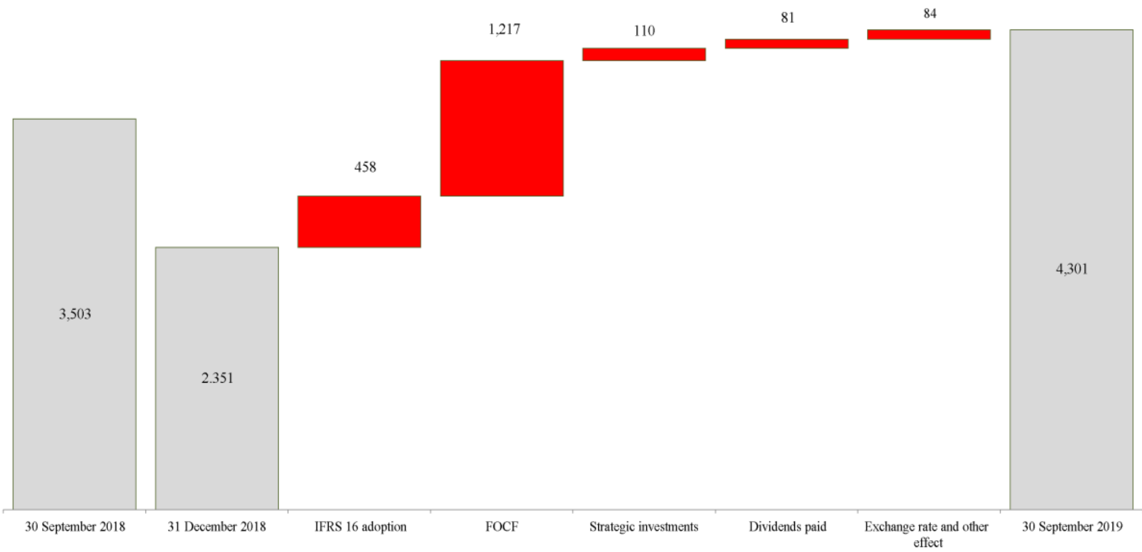
Financial performance

(€ millions)	*For the nine months ended 30 September* 2019	2018	*Change*	*% Change*
Cash flows used in operating activities	(864)	(537)		
Dividends received	134	182		
Cash flows from ordinary investing activities	(487)	(445)		
Free Operating Cash Flow (FOCF)	**(1,217)**	**(800)**	**(417)**	**(52.1%)**
Strategic investments	(44)	(10)		
Change in other investing activities	(1)	(1)		
Net change in loans and borrowings	314	5		
Dividends paid	(81)	(81)		
Net increase (decrease) in cash and cash equivalents	**(1,029)**	**(887)**		
Cash and cash equivalents at 1 January	2,049	1,893		
Exchange rate differences and other changes	10	1		
Net increase in cash and cash equivalents of discontinued operations	(6)	-		
Cash and cash equivalents at 30 September	**1,024**	**1,007**		

FOCF of the first nine months of 2019 was negative for €mil. 1,217 (negative for €mil. 800 in the comparative period), in line with the usual interim trend that is characterised by significant cash absorptions in the first part of the year, and by the different financial terms and conditions of some contracts, including the EFA Kuwait contract and the NH90 Qatar contract, which in the comparative period registered the collection of the advance payments.

The **Group Net Debt**, equal to €mil. 4,301, showed an increase compared to 31 December 2018 (€mil. 2,351), 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. Changes in the Group Net Debt are shown below:



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*".

(€ millions)	**30 September 2019**	**31 December 2018**	**30 September 2018**
Non-current assets	12,364	11,824	11,714
Non-current liabilities	(2,346)	(2,611)	(2,733)
Capital assets	**10,018**	**9,213**	**8,981**
Inventories	1,401	(78)	547
Trade receivables	3,013	2,936	2,981
Trade payables	(3,371)	(3,028)	(2,798)
Working capital	**1,043**	**(170)**	**730**
Provisions for short-term risks and charges	(1,096)	(1,125)	(1,061)
Other net current assets (liabilities)	(784)	(1,064)	(801)
Net working capital	**(837)**	**(2,359)**	**(1,132)**
Net invested capital	**9,181**	**6,854**	**7,849**
Equity attributable to the Owners of the Parent	4,936	4,499	4,344
Equity attributable to non-controlling interests	11	11	10
Equity	**4,947**	**4,510**	**4,354**
Group Net Debt	**4,301**	**2,351**	**3,503**
Net (assets)/liabilities held for sale	**(67)**	**(7)**	**(8)**

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Below are the key performance indicators by sector:

Helicopters

The performance of the first nine months of 2019 confirmed the efficacy of the path taken last year, showing a sound performance, with an increase in Revenues and profitability, compared to the same period of 2018. Commercial performance was also positive, although volumes of new orders were lower than in the comparative period which benefitted from the recognition of the NH90 Qatar contract worth about € bil. 3.

New orders. These decreased compared to the same period of the prior year, as a result of the acquisition in 2018, of the mentioned NH90 Qatar order. Among the major acquisitions in the period were the contracts related to the supply of 23 NH90 tactical helicopters to the Spanish Ministry of Defence and the supply of 4 AW101 multi-purpose naval helicopters to the Polish Ministry of Defence, in addition to the orders related to Customer Support and Training activities.

Revenues. They increased compared to September 2018 as a result of the higher activities on governmental programmes and the Customer Support and Training which more than offset the lower deliveries of helicopters for civil customers (in September 2019 a total of 91 new helicopters were delivered compared to 113 deliveries of the same period of 2018).

EBITA. This increased compared to September 2018 as a result of higher revenues and an improvement in operating profits, thanks to a mix of activities on government programmes and on Customer Support and Training, as well as to a revision of the terms of the UK pension scheme.

Defense Electronics & Security

The first nine months of 2019 were characterised by a good performance, both commercial and business, showing an increase in New Orders, Revenues and EBITA compared to the previous year.

Below is a breakdown of the Key Performance Indicators of the sector:

30 September 2019	New orders	Revenues	EBITA	ROS
DES Europe	2,660	2,738	239	8.7%
Leonardo DRS	2,005	1,616	103	6.4%
Eliminations	*(22)*	*(17)*	-	*n.a.*
Total	**4,643**	**4,337**	**342**	**7.9%**
30 September 2018	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	1,950	2,587	218	8.4%
Leonardo DRS	1,632	1,290	70	5.5%
Eliminations	*(13)*	*(22)*	-	*n.a.*
Total	**3,569**	**3,855**	**288**	**7.5%**
Change %	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	36.4%	5.8%	9.6%	0.3 p.p.
Leonardo DRS	22.9%	25.3%	47.1%	0.9 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**30.1%**	**12.5%**	**18.8%**	**0.4 p.p.**

Average €/USD exchange rate: 1.12371 (first none months of 2019) and 1.19494 (first nine months of 2018)

New Orders. These increased compared to September 2018, as a result of higher orders gained both in the *Defence Electronics & Security* sector in the Europe area and at Leonardo DRS. Among the main orders in the period, note the order of Leonardo DRS for the production of new generation US Army mission command computing systems named Mounted Family of Computer Systems (MFoCS) II, the export order in the Electronics Division for the supply of a naval combat system and new orders for Airborne Systems in the United Kingdom for the development of electronic-scanning avionic radar systems and communication systems. As regards the *Automation* business, note the orders for the renewal of the baggage handling system for the international airport of Geneva and for that of Athens.

Revenues. These increased compared to 2018, mainly for higher activities in Leonardo DRS and within the Airborne Systems, and also for the positive effect of the USD/€ exchange rate.

EBITA. They showed an increase compared to the first nine months of 2018 as a result of higher volumes. The good levels of ROS were confirmed even if it was affected by a mix of revenues still characterised by “pass-through” supplies and programmes being developed or gained in particularly competitive sectors, which are basic for the positioning on key customers and for achieving the objectives set for next years.

The key performance indicators of Leonardo DRS are provided below in US dollars:

	New orders	Revenues	EBITA	ROS
DRS ($mil.) September 2019	2,253	1,816	116	6.4%
DRS ($mil.) September 2018	1,950	1,541	84	5.5%

Aeronautics

During the first nine months of 2019 New Orders were gained for an amount of €bil. 2.0, about 75% of which related to the *Aircraft* Division.

From a production point of view, 123 deliveries were made for fuselage sections and 62 deliveries of stabilisers for the B787 programme (105 fuselages and 63 stabilisers delivered in the first nine months of 2018), and 51 deliveries of fuselages for the ATR programme (64 delivered in the first nine months of 2018). With regard to military programmes there was the delivery of two C27J aircraft to the Air Force of an African Country and of 28 wings to Lockheed Martin for the F-35 programme (20 in the first nine months of 2018), within the context of which the first aircraft for the Dutch Air Force was completed.

*New Orders***.** They showed an increase compared to the first nine months of 2018 as a result of higher orders in the *Aircraft* Division for the EFA and F-35 programmes and for M345 and M346 trainers. Among the major orders gained in the period were:

- in the Aircraft Division the order for the supply of 13 additional M345 aircraft to the Italian Air Force and related logistic support for 5 years, the first order for the sale of 6 M346 aircraft in the new FT/FA version for a foreign customer, the orders received from the Eurofighter Consortium for engineering services and support to the EFA aircraft fleet, from Lockheed Martin for the F-35 programme and from other customers for logistic support to the C27J and ATR Maritime Patrol aircraft and trainers;
- in the Aerostructures Division the orders for the supply of 50 B787 fuselage sections and 37 ATR fuselages, and those for the production on the B767, A321 and A220 programmes.

Revenues. These increased compared to the first nine months of 2018 thanks to higher activities on the EFA-Kuwait programme in the *Aircraft* Division and to the increase in the production rates of the B787 and A220 programmes in the *Aerostructures* Division.

EBITA. In line with the result at 30 September 2018. The improvements in the *Aircraft* Division, which confirmed excellent profitability levels, and in the *Aerostructures* Division, whose performance has started to benefit from efficiency improvement actions of industrial processes, offset the lower results posted by GIE-ATR Consortium, which was adversely affected by lower deliveries during the period and by a different production mix.

Space

The performance of the period was affected by a deterioration in the performance of the manufacturing segment that recorded lower activities, in particular for telecommunication satellites, and higher costs for the development of new generation satellite platforms. Such worsening was partially mitigated by the service component that, on the contrary, showed increased revenues and a net result clearly improving compared to the first nine months of 2018 that had been adversely affected by charges under Law 92/2012 (the so-called Fornero Act) on the Italian operations.

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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 entire year that was made at the time of the preparation of the financial statements at 31 December 2018.

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Main transactions of the first nine months of 2019 significant events occurred after the period-end

Industrial transactions: the main transactions occurred in the first nine months of 2019 are reported below:

- On 31 January 2019, as all required conditions were met including Golden Power and Antitrust approvals, Leonardo signed the closing of the acquisition of 98.54% in Vitrociset;
- On 25 March 2019, Leonardo signed an arrangement with the Algerian Ministry of National Defence for the establishment of a joint venture for the local assembly of the Leonardo helicopters, their sale and the supply of related services;

- on 27 June 2019 the Board of Directors of Leonardo S.p.a. approved the plan for the merger of Sistemi Dinamici S.p.A. - an engineering company, which is a subsidiary operating in the development, production and sale of remotely-controlled aircraft – by incorporation into Leonardo S.p.a.. The transaction falls within the scope of the overall One Company project for the rationalisation of some assets, in terms of strategy and corporate structure, used in the core business of the Aerospace, Defence and Security, in order to make Leonardo's industrial operations more efficient and effective, with a view to completing the process of combination between the two companies, which had been started in 2016 with the acquisition of total control over Sistemi Dinamici;
- On 2 August 2019 Leonardo sold to Emera S.r.l. its entire stake in Eurotech SpA, equal to11.08% of the share capital (3,936,461 shares), at a price of €4.58 per share for a total consideration of about €mil. 18. The transaction was completed on 5 August 2019.

Financial transactions. During the first nine months of 2019 the Group did not finalise any new transaction on financial markets. In May 2019 Leonardo used for €mil. 300 the loan which had been raised in 2018 with the European Investment Bank (EIB) and which was aimed at supporting the investment projects envisaged in the Group's business plan. Moreover, in May the Group also renewed its EMTN (Euro Medium Term Notes) programme for 12 additional months, leaving the maximum available amount of €bil. 4 unchanged. No bond issues were launched in the Euromarket within the scope of said programme during the period.

In May Moody's upgraded Leonardo's baseline credit assessment (BCA) from Ba2 to Ba1 – on the basis of an improvement reported in terms of profitability and cash generation –, while maintaining both the rating (Ba1) and the outlook (stable) unchanged. At the date of the presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	October 2018	Ba1	stable	Ba1	positive
Standard&Poor's	April 2015	BB+	stable	BB+	negative
Fitch	October 2017	BBB-	stable	BB+	positive

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The results of the third quarter

Condensed consolidated separate income statement

(€ millions)	*For the three months ended 30 September* 2019	*For the three months ended 30 September* 2018
Revenues	3,172	2,651
Purchases and personnel expenses	(2,896)	(2,404)
Other net operating income/(expenses)	9	(7)
Equity-accounted strategic JVs	24	21
Amortisation, depreciation and write-offs	(110)	(99)
EBITA	**199**	**162**
ROS	*6.3%*	*6.1%*
Non-recurring income/(expenses)	(3)	-
Restructuring costs	(4)	(5)
Amortisation of intangible assets acquired as part of business combinations	(6)	(25)
EBIT	**186**	**132**
EBIT Margin	*5.9%*	*5.0%*
Net financial income/(expenses)	(64)	(59)
Income taxes	(7)	(15)
Net Result before extraordinary transactions	**115**	**58**
Net result related to discontinued operations and extraordinary transactions	1	99
Net result	**116**	**157**

Below is the breakdown of the ratios for the third quarter by sector:

Third quarter 2019	**New orders**	**Revenues**	**EBITA**	**ROS**
Helicopters	527	841	70	8.3%
Defense Electronics & Security	1,247	1,477	114	7.7%
Aeronautics	681	915	44	4.8%
Space	-	-	10	*n.a.*
Other activities	48	115	(39)	(33.9%)
Eliminations	*(69)*	*(176)*	-	*n.a.*
Total	**2,434**	**3,172**	**199**	**6.3%**
Third quarter 2018	**New orders**	**Revenues**	**EBITA**	**ROS**
Helicopters	3.356	826	64	7.7%
Defense Electronics & Security	1,214	1,334	81	6.1%
Aeronautics	291	599	44	7.3%
Space	-	-	10	*n.a.*
Other activities	30	80	(37)	(46.3%)
Eliminations	*(105)*	*(188)*	-	*n.a.*
Total	**4,786**	**2,651**	**162**	**6.1%**
Change %	**New orders**	**Revenues**	**EBITA**	**ROS**
Helicopters	(84.3%)	1.8%	9.4%	0.6 p.p.
Defense Electronics & Security	2.7%	10.7%	40.7%	1.6 p.p.
Aeronautics	134.0%	52.8%	n.a.	(2.5) p.p.
Space	n.a.	n.a.	n.a.	n.a.
Other activities	60.0%	43.8%	(5.4%)	12.4 p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	**(49.1%)**	**19.7%**	**22.8%**	**3.3%**

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Explanatory notes

This interim reporting that has been approved today by the Board of Directors, was made available to the public at the registered office, with Borsa Italiana S.p.A., on the Company website (www.leonardocompany.com, in the section Investors/Financial Reports), as well as on the website of the authorised storage mechanism NIS-Storage (www.emarketstorage.com).

As previously indicated, note that starting from 1 January 2019 the Group adopted IFRS 16 “Leases”, the effects of which are reported in Annex 3. Except for such standard the accounting policies, measurement criteria and consolidation methods used for this interim reporting at 30 September 2019, which should be read in conjunction with the 2018 annual consolidated financial statements, are unchanged from those of the consolidated financial statements at 31 December 2018 (except for those specifically applicable to interim financial reports) and the interim reporting at 30 September 2018.

This interim reporting, approved by the Board of Directors on 7 November 2019, was not subject to any statutory review.

1. FINANCIAL INCOME AND EXPENSES

	For the nine months ended 30 September	
	2019	**2018**
Interest	(137)	(140)
Commissions	(13)	(17)
Fair value gains (losses) through profit or loss	(12)	10
Premiums (paid) received on forwards	(30)	(13)
Exchange rate differences	4	-
Other financial income and expenses	(9)	(31)
Share of profits/(losses) of equity-accounted investees	9	14
	(188)	**(177)**

2. LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	**30 September 2019**	*of which current*	**31 December 2018**	*of which current*	**30 September 2018**	*of which current*
Bonds	3,156	*387*	3,154	*408*	3,650	*596*
Bank debt	1,091	*173*	721	*70*	243	*92*
Cash and cash equivalents	(1,024)	*(1,024)*	(2,049)	*(2,049)*	(1,007)	*(1,007)*
Net bank debt and bonds	**3,223**		**1,826**		**2,886**	
Current loans and receivables from related parties	(154)	*(154)*	(153)	*(153)*	(142)	*(142)*
Other current loans and receivables	(42)	*(42)*	(32)	*(32)*	(32)	*(32)*
Current loans and receivables and securities	**(196)**		**(185)**		**(174)**	
Non current financial receivables from Superjet	(13)	-	(25)	-	(37)	-
Hedging derivatives in respect of debt items	(9)	*(9)*	(3)	*(3)*	(1)	*(1)*
Related-party loans and borrowings	741	*712*	669	*669*	753	*753*
Other loans and borrowings	555	*152*	69	*43*	76	*50*
Group Net Debt	**4,301**		**2,351**		**3,503**	

The reconciliation with the net financial position required by Consob Communication no. DEM/6064293 of 28 July 2006 is provided in Annex 2.

The increase in loans and borrowings was heavily affected by the recognition of lease payables (recognised in "Other loans and borrowings"), in the application of IFRS 16 "Leases" from 1 January 2019.

With reference to payables to banks, it should be noted that during the period the loan raised with the EIB in 2018 was used for €mil. 300.

For an analysis on the clauses related to the existing bonds (financial covenant, negative pledge and cross default) reference is made to what reported in the 2018 consolidated financial statements.

3. CONTINGENT LIABILITIES

Compared to the situation at 30 June 2019, commented on in the Half-year Financial Report to which reference is made, we highlight that with reference to the action brought by GMR, on 10 October 2019 the hearing before the Supreme Court was held in relation to the appeal filed against the judgment issued by the Court of Appeal of Naples on the preliminary issue about the exclusion of Leonardo and Ansaldobreda from the proceedings, which was initially ordered by the Court of Naples within the context of the action brought by Firema Trasporti under Extraordinary Administration. Following the hearing before the Supreme Court, the case was retained for decision. It should be noted that in February 2011 GMR, as the sole shareholder of Firema Trasporti, summoned Leonardo and Ansaldobreda before the Court of Santa Maria da Capua Vetere. These proceedings were concluded with the declaration of lack of jurisdiction in favour of the Court of Naples. On 28 April 2015 the suit was dismissed following the failure by GMR to reinstate the action in accordance with the time limits prescribed by law. On 23 June 2015, GMR then served a new writ of summons before the Court of Naples, whereby it once again submitted the same claims as those brought in the previous proceedings. Moreover, in November 2013 Firema Trasporti under Extraordinary Administration brought an action before the Court of Naples against, among others, Giorgio and Gianfranco Fiore as former directors of the company, who have, in turn, summoned Leonardo and Ansaldobreda before the court. Both proceedings were suspended pending the ruling of the Supreme Court in relation to the preliminary issue about the exclusion of Leonardo and Ansaldobreda as referred to above.

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With reference to criminal proceedings pending against some Group companies or Leonardo and some former directors, as well as executives for facts committed in the performance of their duties at Group companies or at Leonardo, we highlight the following updates compared to the situation at 30 June 2019 commented on in the Half-year Financial Report to which reference is made:

- As regards the investigations started by the Indian Judicial Authority (Central Bureau of Investigation) in February 2013 in relation to the supply of 12 AW101 VIP/VVIP helicopters to the Indian Government, on 31 July 2019 a new notice of invitation was served on the company to appear at the hearing set for 18 September 2019. The Company took legal action before the Administrative Court and the Judge for Preliminary Investigations (GIP) of the Court of Milan.
  On 28 August 2019 the Public Prosecutor's Office of Milan served on Leonardo Spa a notice of invitation to appear at the hearing to be held on 18 September 2019 within the context of further proceedings brought by the Indian Judicial Authority (Directorate of Enforcement) in relation to the facts mentioned above. The Company, also in relation to such notice, filed an application for enforcement review (incidente di esecuzione) with the Judge for Preliminary Investigations (GIP), before the Court of Milan as well as filed an appeal before the Lazio Regional Administrative Court.

  Finally, it should be noted that AgustaWestland International Ltd appeared at the hearings held before the Patiala House Court of New Delhi, within the context of the Indian proceedings started by the Central Bureau of Investigation as described above.

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With reference to the contracts under execution marked by uncertainties and issues disputed with customers, compared to what reported in the 2018 consolidated financial statements to which reference is made, and taking into account the information provided in the Half-year Financial Report at 30 June 2019, we highlight that regarding the dispute pending between Augusta Westland International Ltd.

and the Indian Ministry of Defence in relation to the supply contract for 12 helicopters signed in 2010, worth around €mil. 560 in total, following the conclusion of the arbitration proceedings, on 6 August 2019 the Company sent the Ministry a notice pursuant to Article 80 of the Indian Code of Civil Procedure whereby it once again submitted the same claims as those brought in the arbitration proceedings. On 1 October 2019 the Indian Ministry of Defence replied rejecting the claims submitted through the abovesaid notice by Augusta Westland International Ltd..

For the Board of Directors
The Chairman
Giovanni De Gennaro

Annex 1: Scope of consolidation

Below are the changes in the scope of consolidation at 30 September 2019 in comparison with 30 September 2018:

COMPANY	EVENT	MONTH
Companies which entered the scope of consolidation:		
Gruppo Vitrociset	acquired	January 2019
D-Flight S.P.A.	acquired	February 2019
UTM Systems & Services S.r.l.	became operating	February 2019
Leonardo Poland SP. Z O.O.	newly established	March 2019
LEONARDO Technology Pakistan (SMC-Private) Ltd	newly established	March 2019
LEONARDO Helicopteres Algerie S.P.A.	newly established	March 2019
LEONARDO Singapore PTE. Ltd	newly established	May 2019
Airbus Telespazio Capacity Operator S.A.A.	newly established	August 2019
Companies which left the scope of consolidation:		
Zaklad Obrobki Plastycznej SP. Z O.O.	sold	December 2018
Aviation Training International Ltd	sold	December 2018
AgustaWestland North America Inc.	deconsolidated	May 2019
Eurotech SpA	sold	August 2019

Companies involved in merger transactions:

Merged company	Merging company	Month
LEONARDO do Brasil LTDA	AgustaWestland do Brasil LTDA	June 2019
OtoMelara do Brasil LTDA	AgustaWestland do Brasil LTDA	June 2019
Selex ES do Brasil LTDA	AgustaWestland do Brasil LTDA	June 2019

Companies which changed their name:

Old name	New name	Month
Alenia North America-Canada Co.	LEONARDO Canada Co.;	November 2018
Oto Melara Iberica S.A.U.	LEONARDO Hispania S.A.U.	November 2018
AgustaWestland Portugal S.A.	LEONARDO Portugal S.A..	December 2018
Agusta Aerospace Services A.A.S. S.A.	LEONARDO Belgium S.A.	January 2019
SELEX ES Elektronk Turkey A.S.	LEONARDO Turkey Havacilik Savunma Ve Guvenlik Sistemleri A.S.	April 2019
AgustaWestland do Brasil LTDA	LEONARDO do Brasil LTDA	June 2019
Saphire International Aviation ATC Engineering Co Ltd	LEONARDO (China) Co. Ltd	September 2019

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Annex 2: "Non-GAAP" performance indicators

Leonardo's Management assesses the Group's performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs. Specifically, EBITA is used as the primary indicator of profitability, since it allows us to analyse the Group's marginality by eliminating the impacts of the volatility associated with non-recurring items or items unrelated to ordinary operations.

As required by CESR/05-178b Recommendation, below is a description of the components of each of these indicators:

- **New orders:** this includes sales contracts signed with customers during the period, which provide for the counterparties' obligation to comply therewith.
- **Order backlog:** this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.
- **EBITDA**: this is given by EBITA, as defined below, before amortisation and adjustments impairment (net of those relating to goodwill or classified among "non-recurring costs").
- **EBITA**: it is arrived at by eliminating from EBIT, as defined below, the following items:

  - any impairment in goodwill;
  - amortisation and impairments, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
  - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

  EBITA is then used to calculate return on sales (ROS) and return on investment (ROI).

  A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below:

(€ millions)	**For the nine months ended 30 September**	
	2019	**2018**
Income before tax and financial expenses	590	292
Equity-accounted strategic JVs	58	80
EBIT	**648**	**372**
Amortisation of intangible assets acquired as part of business combinations	20	73
Restructuring costs	11	187
Non-recurring (income) expense	7	-
EBITA	**686**	**632**

- **Return on Sales** (ROS): this is calculated as the ratio of EBITA to revenue.
- **EBIT**: this is obtained by adding to EBIT (defined as earnings before "financial income and expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of the strategic Joint Ventures of the Group (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".

- **Net result before extraordinary transactions:** this is the Net Result before the result from discontinued operations and effects of the extraordinary transactions (acquisitions and disposals). Below is the reconciliation:

(€ millions)	For the nine months ended 30 September	
	2019	**2018**
Net result	465	263
Result from discontinued operations	(98)	(99)
Net result before extraordinary transactions	**367**	**164**

- Group Net Debt: this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items, as well as the main non-current receivables. In particular, the Group Net Debt included the financial receivable (backed by bank guarantees) from SuperJet which will be repaid by 2020 based on the arrangements for the rescheduling of the Group's participation in this programme. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is reported below:

	30 September 2019	*31 December 2018*
Net financial debt com. CONSOB no. DEM/6064293	**4,323**	**2,379**
Hedging derivatives in respect of debt items	(9)	(3)
Non current financial receivables from Superjet	(13)	(25)
Group net debt (KPI)	**4,301**	**2,351**

Below is the financial information required under Consob communication DEM/6064293 of 28 July 2006:

	30 September 2019	*of which with related parties*	*31 December 2018*	*of which with related parties*
Liquidity	**(1,024)**		**(2,049)**	
Current loans and receivables	**(196)**	*(154)*	**(185)**	*(153)*
Current bank loans and borrowings	173		70	
Current portion of non-current loans and borrowings	387		408	
Other current loans and borrowings	864	*712*	712	*669*
Current financial debt	**1,424**		**1,190**	
Net current financial debt (funds)	**204**		**(1,044)**	
Non-current bank loans and borrowings	918		651	
Bonds issued	2,769		2,746	
Other non-current loans and borrowings	432	*29*	26	-
Non-current financial debt	**4,119**		**3,423**	
Net financial debt	**4,323**		**2,379**	

- ***Free Operating Cash-Flow (FOCF):*** this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments") and dividends received. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section "Group results and financial position".
- **Return on Investments (ROI)*:*** this is calculated as the ratio of EBITA to the average net capital invested in the two comparative periods.
- **Return on Equity (ROE)*:*** this is calculated as the ratio of the Net Result before extraordinary transactions for the financial period to the average value of equity in the two comparative periods.
- **Workforce:** the number of employees recorded in the register on the last day of the period.

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Annex 3: Application of the new accounting standard IFRS 16 ("Leases")

As described in the Half-year Financial Report at 30 June 2019, to which reference is made for further details, starting from 1 January 2019 (First Time Adoption) the Group has adopted IFRS 16 "Leases", which redefines the recognition methods of contracts in the lessees financial statements, requiring a single accounting method for all types of contracts.

Upon first-time adoption, the Group adopted the "modified" retrospective approach, which provides for the recognition of the impacts arising from first-time adoption at 1 January 2019, without restating comparative values, determining the value of the right of use related to each lease agreement in an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments at 1 January 2019.

The effects deriving from the adoption of the new standard on the situation at 1 January 2019 were:

	1 January 2019
Rights of use	445
Financial liabilities for leases	458
Liabilities for deferred lease payments	(13)

Declaration of the officer in charge of financial reporting pursuant to Art. 154-bis, paragraph 2 of Legislative Decree no. 58/98 as amended

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 and subsequent amendments and integrations, the undersigned Alessandra Genco, the officer in charge of financial reporting of Leonardo Società per azioni certifies that this interim reporting at 30 September 2019 corresponds to the related accounting records, books and supporting documentation.

Rome, 7 November 2019

Officer in charge of Financial Reporting

(Alessandra Genco)