Results at 30 September 2020

Disclaimer

This Interim Reporting at 30 September 2020 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

LEONARDO

CONTENTS

Group results and financial position

The results recorded in the first nine months of 2020 confirm the Group's resilience already highlighted in the half-year financial report, in a context without precedent, with a commercial performance that confirms the same levels as in the last year benefitting from orders in the government/military sphere from national clients against certain postponements of the export campaigns and the drop in the civil sector demand.

Revenue volumes are basically in line with those of the first nine months of 2019, supported by a solid Backlog and the growth of the EFA Kuwait programme and of Leonardo DRS, which have been able to offset the slowdowns caused by the pandemic.

The industrial performance, even if affected by the effects of the COVID-19, confirm the efficacy of initiatives implemented to guarantee the gradual recovery of the full business operations. The profitability is affected also by a lower contribution from the JVs and a mix of activities characterised by programmes under development or in which the Group operates as a prime contractor, with profit margins below the average but which are essential to the current and future positioning of the Group's products and technologies.

The cash flows were affected by the shift of receipts towards the end of the year due to the postponement of the milestones of activity and delivery of machines as a result of the COVID-19 pandemic, which entailed an increase in working capital with a consequent cash absorption.

Key performance indicators ("KPI")

	September 2019	September 2020	Change	2019
New orders	8,579	8,510	(0.8%)	14,105
Order backlog	35,672	34,980	(1.9%)	36,513
Revenue	9,134	9,025	(1.2%)	13,784
EBITDA	1,064	866	(18.6%)	1,817
EBITA	686	497	(27.6%)	1,251
ROS	*7.5%*	*5.5%*	*(2.0) p.p.*	*9.1%*
EBIT	648	395	(39.0%)	1,153
EBIT Margin	*7.1%*	*4.4%*	*(2.7) p.p.*	*8.4%*
Net Result before extraordinary transactions	367	135	(63.2%)	722
Net result	465	137	(70.5%)	822
Group Net Debt	4,301	5,884	36.8%	2,847
FOCF	(1,217)	(2,596)	(113.3%)	241
ROI	*11.4%*	*7.0%*	*(4.4) p.p.*	*16.7%*
ROE	*10.3%*	*3.5%*	*(6.8) p.p.*	*14.7%*
Workforce	49,234	49,973	1.5%	49,530

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

From an operational point of view the initiatives implemented to recover adequate productivity levels and the cost base review entailed a gradual improvement in results over the months, which is particularly evident from the comparative analysis of the quarterly results compared to the prior year.

In particular, the performance of the third quarter showed, with equal revenue developed, a recovery in profitability, with an EBITA benefitting from higher industrial productivity and cost containment and higher than that recorded in the same period of 2019, despite a lower contribution from the JVs.

	First quarter			Second quarter			Third quarter		
	2019	2020	Change	2019	2020	Change	2019	2020	Change
New orders	2,518	3,421	35.9%	3,627	2,683	(26.0%)	2,434	2,406	(1.2%)
Revenue	2,725	2,591	(4.9%)	3,237	3,287	1.5%	3,172	3,147	(0.8%)
EBITA	163	41	(74.8%)	324	251	(22.5%)	199	205	3.0%
ROS	*6.0%*	*1.6%*	*(4.4) p.p.*	*10.0%*	*7.6%*	*(2.4) p.p.*	*6.3%*	*6.5%*	*0.2 p.p.*

The primary changes that marked the Group's performance compared to the previous year are described below. Analyses per business can be found in the section covering the trends in each business segment.

	30 September 2019				
	New orders	Order backlog at 31 Dec. 2019	Revenue	EBITA	ROS
Helicopters	2,234	12,551	2,736	270	9.9%
Defense Electronics & Security	4,643	12,848	4,337	342	7.9%
Aeronautics	2,012	11,640	2,304	165	7.2%
Space	-	-	-	23	n.a.
Other activities	146	372	326	(114)	(35.0%)
Eliminations	*(456)*	*(898)*	*(569)*	-	*n.a.*
Total	**8,579**	**36,513**	**9,134**	**686**	**7.5%**
	30 September 2020				
	New orders	Order backlog	Revenue	EBITA	ROS
Helicopters	3,154	12,546	2,642	219	8.3%
Defense Electronics & Security	4,499	12,708	4,418	317	7.2%
Aeronautics	1,172	10,506	2,285	95	4.2%
Space	-	-	-	(1)	n.a.
Other activities	89	120	297	(133)	(44.8%)
Eliminations	*(404)*	*(900)*	*(617)*	-	*n.a.*
Total	**8,510**	**34,980**	**9,025**	**497**	**5.5%**
	Change %				
	New orders	Order backlog	Revenue	EBITA	ROS
Helicopters	41.2%	0.0%	(3.4%)	(18.9%)	(1.6) p.p.
Defense Electronics & Security	(3.1%)	(1.1%)	1.9%	(7.3%)	(0.7) p.p.
Aeronautics	(41.7%)	(9.7%)	(0.8%)	(42.4%)	(3.0) p.p.
Space	n.a.	n.a.	n.a.	(104.3%)	n.a.
Other activities	(39.0%)	(67.7%)	(8.9%)	(16.7%)	(9.8) p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(0.8%)**	**(4.2%)**	**(1.2%)**	**(27.6%)**	**(2.0) p.p.**

Commercial performance

New orders, equal to €bil. 8.5, remained substantially in line with the first nine months of 2019. Specifically, the significant increase in the Helicopters sector (41%) was offset by a decline recorded in the *Defence Electronics & Security* and *Aeronautics* sectors, which had benefitted from major new orders during the comparative period.

The book to bill ratio is equal to about 1. The order backlog ensures a coverage in terms of equivalent production equal to about 2.5 years.

* * * * * * * *

Business performance.

(€ millions)	For the nine months ended 30 September 2019	2020	Change	% Change
Revenue	9,134	9,025	(109)	(1.2%)
Purchases and personnel expenses	(8,109)	(8,135)		
Other net operating income/(expenses)	(19)	14		
Equity-accounted strategic JVs	58	(38)		
Amortisation, depreciation and write-offs	(378)	(369)		
EBITA	**686**	**497**	**(189)**	**(27.6%)**
ROS	*7.5%*	*5.5%*	(2.0) p.p.	
Non-recurring income/(expenses)	(7)	(60)		
Restructuring costs	(11)	(21)		
Amortisation of intangible assets acquired as part of business combinations	(20)	(21)		
EBIT	**648**	**395**	**(253)**	**(39.0%)**
EBIT Margin	*7.1%*	*4.4%*	(2.7) p.p.	
Net financial income/(expenses)	(188)	(207)		
Income taxes	(93)	(53)		
Net Result before extraordinary transactions	**367**	**135**	**(232)**	**(63.2%)**
Net result related to discontinued operations and extraordinary transactions	98	2		
Net profit/(loss) for the period attributable to:	**465**	**137**	**(328)**	**(70.5%)**
- owners of the parent	*465*	*136*		
- non-controlling interests	-	*1*		

Revenues (€bil. 9.0) remained in line with the first nine months of 2019, showing a decline in the *Helicopters* sector, mainly due to fewer deliveries attributable to the abovementioned effects of the COVID-19 pandemic, which was offset by higher volumes on the EFA Kuwait programme of *Aircraft* and at Leonardo DRS.

EBITA equal to €mil. 497 (with a ROS of 5.5%) showed a decrease of €mil. 189 compared to the comparative period, which was mainly due to the abovementioned effects of the COVID-19 pandemic.

EBIT equal to €mil. 395, showed, compared to the first nine months of 2019 (€mil. 648), a reduction of €mil. 253 (-39%), mainly due to a decrease in EBITA, the recognition of costs incurred to comply with the Government's guidelines on COVID-19, including those for the protection of workers' health and to support the Governmental bodies in managing the emergency, as well as to some external costs incurred for the impossibility of stopping the performance of ceratain specific services.

The **Net result before extraordinary transactions** (€mil. 135) was affected by a deterioration of EBITA, as well as by the higher impact of financial costs.

The **Net Result** (€mil. 137) included the effects of the space business of Vitrociset, classified among Discontinued Operations. The comparative figure benefitted from the effects of the transaction with

Hitachi related to the guarantees given upon the sale of the transportation business of Ansaldobreda S.p.A.

* * * * * * * *

The increase in the workforce compared to 2019 reflected the consolidation of Kopter Group AG, the stabilization of workers under staff leasing contracts as well as the increase in resources supporting the growth in production volumes of certain areas, in particular at Leonardo DRS.

* * * * * * * *

Financial performance

	For the nine months ended 30 September		*Change*	*% Change*
(€ millions)	***2019***	***2020***		
Cash flows used in operating activities	(864)	(2,444)		
Dividends received	134	53		
Cash flows from ordinary investing activities	(487)	(205)		
Free Operating Cash Flow (FOCF)	**(1,217)**	**(2,596)**	**(1,379)**	**(113.3%)**
Strategic investments	(44)	(200)		
Change in other investing activities	(1)	1		
Net change in loans and borrowings	314	1,335		
Dividends paid	(81)	(81)		
Net increase (decrease) in cash and cash equivalents	**(1,029)**	**(1,541)**		
Cash and cash equivalents at 1 January	2,049	1,962		
Exchange rate differences and other changes	10	(16)		
Net increase in cash and cash equivalents of discontinued operations	(6)	-		
Cash and cash equivalents at 30 September	**1,024**	**405**		

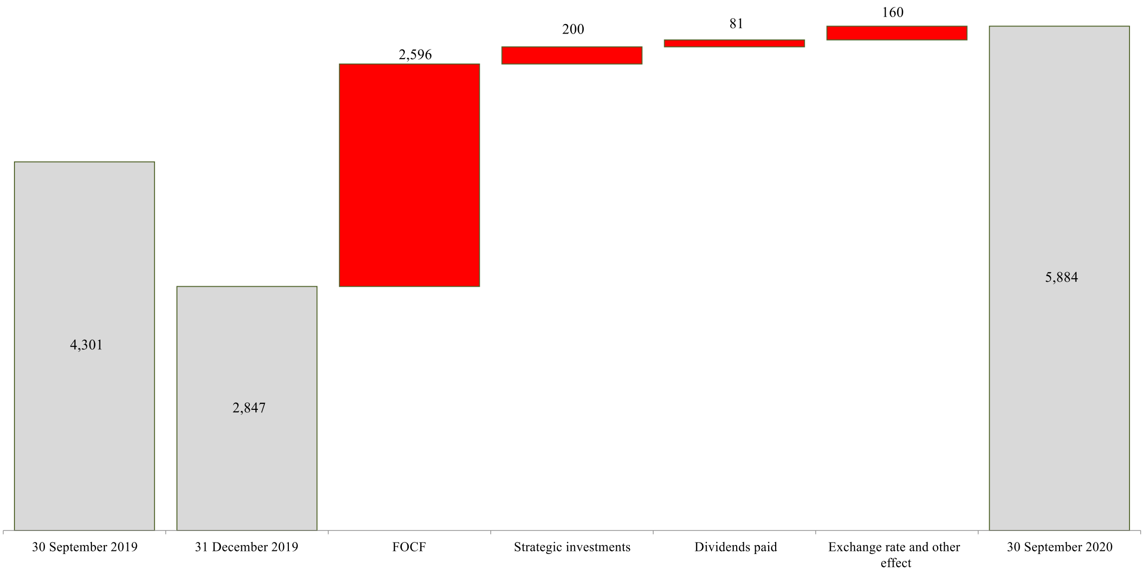
FOCF in the first nine months of 2020 was negative for €mil. 2,596 (against a negative value of €mil. 1,217 in the comparative period). While confirming the usual interim performance characterised by significant outflows in the first part of the year, this trend was affected by the shift in the fourth quarter of the invoicing and collection milestones and machine deliveries as a result of the COVID-19 pandemic, which entailed a significant increase in working capital with a consequent cash absorption.

The **Group Net Debt**, equal to €mil. 5,884, showed an increase compared to 31 December 2019 (€mil. 2,847), mainly as a result of the negative performance of FOCF, as well as of the impact of the following main events:

- Acquisition of Kopter Group AG in April with an impact of €mil. 198 on the Net Financial Position;
- Increase in new leases for €mil. 153;

- Payment of a dividend of €mil. 81 in May;
- Acquisition of an additional amount of Avio shares in June for €mil. 14.

Changes in the Group Net Debt are shown below:



Net invested capital showed a significant increase, compared to 31 December 2019, which was essentially attributable to the trends in **working capital** affected by the deferral of the billing milestone and deliveries discussed earlier.

(€ millions)	30 September 2019	31 December 2019	30 September 2020
Non-current assets	12,364	12,336	12,109
Non-current liabilities	(2,346)	(2,243)	(2,146)
Capital assets	**10,018**	**10,093**	**9,963**
Inventories	1,401	947	2,868
Trade receivables	3,013	2,995	2,992
Trade payables	(3,371)	(3,791)	(3,179)
Working capital	**1,043**	**151**	**2,681**
Provisions for short-term risks and charges	(1,096)	(1,164)	(1,180)
Other net current assets (liabilities)	(784)	(968)	(560)
Net working capital	**(837)**	**(1,981)**	**941**
Net invested capital	**9,181**	**8,112**	**10,904**
Equity attributable to the Owners of the Parent	4,936	5,323	5,068
Equity attributable to non-controlling interests	11	11	11
Equity	**4,947**	**5,334**	**5,079**
Group Net Debt	**4,301**	**2,847**	**5,884**
Net (assets)/liabilities held for sale	**(67)**	**(69)**	**(59)**

* * * * * * * *

Below are the key performance indicators by sector:

Helicopters

The first nine months of 2020 were characterised by a positive performance in terms of sales, with a volume of new orders higher than the same period of 2019, while revenues and profitability, which were affected by the effects of the COVID-19 pandemic, decreased compared to the same period of 2019 although showing, in comparison with what recorded in the half-year, the first benefits from the actions taken to contain the effects of COVID-19.

New orders. They showed an increase compared to the first nine months of 2019 as a result of higher new orders recorded in the government sector, in particular those placed by domestic customers. Among the major acquisitions in the period were:

- the contract falling within the scope of the IMOS (Integrated Merlin Operational Support) programme for the provision of logistic support and maintenance services for the UK Ministry of Defence’s fleet of AW101 Merlin helicopters;
- the orders for the Italian Army for development activities in relation to NEES (New Exploration And Escort Helicopter) programme and for the supply of fifteen AW169 helicopters and logistic

support and training services falling within the scope of the LUH (Light Utility Helicopter) programme;

- the first order of thirty-two TH-73A (AW119) helicopters for the US Navy.

Revenues. They showed a decrease from the comparative period as a result of the COVID-19 pandemic, which had an adverse impact in particular on the number of deliveries made during the period, as well as of the expected reduction in the volumes on some programmes in the process of being completed. Such effects were partly offset by higher volumes for the operations on the Customer Support and Training, on the NH90 Qatar programme and on contracts within the Italian government.

EBITA. This decreased compared to the first nine months of 2019, mainly as a result of a drop in revenues and lower efficiency reported during the period, due to the COVID-19 pandemic, partly mitigated by the actions aimed at recovering productivity and curbing costs. Furthermore, it should be noted that the comparative period benefitted from a revision of the terms of the UK pension scheme.

Defense Electronics & Security

The performance of the first nine months of 2020 highlights the first benefits of the actions aimed at containing the effects of COVID-19 on the industrial productivity with a profitability that, although affected by a mix of revenues characterised by programmes under development, is recovering compared to what recorded in the first half-year.

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

30 September 2019	**New orders**	**Revenue**	**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 2020	**New orders**	**Revenue**	**EBITA**	**ROS**
DES Europe	2,246	2,731	216	7.9%
Leonardo DRS	2,262	1,719	101	5.9%
Eliminations	*(9)*	*(32)*	-	*n.a.*
Total	**4,499**	**4,418**	**317**	**7.2%**
Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
DES Europe	(15.6%)	(0.3%)	(9.6%)	(0.8) p.p.
Leonardo DRS	12.8%	6.4%	(1.9%)	(0.5) p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(3.1%)**	**1.9%**	**(7.3%)**	**(0.7) p.p.**

Average €/USD exchange rate: 1.12412 (first nine months of 2020) and 1.12371 (first nine months of 2019)

New Orders: The growth of Leonardo DRS offset solely in part the drop in the European component compared to the same period of 2019, which had been characterised by major orders gained in the naval sector and in the *Airborne Systems* sector in the United Kingdom. Among the main orders in the period, note for Leonardo DRS the additional orders for the production of new generation US Army mission command computing systems named Mounted Family of Computer Systems (MFoCS) for mission commands for the US Army and the order for the provision of equipment, panels and propulsion controls for the CVN 80 and CVN 81 vessels for the USA Navy confirming the good sales performance recorded in the same period of the previous year. As regards the Electronics segment in Europe, note the order for the supply of four Vulcan systems for Dutch Navy frigates, the order for the development of next generation radars (Active Electronically Scanned Array (AESA) radar) for the Eurofighter Typhoon of the Royal Air Force and the order for operations within the scope of the IMOS (Integrated Merlin Operational Support) contract for logistic support and maintenance services for the fleet of AW101 Merlin helicopters in the United Kingdom. As regards the Automation business, note the order for the supply of a Baggage Handling System (BHS) for the international airport of Frankfurt.

Revenues. These increased compared to the first nine months of 2019 as a result of higher volumes recorded by Leonardo DRS, mainly for activities relating to the upgrade of equipment provided to the US Army. The European component remained substantially in line with 2019, with a reduction in the growth expected in production volumes due to the slowdown caused by the COVID-19 pandemic.

EBITA. This showed a decrease compared to the first nine months of 2019, mainly as a result of a mix of revenues characterised by programmes being developed on which renewal of the portfolio of offers depends (naval and avionic sensors, integrated systems, cyber), as well as by higher costs recorded in the period in certain programmes of the Automation business, whose airport segment starts to be affected by the market crisis. The effects of COVID-19 were mitigated by the actions aimed at recovering productivity and curbing costs.

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

	New orders	Revenue	EBITA	ROS
DRS ($mil.) September 2019	2,253	1,816	116	6.4%
DRS ($mil.) September 2020	2,543	1,932	114	5.9%

Aeronautics

During the first nine months of 2020 the Sector continued to be significantly affected by the effects of the COVID-19 pandemic, which conditioned in particular the industrial performance of the *Aerostructures* and the GIE-ATR capability to make the expected deliveries.

From a production point of view:

- For military programmes of the *Aircraft* Division there was the delivery of 27 wings to Lockheed Martin for the F-35 programme (28 in the first nine months of 2019);
- For the *Aerostructures* Division 90 deliveries were made for fuselage sections and 58 stabilisers for the B787 programme (123 fuselage sections and 62 stabilisers delivered in the first nine months of 2019), and 19 fuselages for the ATR programme (51 delivered in the first nine months of last year).

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

30 September 2019	New orders	Revenue	EBITA	ROS
Aircrafts	1,521	1,502	188	12.5%
Aerostructures	535	846	(27)	(3.2%)
GIE ATR	-	-	*4*	*n.a.*
Eliminations	*(44)*	*(44)*	-	*n.a.*
Total	**2,012**	**2,304**	**165**	**7.2%**
30 September 2020	**New orders**	**Revenue**	**EBITA**	**ROS**
Aircrafts	772	1,704	204	12.0%
Aerostructures	449	630	(47)	(7.5%)
GIE ATR	-	-	(62)	*n.a.*
Eliminations	*(49)*	*(49)*	-	*n.a.*
Total	**1,172**	**2,285**	**95**	**4.2%**
Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
Aircrafts	(49.2%)	13.4%	8.5%	(0.5) p.p.
Aerostructures	(16.1%)	(25.5%)	(74.1%)	(4.3) p.p.
GIE ATR	*n.a.*	*n.a.*	(1650.0%)	*n.a.*
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(41.7%)**	**(0.8%)**	**(42.4%)**	**(3.0) p.p.**

New Orders. They showed a decrease compared to the first nine months of 2019 in both Divisions:

- The *Aircraft* Division in the comparative period benefitted from significant new orders for the provision of 6 M-346 aircraft to a foreign customer and further 13 M-345 aircraft to the Italian Air Force. Among the major orders gained in 2020 we highlight the orders received from Lockheed Martin for the F-35 programme and those for logistic support to the C27J and EFA aircraft of the Italian Air Force;

- The *Aerostructures* Division was affected by lower requests by the GIE consortium for the ATR programme (19 aircraft in 2020 compared to 51 in 2019). Among the major orders gained in the period we highlight the orders related to the Boeing B787 programme and the fuselage production from ATR.

Revenues. The business volumes of both Divisions were affected by the slowdown in production as a result of the COVID-19 pandemic, reported in particular in March and April:

- In the *Aircraft* Division revenues were higher compared to the first nine months of 2019 since the higher volumes associated with the ramp-up of production on the EFA-Kuwait programme more than offset the slowdown mentioned above caused by COVID-19;
- the *Aerostructures* Division was affected by the decrease in the production rates for the B787 and ATR programmes.

EBITA:

- For the *Aircraft* Division, the ramp-up of production on the EFA-Kuwait programme and the actions for the recovery of productivity and cost containment more than offset the slowdown caused by COVID-19;
- For the *Aerostructures* Division, the effects of COVID-19 on the activity volumes and on the manufacturing efficiency were solely partially offset by the actions taken to curb costs and the gain associated with the agreement with Airbus concerning the stop of work of the A380 aircraft;
- The GIE-ATR consortium was affected by lower deliveries in the period (1 delivery in the period compared to 29 deliveries in the comparative period) recording a marked worsening of results compared to 2019.

Space

The lower result was attributable to the manufacturing segment which recorded, compared to the same period of 2019, a decline in the volume of activities, for both telecommunication and earth observation satellites, and a deterioration in profitability, which was affected by the effects of the COVID-19 pandemic, as well as by higher costs on telecommunications programmes. The result of the segment of satellite services remained substantially in line with 2019.

* * * * * * * *

Guidance 2020

As highlighted in the Half-year financial report, the Group's performance is being impacted by the COVID-19 pandemic that is affecting the economic outlook and creating high uncertainty in global markets.

In this context, at half year results in July, Leonardo provided the estimates for FY20 financials set out below, in the absence of further worsening of the pandemic and of consequent additional restrictions:

	FY 2019	***Outlook* 2020** (*)
Orders (€bln.)	14,105	12,5 – 13,5
Revenues (€bln.)	13,784	13,2 – 14,0
EBITA (€mil.)	1.251	900 - 950
FOCF (€mil.)	241	*heading to neutral*
Group Net Debt (€bln.)	2,847	ca. 3,3 (**)

(*) Assuming a € / USD exchange rate of 1.15 and € / GBP of 0.88.

(**) Includes an additional IFRS 16 effect (approximately €0.1bn), the acquisition of Kopter (approximately €0.2bn) and dividend payment

The results of the first nine months confirm the resilience of the Leonardo business, reflecting a solid Order Backlog, the performance of our military/governmental business and the ability of our group to react promptly to this new scenario.

We are closely monitoring the recent developments of the pandemic at a global and national level and continuing to assess potential further impacts, with particular focus on the civil aeronautics sector.

In the absence of further worsening of the pandemic and of consequent additional restrictions which may compromise operations of Leonardo and of its stakeholders:

- the level of New Orders and Revenues continues to track in line with expectations for the full year, despite slowdowns in the finalisation of some export commercial campaigns due to COVID-19. This reflects solid demand for the Group's products from domestic and international customers and strengthens our confidence in the medium-long term opportunities for the business;
- the actions implemented to ensure a progressive recovery of productivity levels are bringing good results, with clear signs of recovery in the third quarter. Together with savings from cost reduction

actions, this supports the delivery of EBITA expected for the full year and helps to mitigate the risks related to the performance of Joint Ventures and civil business, based on deliveries in the the fourth quarter;

- the Group has detailed actions in place to deliver FOCF for the full year that reflects an exceptionally high concentration of activities and cash-ins in the last 2 months of the year and the current level of COVID-19 related restrictions.

The Group confirms its solid core business fundamentals for the medium-long term, based on:

- Significant backlog of € 35 billion
- Balanced military/governmental, civil and Customer Support and Training business mix
- Defence and Security market growth confirmed
- Strong relationships with domestic customers and position in key international programmes
- Investments in innovation aimed at leveraging core competencies and products to expand business opportunities
- Leadership position in key market segments of Helicopters, Defence Electronics and Aircraft recognised in export markets

* * * * * * * *

Main transactions of the first nine months of 2020 significant events occurred after the period-end

Industrial transactions:

- ***Merger of Sistemi Dinamici S.p.A. by incorporation into Leonardo S.p.a..*** On 1 January 2020 the merger of Sistemi Dinamici S.p.A. by incorporation into Leonardo S.p.a. became effective, which had been approved by the Board of Directors' meeting held on 27 June 2019;

- ***Acquisition of Kopter Group AG (Kopter).*** On 28 January 2020 Leonardo signed a contract with Lynwood (Schweiz) AG to acquire 100% of the Swiss helicopter company Kopter. SH09, the new single engine helicopter that is being currently developed by Kopter, fits into the product portfolio of Leonardo, offering opportunities for future technological developments. The Swiss company's competencies will boost the development of new technologies, mission capabilities and hybrid/electrical propulsion solutions. This acquisition replaces the investment aimed at the development of a new single engine helicopter already included in the Plan. Kopter will act as an autonomous legal entity and competence centre within the Leonardo *Helicopters* Division working in close coordination with it. The transaction was completed on 8 April 2020 and entailed an outlay of €mil. 185 (with an impact on the net financial position equal to €mil. 198). The analyses carried out after the outbreak of the pandemic confirm the validity of the Business Case;

- ***Memorandum of agreement with Codemar.*** On 12 February 2020 Leonardo (through its subsidiary Leonardo International) and Codemar (Companhia de Desenvolvimento de Maricá) created a new joint venture, named *Leonardo&Codemar SA*, which will operate as the main partner of the Maricá municipality for the development of proposals about urban security, resilience, management of critical infrastructures and helicopter services, which will constitute an important lever for its economic and sustainable development;

- ***Acquisition of Precision Aviation Services***. On 20 December 2019 Leonardo signed the contract for the acquisition of Precision Aviation Services (PAS) with the objective of strengthening its local service capacity and, therefore, improving support to Leonardo's fleet operating in the Sub-Saharan Africa region (in particular South Africa), which relies on about 120 aircraft. The closing of the transaction took place on 30 April 2020 and entailed an outlay of about €mil. 2;

- ***Increasing our investment in Avio and further strengthening our position in the Space Sector***. On 15 June 2020 Leonardo announced the conclusion of the transactions aimed at acquiring 988,475 shares of Avio. Following the aforesaid transactions, which were completed on 29 May

2020 with an outlay of €mil. 14, Leonardo's investment increased by 3.75% and is currently equal to 29.63% of the share capital of Avio.

Financial transactions. Leonardo completed major transactions on the capital market during the first nine months of 2020.

Specifically, on 29 January 2020 Leonardo signed a loan agreement with Cassa Depositi e Prestiti (CDP) amounting to €mil. 100, which was entirely used in February, to support investments in R&D and innovation. The 6-year loan with a six-month Euribor rate + 118 bps and zero floor on the final rate is aimed at co-financing some investment projects envisaged in the Industrial Plan, which have already been 50% financed by the European Investment Bank (EIB).

In May 2020, due to the COVID-19 health emergency and the consequent need to strengthen its liquidity position, Leonardo signed agreements with a pool of international banks for two new credit facilities for a total of €mil. 2,000 with maturities of up to 24 months. These facilities, which did not provide for financial covenants, were entered into by using different technical methods: the first one was a Revolving Credit Facility (for €mil. 1,250), while the second one was a Term Loan (for €mil. 750). The latter facility provided, among other things, for a cancellation obligation in the event that Leonardo issued bonds during the term of the facility for an amount equal to the cash-in from the new issues. In this regard, it should be noted that on 1 July 2020, Leonardo placed, on the Euromarket, new bonds listed on the Luxembourg Stock Exchange with a 5.5-year maturity for a nominal amount of €mil. 500, with an annual coupon of 2.375%. The transaction, which was carried out as part of the EMTN (Euro Medium Term Notes) programme that was renewed in May 2020, fell within the scope of the financial strategy of the Company, which decided to take advantage of the particularly favourable market conditions to meet its refinancing needs, extend the average term of debt and reduce its average cost. The issue was reserved exclusively for Italian and international institutional investors.

At 30 September 2020 Leonardo relied, to meet the financing needs for ordinary Group activities, on credit facilities for a total of about €mil. 3,900, which were made up as follows: a Revolving Credit Facility for €mil. 1,800 (used for €mil. 800 at 30 September), new credit lines totalling about €mil. 1,500 (entirely unused at 30 September) and additional unconfirmed short-term cash lines of credit for €mil. 599 (used for €mil. 162 at 30 September). Furthermore, revocable short-term credit lines in dollars were available to subsidiary Leonardo US Holding, which were fully guaranteed by Leonardo S.p.a., for a total value of €mil. 240 (used for €mil. 34 at 30 September). Finally, Leonardo had unconfirmed unsecured lines of credit for a total of €mil. 10,732, of which an amount of €mil. 3,689 available at 30 September 2020.

Leonardo is the issuer of all the bonds in Euro placed on the market within the EMTN programme, and also acts as a guarantor for the bond issues launched by Leonardo US Holding Inc. in the US market. The Group's issues are governed by regulations laying down standard legal clauses for this type of transactions carried out by corporate entities in institutional markets, which do not require any commitment with respect to specific financial covenants, while they include, among others, negative pledge and cross default clauses. According to negative pledge clauses, the Group's issuers, Leonardo and their Material Subsidiaries (i.e. entities in which Leonardo holds more than 50% of the capital and whose gross revenues and total assets account for at least 10% of consolidated gross revenues and total assets) are specifically prohibited from creating collaterals or any other encumbrance as security for their debt comprised of bonds or financial instruments that are either listed or capable of being listed, unless these guarantees are extended to all the bondholders. This prohibition shall not apply to securitisation transactions and, with effect from July 2006, to any set of assets intended for specific businesses pursuant to Articles 2447-*bis* and ff. of the Italian Civil Code. On the contrary, cross default clauses grant the bondholders the right to request early repayment of bonds in their possession upon the occurrence of an event of default on the part of the Group's issuers and/or Leonardo and/or any of their Material Subsidiaries, the result of which would be their failure to make payments above the established limits.

Financial covenants are also included in the Revolving Credit Facility line of credit described above, for a total of €mil. 1,800, which provide for compliance by Leonardo with two financial ratios (a Group Net Debt, excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities/EBITDA including amortisation of the rights of use of not more than 3.75 and an EBITDA including amortisation of the rights of use/Net interest ratio of not less than 3.25), which are tested on an annual basis on year-end consolidated data and which had been complied with in full at 31 December 2019. In accordance with the contract provisions that provided for this option, these covenants were also extended to the EIB loans, outstanding for a total of €mil. 393, as well as to the Term Loan of €mil. 500 and to some loans granted by US banks in favour of DRS in previous years.

Outstanding bond issues are given a medium/long-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. In view of the possibility that Leonardo's results of operations and financial position could be put under pressure as a result of the COVID-19 epidemic, in April 2020 Standard&Poor's revised Leonardo's outlook from positive to stable; subsequently, Fitch also revised its outlook from stable to negative in May. At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Previous**		**Updated**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	October 2018	Ba1	positive	Ba1	stable
Standard&Poor's	April 2020	BB+	positive	BB+	stable
Fitch	May 2020	BBB-	stable	BBB-	negative

* * * * * * * *

The results of the third quarter

Condensed consolidated separate income statement

	For the Three months ended 30 September	
(€ millions)	***2019***	***2020***
Revenue	3,172	3,147
Purchases and personnel expenses	(2,896)	(2,798)
Other net operating income/(expenses)	9	(12)
Equity-accounted strategic JVs	24	(14)
Amortisation, depreciation and write-offs	(110)	(118)
EBITA	**199**	**205**
	6.3%	*6.5%*
Non-recurring income/(expenses)	(3)	(15)
Restructuring costs	(4)	(15)
Amortisation of intangible assets acquired as part of business combinations	(6)	(7)
EBIT	**186**	**168**
	5.9%	*5.3%*
Net financial income/(expenses)	(64)	(68)
Income taxes	(7)	(24)
Net Result before extraordinary transactions	**115**	**76**
Net result related to discontinued operations and extraordinary transactions	1	1
Net result	**116**	**77**

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

Third quarter 2019	New orders	Revenue	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 2020	**New orders**	**Revenue**	**EBITA**	**ROS**
Helicopters	628	949	80	8.4%
Defense Electronics & Security	1,641	1,521	151	9.9%
Aeronautics	194	772	19	2.5%
Space	-	-	9	*n.a.*
Other activities	24	102	(54)	(52.9%)
Eliminations	*(81)*	*(197)*	-	*n.a.*
Total	**2,406**	**3,147**	**205**	**6.5%**
Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
Helicopters	19.2%	12.8%	14.3%	0.1 p.p.
Defense Electronics & Security	31.6%	3.0%	32.5%	2.2 p.p.
Aeronautics	(71.5%)	(15.6%)	(56.8%)	(2.3) p.p.
Space	n.a.	n.a.	(10.0%)	n.a.
Other activities	(50.0%)	(11.3%)	(38.5%)	(19.0) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	**(1.2%)**	**(0.8%)**	**3.0%**	**0.2 p.p.**

* * * * * * * *

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).

In preparing this report at 30 September 2020, which should be read in conjunction with the 2019 annual consolidated financial statements, the accounting policies, measurement criteria and consolidation methods used are unchanged from those of the consolidated financial statements at 31 December 2019 (except for those specifically applicable to interim financial reports) and the interim reporting at 30 September 2019.

This interim reporting, approved by the Board of Directors on 5 November 2020, was not subject to any statutory review.

1. FINANCIAL INCOME AND EXPENSES

	For the nine months ended 30 September	
	2019	**2020**
Interest	(137)	(128)
Commissions	(13)	(17)
Fair value gains (losses) through profit or loss	(12)	10
Premiums (paid) received on forwards	(30)	(45)
Exchange rate differences	4	(5)
Other financial income and expenses	(9)	(23)
Share of profits/(losses) of equity-accounted investees	9	1
	(188)	**(207)**

2. LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	**30 September 2019**	*of which current*	**31 December 2019**	*of which current*	**30 September 2020**	*of which current*
Bonds	3,156	*387*	2,741	*94*	3,199	*803*
Bank debt	1,091	*173*	983	*85*	1,932	*1,079*
Cash and cash equivalents	(1,024)	*(1,024)*	(1,962)	*(1,962)*	(405)	*(405)*
Net bank debt and bonds	**3,223**		**1,762**		**4,726**	
Current loans and receivables from related parties	(154)	*(154)*	(161)	*(161)*	(147)	*(147)*
Other current loans and receivables	(42)	*(42)*	(36)	*(36)*	(36)	*(36)*
Current loans and receivables and securities	**(196)**		**(197)**		**(183)**	
Non current financial receivables from Superjet	(13)	-	-	-	-	-
Hedging derivatives in respect of debt items	(9)	*(9)*	-	-	(3)	*(3)*
Related party lease liabilities	32	*3*	36	*3*	31	*3*
Other related party loans and borrowings	709	*709*	727	*727*	696	*596*
Lease liabilities	443	*63*	415	*61*	507	*65*
Other loans and borrowings	112	*89*	104	*61*	110	*50*
Group Net Debt	**4,301**		**2,847**		**5,884**	

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 bank debts and bonds is attributable to the bond issue amounting to €mil. 500 (performed in July 2020 by Leonardo SpA) and the use of credit lines for a total of €mil. 950.

Non-current payables to related parties entirely refer to the €mil. 100 loan taken out with Cassa Depositi e Prestiti (CDP) and used in the first quarter 2020, in support of investments in research, development and innovation.

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 consolidated financial statements at 31 December 2019.

3. CONTINGENT LIABILITIES

In comparison with the situation at 30 June 2020 commented on in the half-year financial report to which reference is made, we point out that, in relation to the action brought by GMR against Leonardo and AnsaldoBreda before the Court of Naples, after releasing the decision reserved at the hearing of 1 October 2020 the Judge submitted the case to the President of the relevant Division; the latter then referred the case to the Judge of the proceedings brought before the same Court by Firema under extraordinary management against the directors, statutory auditors and independent auditors of the company, proceedings where Giorgio and Gianfranco Fiore summoned Leonardo and AnsaldoBreda as third parties. At the hearing of 15 October 2020 the Judge of the latter proceedings adjourned the hearing to 28 January 2021 in order to evaluate the joinder of the cases.

* * * * * * * *

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 no updates compared to the situation at 30 June, commented on in the Half-year Financial Report to which reference is made.

For the Board of Directors
The Chairman
Luciano Carta

Annex 1: Scope of consolidation

Below are the changes in the scope of consolidation at 30 September 2020 in comparison with 30 September 2019:

COMPANY	EVENT	MONTH
Companies which entered the scope of consolidation:		
LEONARDO & Codemar S.A.	newly-established	January 2020
Kopter Group AG	acquisition	April 2020
Kopter Design AG	acquisition	April 2020
Kopter Germany GmbH	acquisition	April 2020
Kopter North America LLC	acquisition	April 2020
Leonardo Advanced Jet training S.r.l.	newly-established	April 2020
Precision Aviation Services PTY Ltd	acquisition	April 2020
Precision Aviation Trading Academy PTY Ltd	acquisition	April 2020
Precision Aviation Property PTY Ltd	acquisition	April 2020
Companies which left the scope of consolidation:		
Ansaldobreda France S.A.S. (in liq.)	deconsolidated	November 2019
A4ESSOR S.A.S.	dilution of capital	December 2019
Eurosysnav S.A.S. (in liq.)	deconsolidated	December 2019
Distretto Tecnologico Aerospaziale S.C. a R.L.	sold	March 2020

Companies involved in merger transactions:

Merged company	Merging company	Month
Sistemi Dinamici S.p,A.	LEONARDO S.p.a	January 2020
Lasertel Inc.	SELEX Galileo Inc.	January 2020
DRS Power Technology Inc.	DRS Naval Power Systems Inc.	January 2020
Consorzio S3LOG	Vitrociset S.p.A.	February 2020
Bredamenarinibus S.p.A.	SO.GE.PA. S.p.A.	August 2020
SELEX Service Management S.p.A. (in liq.)	SELEX ES S.p.A (in liq.)	August 2020

Companies which changed their name:

Old name	New name	Month
AgustaWestland Malaysia SDN BHD	LEONARDO Malaysia SDN BHD	October 2019
Finmeccanica UK Ltd	LEONARDO Ltd	November 2019
SELEX Galileo Inc.	LEONARDO Electronics US Inc.	January 2020

* * * * * * * * *

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, depreciation, impairment losses (net of those relating to goodwill or classified among "non-recurring costs") and value adjustments.
- **EBITA:** it is arrived at by eliminating from EBIT, as defined below, the following items:
  - any impairment in goodwill;
  - amortisation and impairment, 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 and costs incurred for M&A transactions.

  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	**2020**
Income before tax and financial expenses	590	433
Equity-accounted strategic JVs	58	(38)
EBIT	**648**	**395**
Amortisation of intangible assets acquired as part of business combinations	20	21
Restructuring costs	11	21
Non-recurring (income) expense	7	60
EBITA	**686**	**497**

  Non-recurring costs for the period included costs incurred to comply with the Government's guidelines on COVID-19 and to support the Governmental bodies in managing the emergency, as well as external costs incurred for the impossibility of stopping the performance of some specific services.

- **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). The reconciliation is reported below:

(€ millions)	**For the nine months ended 30 September**	
	2019	**2020**
Net result	465	137
Result from discontinued operations	(98)	(2)
Net result before extraordinary transactions	**367**	**135**

- **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. The reconciliation with the net financial position required by the CONSOB communication no. DEM/6064293 of 28 July 2006 is provided below

	31 December 2019	***30 September 2020***
Net financial debt com. CONSOB no. DEM/6064293	**2,847**	**5,887**
Hedging derivatives in respect of debt items	-	(3)
Group net debt (KPI)	**2,847**	**5,884**

Below is the financial information required under CONSOB communication no. DEM/6064293 of 28 July 2006:

	31 December 2019	*of which with related parties*	***30 September 2020***	*of which with related parties*
Liquidity	**(1,962)**		**(405)**	
Current loans and receivables	**(197)**	*(161)*	**(183)**	*(147)*
Current bank loans and borrowings	85		1,079	
Current portion of non-current loans and borrowings	94		803	
Other current loans and borrowings	852	*730*	714	*599*
Current financial debt	**1,031**		**2,596**	
Net current financial debt (funds)	**(1,128)**		**2,008**	
Non-current bank loans and borrowings	898		853	
Bonds issued	2,647		2,396	
Other non-current loans and borrowings	430	*33*	630	*128*
Non-current financial debt	**3,975**		**3,879**	
Net financial debt	**2,847**		**5,887**	

- **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. 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.

* * * * * * * * *

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 2020 corresponds to the related accounting records, books and supporting documentation.

Rome, 5 November 2020

Officer in charge of Financial
Reporting

(Alessandra Genco)