Results at 31 March 2020

Disclaimer

This Interim Reporting at 31 March 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

After a solid beginning of the year at commercial and industrial level, the results of the first quarter 2020 were affected, starting from March, by the first effects of COVID-19, which influenced the Group's performance. In particular, there were:

- slowdowns in production activities as a result of the actions implemented, in line with the Government instructions (review of industrial processes and work organization in order to guarantee the social distancing and environment sanitization), to protect the workers' health with the consequent reduction in the production hours developed in March and lower efficiency;
- less progress on programs as a result of the abovementioned slowdowns, restrictions on the movements of the resources and the impossibility of accessing customer sites, as well as the lower efficiency caused by the reconfiguration of part of the activities in the smart working mode*;*
- deferment of deliveries due to the impossibility by the customers to perform the testing and acceptance phases of the machines, with particular reference to the ATR aircraft and civil helicopters;
- this quarter saw the first signs of a drop in demand in the civil market caused by a severe slowdown in the transport sector worldwide that is impacting aircraft manufacturers and consequently will affect the production volumes of aerostructures as well as sales forecasts for civil helicopters and ATR aircraft;
- as of today negligible effects on the supply-chain that however remains an element to which the utmost attention is paid.

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

Note that the first quarter registered an excellent commercial performance, not yet affected by the crisis due to COVID-19, confirming the good positioning of the Group's products and solutions in the relevant markets.

The primary changes that marked the Group's performance compared with that of the previous year are described below. An in-depth analysis can be found in the section covering the trends in each business segment.

Key performance indicators ("KPI")

	March 2019	**March 2020**	**Change**	**2019**
New orders	2,518	3,421	35.9%	14,105
Order backlog	36,575	37,000	1.2%	36,513
Revenue	2,725	2,591	(4.9%)	13,784
EBITDA	280	159	(43.2%)	1,817
EBITA	163	41	(74.8%)	1,251
ROS	6.0%	1.6%	(4.4) p.p.	9.1%
EBIT	156	30	(80.8%)	1,153
EBIT Margin	5.7%	1.2%	(4.5) p.p.	8.4%
Net Result before extraordinary transactions	77	(59)	(176.6%)	722
Net result	77	(59)	(176.6%)	822
Group Net Debt	4,016	4,396	9.5%	2,847
FOCF	(1,114)	(1,595)	(43.2%)	241
ROI	8.4%	1.8%	(6.6) p.p.	16.7%
ROE	6.7%	(4.4%)	(11.1) p.p.	14.7%
Workforce	48,040	49,180	2.4%	49,530

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

	31 March 2019				
	New orders	Order backlog at 31 Dec. 2019	Revenues	EBITA	ROS
Helicopters	688	12,551	813	56	6.9%
Defense Electronics & Security	1,507	12,848	1,329	100	7.5%
Aeronautics	454	11,640	644	37	5.7%
Space	-	-	-	1	n.a.
Other activities	58	372	112	(31)	(27.7%)
Eliminations	*(189)*	*(898)*	*(173)*	-	*n.a.*
Total	**2,518**	**36,513**	**2,725**	**163**	**6.0%**

	31 March 2020				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	1,486	13,046	704	18	2.6%
Defense Electronics & Security	1,473	13,112	1,358	80	5.9%
Aeronautics	644	11,664	644	(17)	(2.6%)
Space	-	-	-	(2)	n.a.
Other activities	36	153	86	(38)	(44.2%)
Eliminations	*(218)*	*(975)*	*(201)*	-	*n.a.*
Total	**3,421**	**37,000**	**2,591**	**41**	**1.6%**

	Change %				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	116.0%	3.9%	(13.4%)	(67.9%)	(4.3) p.p.
Defense Electronics & Security	(2.3%)	2.1%	2.2%	(20.0%)	(1.6) p.p.
Aeronautics	41.9%	0.2%	0.0%	(145.9%)	(8.3) p.p.
Space	n.a.	n.a.	n.a.	(300.0%)	n.a.
Other activities	(37.9%)	(58.9%)	(23.2%)	(22.6%)	(16.5) p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**35.9%**	**1.3%**	**(4.9%)**	**(74.8%)**	**(4.4) p.p.**

Commercial performance

Compared to the first three months of 2019 (€bil. 2.5), **new orders** equal to €bil. 3.4 showed an increase of 35.9% essentially due to the *Helicopters* sector and, to a lesser extent, to the *Aeronautics* sector.

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 three months ended 31 March* 2019	2020	*Change*	*% Change*
Revenues	2,725	2,591	(134)	(4.9%)
Purchases and personnel expenses	(2,423)	(2,420)		
Other net operating income/(expenses)	(12)	-		
Equity-accounted strategic JVs	(10)	(12)		
Amortisation, depreciation and write-offs	(117)	(118)		
EBITA	**163**	**41**	**(122)**	**(74.8%)**
ROS	*6.0%*	*1.6%*	(4.4) p.p.	
Restructuring costs	-	(4)		
Amortisation of intangible assets acquired as part of business combinations	(7)	(7)		
EBIT	**156**	**30**	**(126)**	**(80.8%)**
EBIT Margin	*5.7%*	*1.2%*	(4.5) p.p.	
Net financial income/(expenses)	(51)	(81)		
Income taxes	(28)	(8)		
Net Result before extraordinary transactions	**77**	**(59)**	**(136)**	**(176.6%)**
Net result related to discontinued operations and extraordinary transactions	-	-		
Net profit/(loss) for the period attributable to:	**77**	**(59)**	**(136)**	**(176.6%)**
- owners of the parent	*77*	*(59)*		
- non-controlling interests	-	-		

Revenues showed, compared to the first three months of 2019, a slight reduction (€mil. 134, equal to 4.9%) mainly related to the slowdowns recorded in the Helicopters sector and in particular to the lower deliveries attributable to the abovesaid effects from COVID-19.

EBITA equal to €mil. 41 (with a ROS of 1.6%) showed, compared to the first quarter of 2019, a decrease of €mil. 122 due to the mentioned effects from COVID-19.

EBIT equal to €mil. 30 showed, compared to the first three months of 2019 (€mil. 156), a reduction equal to €mil. 126 (-80.8%), mainly due to the decrease in EBITA, in addition to a slight increase in restructuring costs.

The **Net result before extraordinary transactions**, equal to the **Net Result** (negative for €mil. 59) in addition to the EBITA worsening, was also affected by the higher impacts of financial expense.

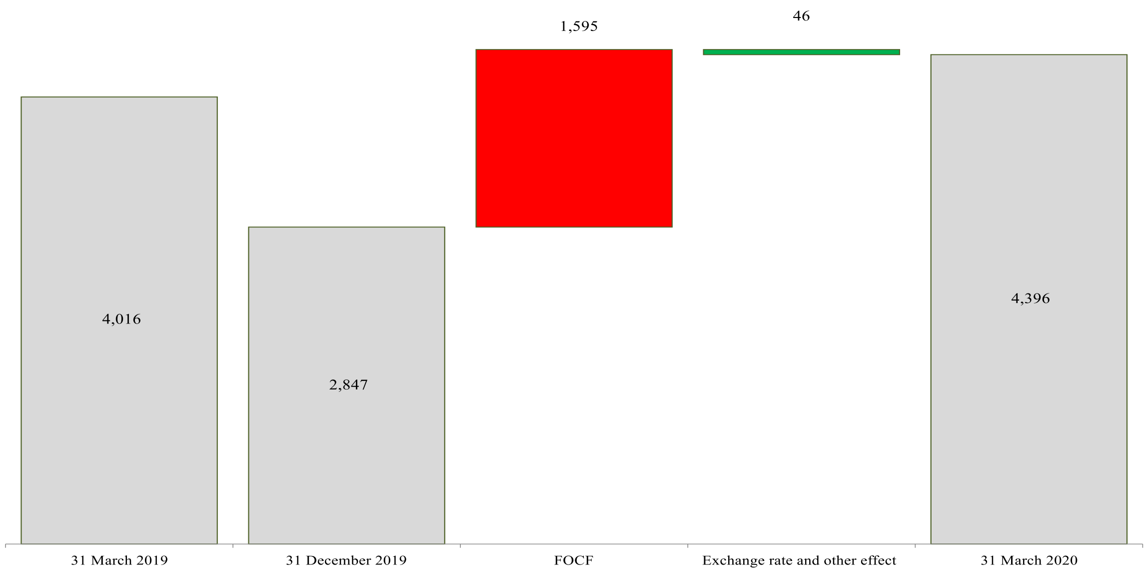
* * * * * * * *

Financial performance

(€ millions)	*For the three months ended 31 March* 2019	2020	*Change*	*% Change*
Cash flows used in operating activities	(1,079)	(1,523)		
Dividends received	90	33		
Cash flows from ordinary investing activities	(125)	(105)		
Free Operating Cash Flow (FOCF)	**(1,114)**	**(1,595)**	**(481)**	**(43.2%)**
Strategic investments	(34)	-		
Change in other investing activities	(24)	2		
Net change in loans and borrowings	128	339		
Net increase (decrease) in cash and cash equivalents	**(1,044)**	**(1,254)**		
Cash and cash equivalents at 1 January	2,049	1,962		
Exchange rate differences and other changes	6	6		
Cash and cash equivalents at 31 March	**1,011**	**714**		

FOCF in the first quarter of 2020 was negative for €mil. 1,595 (negative for €mil. 1,114 of the comparative period). Such performance, although confirming the usual interim trend that is characterised by significant cash absorptions in the first part of the year, was partially affected by certain critical issues that have arisen in the last month of the quarter as a result of COVID-19.

The **Group Net Debt**, equal to €mil. 4,396, increased compared to 31 December 2019 (€mil. 2,847) mainly as a result of the negative FOCF performance. Changes in the Group Net Debt are shown below:



Net invested capital showed, compared to 31 December 2019, a significant increase that was attributable to what described about the trend of the cash flows for the period.

(€ millions)	31 March 2019	31 December 2019	31 March 2020
Non-current assets	12,369	12,336	12,440
Non-current liabilities	(2,595)	(2,243)	(2,209)
Capital assets	**9,774**	**10,093**	**10,231**
Inventories	862	947	1,845
Trade receivables	3,054	2,995	2,819
Trade payables	(3,016)	(3,791)	(3,242)
Working capital	**900**	**151**	**1,422**
Provisions for short-term risks and charges	(1,107)	(1,164)	(1,125)
Other net current assets (liabilities)	(849)	(968)	(828)
Net working capital	**(1,056)**	**(1,981)**	**(531)**
Net invested capital	**8,718**	**8,112**	**9,700**
Equity attributable to the Owners of the Parent	4,699	5,323	5,357
Equity attributable to non-controlling interests	10	11	11
Equity	**4,709**	**5,334**	**5,368**
Group Net Debt	**4,016**	**2,847**	**4,396**
Net (assets)/liabilities held for sale	**(7)**	**(69)**	**(64)**

* * * * * * * *

Below are the key performance indicators by sector:

Helicopters

The first quarter of 2020 was characterised by a positive commercial performance, with an order volume higher than in the first quarter of 2019, while revenues and profitability were affected by the first effects of COVID-19 and decreased compared to the same period of 2019.

<u>New orders.</u> These increased compared to the first quarter of 2019 mainly as a result of the acquisition of the contract falling under the IMOS (*Integrated Merlin Operational Support*) program related to the supply to the UK Ministry of Defence of logistic support and maintenance services for the fleet of AW101 Merlin helicopters. Moreover, we highlight the acquisition in the period of the first order of 32 TH-73A (AW119) helicopters for the US Navy.

<u>Revenues</u>. These decreased compared to the first quarter of 2019 mainly as a result of COVID-19, which prevented customers from collecting some helicopters and consequently reduced the level of deliveries made in the period, in particular on the AW139 line.

EBITA. This decreased compared to the first quarter of 2019, as a result of the drop in revenues and the lower efficiency recorded in March, also attributable to COVID-19.

Defense Electronics & Security

The first quarter of 2020 was characterised by a good commercial performance and slightly increasing revenues compared to the same period of the prior year. The results of the European component, especially the Italian one, recorded in March the first effects from COVID-19, which were definitely more limited for the US activities.

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

31 March 2019	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	823	874	76	8.7%
Leonardo DRS	687	461	24	5.2%
Eliminations	*(3)*	*(6)*	-	*n.a.*
Total	**1,507**	**1,329**	**100**	**7.5%**
31 March 2020	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	862	846	46	5.4%
Leonardo DRS	615	523	34	6.4%
Eliminations	*(4)*	*(11)*	-	*n.a.*
Total	**1,473**	**1,358**	**80**	**5.9%**
Change %	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	4.7%	(3.2%)	(39.5%)	(3.3) p.p.
Leonardo DRS	(10.5%)	13.4%	41.7%	1.2 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(2.3%)**	**2.2%**	**(20.0%)**	**(1.6) p.p.**

Average €/USD exchange rate: 1.1023 (first three months of 2020) and 1.1357 (first three months of 2019)

New orders. These are slightly lower than in the same period of the prior year, which was characterised by the particularly positive performance of the subsidiary Leonardo DRS. Among the main acquisitions in the period, note for Leonardo DRS further orders for the production of new generation US Army mission command computing systems named Mounted Family of Computer Systems (MFoCS), for the Electronics Division the orders acquired in the United Kingdom for the development of electronically scanning radar avionics and communication systems and activities in the context of the IMOS (Integrated Merlin Operational Support) contract for logistic support and maintenance services of the fleet of AW101 Merlin helicopters.

Revenues. They slightly increased compared to the first quarter of the prior year, mainly for higher activities of the subsidiary Leonardo DRS. Compared to expectations, the business volumes slowed down due to the first effects of COVID-19.

EBITA. This decreased compared to the same period of the prior year mainly as a result of the effects of COVID-19, which determined a lower efficiency of the hours developed and delays in the progress of programme activities. This, together with a mix of revenues characterised by higher "pass-through" activities and by programs under development, conditioned the profitability of the sector which is decreasing, partly mitigated by the improvement of Leonardo DRS.

Below are Leonardo DRS Key Performance Indicators in USD:

	New orders	Revenues	EBITA	ROS
DRS ($mil.) March 2019	780	524	27	5.2%
DRS ($mil.) March 2020	678	576	37	6.4%

Aeronautics

The results of this quarter, even if revealing a good commercial performance, recorded the first effects of COVID-19.

From a production point of view, during this quarter 36 deliveries were made for fuselage sections and 23 stabilisers for the B787 programme (compared to 40 fuselages and 16 stabilisers delivered in the first quarter of 2019) and also 9 deliveries of fuselages for the ATR programme (17 delivered in the first quarter of 2019). For the military programmes, 9 wings were delivered to Lockheed Martin for the F-35 programme.

New orders. These were higher compared to the first quarter of 2019 as a result of the growth recorded in both Divisions. Among the main acquisitions in the first quarter of 2020 note:

- in the *Aircraft* Division, the orders received from Lockheed Martin in relation to the F-35 programme and those for the logistic support activities for the C-27J and EFA aircraft from the Air Force;
- in the *Aerostructures* Division, the orders received from ATR for the production of fuselages.

Revenues. The business volumes of both Divisions were affected by the production slowdowns recorded in March due to the effects of COVID-19, albeit revenues were overall in line with the first quarter of 2019. The higher volumes of the *Aircraft* Division linked to the ramp-up of the production on the EFA-Kuwait programme offset the drop in the production rates of the B787 and ATR programmes in the *Aerostructures* Division.

EBITA This decreased compared to the first quarter of 2019 due to the effects of COVID-19, which caused the postponement of the deliveries expected in the period by the GIE-ATR consortium and affected the industrial efficiency of the Divisions penalizing their profitability.

Space

The lower result of the first quarter of 2020 was attributable to the lower activities developed in the period in the manufacturing segment, for telecommunications and Earth observation satellites, and to the lower profitability, affected also by the first effects of COVID-19. Such worsening was partly mitigated by the good performance of the satellite services segment, which showed an increase in revenues, in particular for geo-information services, and an improvement in the industrial profitability.

* * * * * * * *

COVID-19 effects on Leonardo Business

As already highlighted in the 2019 Annual Financial Report, the COVID-19 emergency is impacting on the regular and ordinary performance of the Group's business activities, in a global context of serious economic recession and high uncertainty. The Group is not able to assess the full impact at this stage and so considers it prudent to suspend the 2020 Guidance disclosed in March.

Moreover, Italy was the first western country to be involved in the pandemic and therefore the Group since the first quarter has been more affected than others by the consequences of the measures issued by the authorities to contain the risk and protect the health of workers.

The measures taken to contain the spread of the virus and the effects of the health emergency affect the Group's production activities, program execution, supply chain and the possibility for customers to withdraw products and systems. Added to this are the effects that the crisis will have on demand in the markets in which the Group operates, and in particular in that of the civil aeronautics.

The Group reacted promptly to the new scenario by implementing a series of measures aimed primarily at guaranteeing the full protection of the health and safety of employees, while preserving the continuity of its production, relating to business sectors considered strategic in the main countries in which the Group operates. These initiatives concern interventions aimed at (i) gradually recovering adequate productivity levels, (ii) limiting, through a thorough review of its cost base and level of investments, the economic and financial effects of COVID-19 and (iii) ensuring adequate financial liquidity to the Group.

The uncertainty about the severity and duration of the pandemic and the measures to contain the contagion as well as the impacts on the productive, economic and social fabric of the numerous countries in a state of partial or total "lockdown" in which the Group operates does not allow at present a quantification of the effects on the Group's performance in 2020.

The Company, as soon as it is able to see the full level and duration of impact, will promptly update shareholders.

The Board of Directors, taking into account the Company's backlog and the commercial performance achieved in the first quarter, believes that the Group's medium-long term prospects remain intact.

* * * * * * * *

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

Industrial transactions: below are the main transactions occurred during the first three months of 2020:

- **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 higher performances including hybrid/electrical propulsion solutions. This acquisition will replace 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;
- **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. The services offered by *Leonardo&Codemar* will satisfy, in all the Latin America region, the government requirements and will provide products and services for the Oil & Gas sector.

Financial transactions: on 29 January 2020 Leonardo 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 is aimed at co-financing some investment projects envisaged in the Industrial Plan, which have already been 50% financed by the European Investment Bank (BEI).

On the reporting date, 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 2020	BB+	stable	BB+	positive
Fitch	October 2017	BBB-	stable	BB+	positive

Finally, on 6 May 2020, after the closing date of this quarter, Leonardo signed with a pool of international banks credit lines for a total amount of €bil. 2 with a duration up to 24 months. Facilities have no financial covenants.

* * * * * * * *

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/Results and Reports), as well as on the website of the authorised storage mechanism NIS-Storage (www.emarketstorage.com).

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

This interim reporting, approved by the Board of Directors on 7 May 2020, was not subject to any statutory review.

1. FINANCIAL INCOME AND EXPENSES

	For the three months ended 31 March	
	2019	**2020**
Interest	(43)	(38)
Commissions	(3)	(3)
Fair value gains (losses) through profit or loss	4	(11)
Premiums (paid) received on forwards	(8)	(16)
Exchange rate differences	3	(4)
Other financial income and expenses	(8)	(7)
Share of profits/(losses) of equity-accounted investees	4	(2)
	(51)	**(81)**

The increase in net financial expenses is closely related to the fair value performance of the existing derivatives and premiums paid.

2. LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	31 March 2019	*of which current*	31 December 2019	*of which current*	31 March 2020	*of which current*
Bonds	3,112	*356*	2,741	*94*	2,680	24
Bank debt	755	*116*	983	*85*	1,259	353
Cash and cash equivalents	(1,011)	*(1,011)*	(1,962)	*(1,962)*	(714)	(714)
Net bank debt and bonds	**2,856**		**1,762**		**3,225**	
Current loans and receivables from related parties	(111)	*(111)*	(161)	*(161)*	(145)	(145)
Other current loans and receivables	(39)	*(39)*	(36)	*(36)*	(41)	(41)
Current loans and receivables and securities	**(150)**		**(197)**		**(186)**	
Non current financial receivables from Superjet	(25)	-	-	-	-	-
Hedging derivatives in respect of debt items	(13)	*(13)*	-	-	19	19
Related party lease liabilities	37	-	36	*3*	35	3
Other related party loans and borrowings	703	*703*	727	*727*	804	704
Lease liabilities	449	*52*	415	*61*	399	59
Other loans and borrowings	159	*125*	104	*61*	100	77
Group Net Debt	**4,016**		**2,847**		**4,396**	

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

The worsening of the bank debt is closely related to the cash absorption linked to FOCF, as commented on above.

With reference to payables to related parties, note that during the period the loan of €mil. 100 signed in the first quarter of 2020 with Cassa Depositi e Prestiti (CDP) was used to support investments in R&D 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 as at 31 December 2019.

3. CONTINGENT LIABILITIES

During this quarter there were no updates compared to what described in the Annual Financial Report at 31 December 2019, to which reference is made.

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 31 March 2020 in comparison with 31 March 2019:

COMPANY	EVENT	MONTH
Companies which entered the scope of consolidation:		
LEONARDO Singapore PTE. Ltd	newly established	May 2019
Airbus Telespazio Capacity Operator S.A.A.	newly established	July 2019
LEONARDO & Codemar S.A.	newly established	January 2020
Companies which left the scope of consolidation:		
AgustaWestland North America Inc.	deconsolidated	May 2019
Consorzio Telaer	deconsolidated	May 2019
Eurotech SpA	sold	August 2019
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

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
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

Companies which changed their name:

Old name	New name	Month
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
AugustaWestland Australia PTY LTD	LEONARDO Australia PTY LTD	July 2019
Saphire International Aviation ATC Engineering Co Ltd	LEONARDO (China) Co. Ltd	August 2019
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 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 impact 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 in 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 classified among "non-recurring costs") and 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.

  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 three months ended 31 March**	
	2019	***2020***
Income before tax and financial expenses	166	42
Equity-accounted strategic JVs	(10)	(12)
EBIT	**156**	**30**
Amortisation of intangible assets acquired as part of business combinations	7	7
Restructuring costs	-	4
EBITA	**163**	**41**

- **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 profit (loss) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of its strategic Joint Ventures (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 the effects of the extraordinary transactions (acquisitions and disposals). In this interim reporting at 31 March 2020, as in the comparative period, the Net Result Before Extraordinary Transactions coincides with the Net Result.

- **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, until 31 December 2018, the non-current financial receivable from Superjet backed by bank guarantees. Starting from 2019, such position has been reclassified under current receivables based on the arrangements for the rescheduling of the Group's participation in this programme, which provided for the repayment within 2020. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is reported below:

	31 December 2019	*31 March 2020*
Net financial debt com. CONSOB no. DEM/6064293	**2,847**	**4,377**
Hedging derivatives in respect of debt items	-	19
Group net debt (KPI)	**2,847**	**4,396**

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

	31 December 2019	*of which with related parties*	*31 March 2020*	*of which with related parties*
Liquidity	**(1,962)**		**(714)**	
Current loans and receivables	**(197)**	*(161)*	**(186)**	*(145)*
Current bank loans and borrowings	85		353	
Current portion of non-current loans and borrowings	94		24	
Other current loans and borrowings	852	*730*	843	*707*
Current financial debt	**1,031**		**1,220**	
Net current financial debt (funds)	**(1,128)**		**320**	
Non-current bank loans and borrowings	898		906	
Bonds issued	2,647		2,656	
Other non-current loans and borrowings	430	*33*	495	*132*
Non-current financial debt	**3,975**		**4,057**	
Net financial debt	**2,847**		**4,377**	

- **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 31 March 2020 corresponds to the related accounting records, books and supporting documentation.

Rome, 7 May 2020

Officer in charge of Financial Reporting

(Alessandra Genco)