RESULTS AT

30 SEPTEMBER 2022

Disclaimer

These interim results at 30 September 2022 have 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 results and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document

LEONARDO

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GROUP RESULTS AND FINANCIAL POSITION

The results of the first nine months of 2022 continue to confirm the path to growth and increased profitability expected starting from 2020, despite the critical issues emerged at global level, especially as a result of inflation.

This path to growth is even more pronounced considering that, unlike the comparative period, EBITA for the period includes the charges related to the COVID emergency as recurring costs. The restated figures for the two periods under comparison have been provided in order to make them comparable. Additionally, the results for the nine months are affected by various changes in the scope of operations due to the extraordinary transactions occurred: the acquisition of the 25.1% investment in the German company Hensoldt, the pro-quota profit of which is recognised within consolidated EBITA, and the lower contribution from the disposal of the Global Enterprise Solutions business of the subsidiary Leonardo DRS.

The volume of new orders was rising in all the main Business areas and reflects, among other things, the acquisition of the order from the Polish Ministry of Defence regarding the AW149 helicopters for €bil. 1.4. It is worth noting that the volume of new orders is however increasing even excluding this order.

Revenues and EBITA showed a slight increase thanks to the good steady performance of Helicopters and of Defense Electronics & Security, despite the lower contribution from the sale of Global Enterprise Solutions.

The increase in EBITA in the first nine months of 2022 is even more remarkable if we include in the EBITA figure for the comparative period the charges related to the COVID emergency, which had been previously recorded as non-recurring costs. It should be also noted that the net result for the first nine months of 2022 benefitted from the gain deriving from the sale of the businesses of Leonardo DRS Global Enterprise Solutions and of Advanced Acoustic Concepts as set out in section “Industrial transactions”.

Cash flows were also clearly improving compared with the same period of the previous year, in line with the expected trend of improvement.

Furthermore, the Group Net Debt figure is affected by the acquisition of the 25.1% investment in the German company Hensoldt (€mil. 606, plus related transaction costs), net of the proceeds from the sale of Global Enterprise Solutions and of the Joint Venture Advanced Acoustic Concepts (about USDmil. 470, after transaction costs).

Key performance indicators ("KPIs")

	September 2021	September 2022	Change	2021
New orders	9,266	11,719	26.5%	14,307
Order backlog	35,235	37,353	6.0%	35,534
Revenue	9,564	9,917	3.7%	14,135
EBITDA	921	1,008	9.4%	1,626
EBITA	607	619	2.0%	1,123
EBITA Restated (*)	572	619	8.2%	1,069
ROS	*6.3%*	6.2%	*(0.1) p.p.*	*7.9%*
ROS Restated (*)	*6.0%*	6.2%	*0.2 p.p.*	*7.6%*
EBIT	445	552	24.0%	911
EBIT Margin	*4.7%*	*5.6%*	*0.9 p.p.*	*6.4%*
Net Result before extraordinary	229	387	69.0%	587
Net result	229	662	189.1%	587
Group Net Debt	4,690	4,359	(7.1%)	3,122
FOCF	(1,387)	(894)	35.5%	209
ROI	9.8%	10.3%	0.5 p.p.	12.4%
Workforce	50,139	50,677	1.1%	50,413

(*): EBITA and ROS have been restated to include charges related to the COVID emergency, which until the 2021 financial statements were excluded from these indicators as they were classified as 'non-recurring charges'

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

As reported above, the 2021 comparative data include the contribution from the GES business for nine months. In order to make more comparable the Group operating performance, which in relation to the first nine months of 2022 includes the contribution from this business for seven months only, below are reported a set of key performance indicators for the comparative period, excluding August and September:

	September 2021 Reported	Netting of the GES contribution in August and September 2021	September 2021 life-for-like scope	September 2022	Delta %
New orders	9,266	(26)	9,240	11,719	26.8%
Revenues	9,564	(33)	9,531	9,917	4.0%
EBITA	607	(4)	603	619	2.7%
Restated EBITA (*)	572	(4)	568	619	9.0%
ROS	*6.3%*	-	*6.3%*	*6.2%*	*(0.1 p.p.)*
Restated ROS (*)	*6.0%*	-	*6.0%*	*6.2%*	*0.2 p.p.*
FOCF	(1,387)	(23)	(1,410)	(894)	36.6%

(*): Figures are restated, as set out above, to include charges for the COVID emergency, which had been excluded until the 2021 financial statements from these indicators since classified as "non-recurring charges".

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

	30 September 2021				
	New orders	**Order backlog at 31 Dec. 2021**	**Revenue**	**EBITA**	**ROS**
Helicopters	2,391	12,377	2,719	223	8.2%
Defense Electronics & Security	5,457	14,237	4,737	425	9.0%
Aeronautics	1,908	10,033	2,492	91	3.7%
of which Aircrafts (*)	*1,643*		*2,121*	*241*	*11.4%*
of which Aerostructures (*)	*299*		*405*	*(125)*	*(30.9%)*
of which GIE ATR	*n.a.*		*n.a.*	*(25)*	*n.a.*
Space	-	-	-	37	n.a.
Other activities	98	48	285	(169)	(59.3%)
Eliminations	*(588)*	*(1,161)*	*(669)*	-	*n.a.*
Total	**9,266**	**35,534**	**9,564**	**607**	**6.3%**

	30 September 2022				
	New orders	**Order backlog**	**Revenue**	**EBITA**	**ROS**
Helicopters	4,623	13,714	3,153	234	7.4%
Defense Electronics & Security	5,605	14,882	4,856	457	9.4%
Aeronautics	1,899	9,712	2,273	104	4.6%
of which Aircrafts (*)	*1,637*		*1,959*	*242*	*12.4%*
of which Aerostructures (*)	*342*		*351*	*(134)*	*(38.2%)*
of which GIE ATR	*n.a.*		*n.a.*	*(4)*	
Space	-	-	-	10	n.a.
Other activities	206	308	380	(186)	(48.9%)
Eliminations	*(614)*	*(1,263)*	*(745)*	-	*n.a.*
Total	**11,719**	**37,353**	**9,917**	**619**	**6.2%**

	Change %				
	New orders	**Order backlog**	**Revenue**	**EBITA**	**ROS**
Helicopters	93.4%	10.8%	16.0%	4.9%	(0.8) p.p.
Defense Electronics & Security	2.7%	4.5%	2.5%	7.5%	0.4 p.p.
Aeronautics	(0.5%)	(3.2%)	(8.8%)	14.3%	0.9 p.p.
of which Aircrafts (*)	*(0.4%)*		*(7.6%)*	*0.4%*	*1.0 p.p.*
of which Aerostructures (*)	*14.4%*		*(13.3%)*	*(7.2%)*	*(7.3) p.p.*
of which GIE ATR	*n.a.*		*n.a.*	*84.0%*	*n.a.*
Space	n.a.	n.a.	n.a.	(73.0%)	n.a.
Other activities	110.2%	541.7%	33.3%	(10.1%)	10.4 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**26.5%**	**5.1%**	**3.7%**	**2.0%**	**(0.1) p.p.**

(*) Amounts before infra-Segment eliminations

Commercial performance

New Orders came to €bil. 11.7, showing significant growth (+26.5%) compared to the first nine months of 2021.

An excellent commercial performance was recorded in almost all core business sectors, and especially in the Helicopters Division – thanks to the mentioned order from the Polish Ministry of Defence – and in the Aerostructures Division supported by major orders from Airbus and under the Euromale program.

It should be noted that the volume of new orders is increasing also excluding the contribution from the contract signed with the Polish Ministry of Defence for the AW149 helicopters worth €bil. 1.4.

The Order Backlog ensures a coverage in terms of production equal to about 2.5 years. The book to bill ratio (the ratio of New Orders for the period to Revenues) is equal to about 1.2.

Business performance.

Revenues of the first nine months of 2022 (€bil. 9.9) showed a positive trend (+3.7%) compared to the first nine months of 2021 (€bil. 9.6), mainly due to the performance of Helicopters in both the military and civil segments.

EBITA, equal to €mil. 619, recorded an increase of 8.2% compared with the restated figure for the nine months of 2021 (€mil. 572), with ROS improving by 0.2 p.p. vis-à-vis the comparative restated figure (6.0%). The comparative values have been restated to make them more comparable with the trend for the current period, which includes also the charges related to the COVID-19 emergency (classified as non-recurring costs in the first nine months of 2021).

EBIT, equal to €mil. 552 compared to €mil. 445 in the first nine months of 2021, benefitted from an improvement of EBITA and from the lower restructuring costs, which in the comparative period included the effect of the planned voluntary early retirement arrangements in the Aerostructures Division. Non-recurring costs for the period included the write-down of the exposure to the countries involved in the conflict existing between Russia and Ukraine for an amount of about €mil. 33. On the contrary, the figure for the first nine months of 2021 had included, as noted, the charges linked to the COVID-19 emergency.

The **Net Result Before Extraordinary Transactions**, amounting to €mil. 387 (€mil. 229 in the corresponding previous year period), benefitted from the EBIT performance, as well as from lower financial and tax charges.

The **Net Result**, amounting to €mil. 662 (equal to the Net result before extraordinary transactions in the first nine months of 2021), reflects the capital gain from the disposals of the Global Enterprise Solutions and Advanced Acoustic Concepts businesses of Leonardo DRS as set out in the "Industrial Transactions" section below.

It should be recalled that the comparison with the data for the first nine months of 2021 is affected by the lower contribution from the sale of Global Enterprise Solutions which was finalised on and effective from 1 August 2022, thus fully consolidated for the entire nine-month period in the comparative figure.

Reclassified income statement

	For the 9 months ended 30 September				*Change*	*% Change*
(€ millions)	***2021***		***2022***			
Revenue	9,564		9,917		353	3.7%
Purchases and personnel expenses	(8,619)		(9,005)			
Other net operating income/(expenses)	(66)		59			
Equity-accounted strategic investments	42		37			
Amortisation, depreciation and write-offs	(314)		(389)			
EBITA	**607**		**619**		**12**	**2.0%**
ROS	*6.3%*		*6.2%*		*(0.1) p.p.*	
EBITA Restated		**572**		**619**	**47**	**8.2%**
ROS Restated		*6.0%*		*6.2%*	*0.2 p.p.*	
Non-recurring income/(expenses)	(45)		(45)			
Restructuring costs	(101)		(5)			
Amortisation of intangible assets acquired as part of business combinations	(16)		(17)			
EBIT	**445**		**552**		**107**	**24.0%**
EBIT Margin	*4.7%*		*5.6%*		*0.9 p.p.*	
Net financial income/(expenses)	(132)		(96)			
Income taxes	(84)		(69)			
Net Result before extraordinary	**229**		**387**		**158**	**69.0%**
Net result related to discontinued operations and extraordinary transactions	-		275			
Net result attributable to:	**229**		**662**		**433**	**189.1%**
- owners of the parent	*228*		*662*			
- non-controlling interests	*1*		*-*			

Financial performance

FOCF in the first nine months of 2022, which was negative for €mil. 894, showed a significant improvement compared to 30 September 2021 (negative for €mil. 1,387). This result reflects the expected positive trend towards improvement, as well as the usual interim trend in this part of the year.

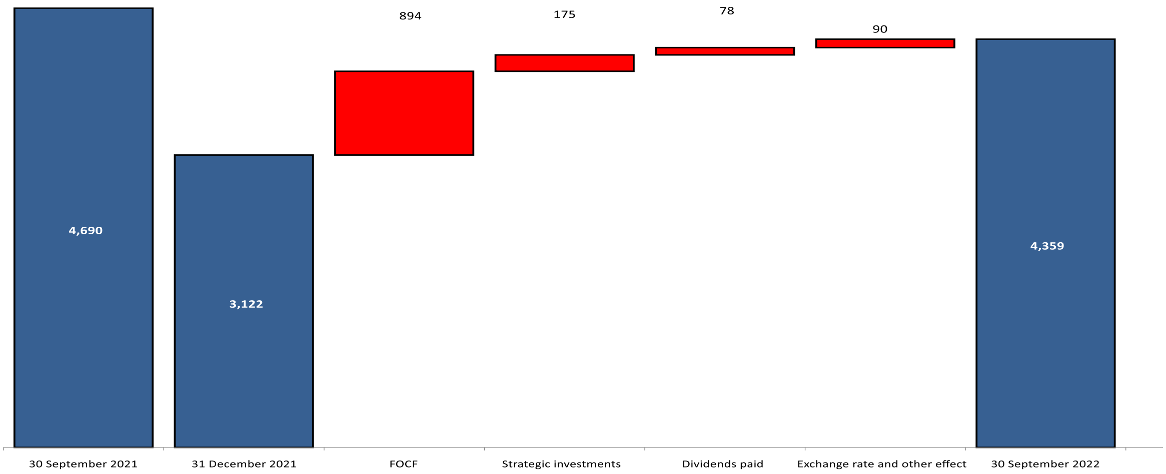
Reclassified cash flow statement

(€ millions)	For the 9 months ended 30 September 2021	For the 9 months ended 30 September 2022	Change	% Change
Cash flows used in operating activities	(1,022)	(604)		
Dividends received	26	124		
Cash flows from ordinary investing activities	(391)	(414)		
Free Operating Cash Flow (FOCF)	**(1,387)**	**(894)**	**493**	**35.5%**
Strategic investments	(20)	(175)		
Change in other investing activities	3	(2)		
Net change in loans and borrowings	(364)	(675)		
Dividends paid	-	(78)		
Net increase (decrease) in cash and cash equivalents	**(1,768)**	**(1,824)**		
Cash and cash equivalents at 1 January	2,213	2,479		
Exchange rate differences and other changes	22	76		
Cash and cash equivalents at 30 September	**467**	**731**		

The **Group Net Debt**, equal to €mil. 4,359, showed an increase compared to 31 December 2021 (€mil. 3,122) mainly as a result of the abovementioned FOCF performance and of the following factors:

- acquisition, completed in January 2022, of the investment in Hensoldt AG (€mil. 617, including the related transaction costs paid);
- dividend payment in July 2022, for €mil. 78;
- the disposals finalised in July 2022 by the US subsidiary Leonardo DRS of the Global Enterprise Solutions business and of the Joint Venture Advanced Acoustic Concepts – as more amply described below – for a total amount of about USDmil. 470, after transaction costs;
- the foreign exchange negative impact.

Changes in Group Net Debt



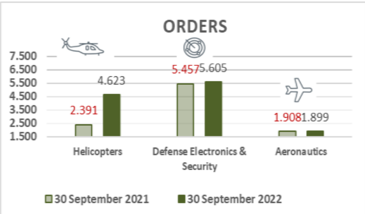
Reclassified statement of financial position

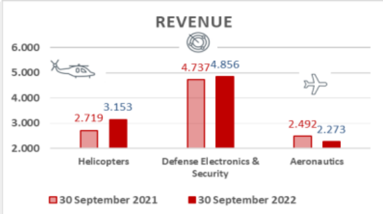
(€ millions)	30 September 2021	31 December 2021	30 September 2022
Non-current assets	12,507	12,810	13,576
Non-current liabilities	(2,186)	(2,216)	(2,116)
Capital assets	**10,321**	**10,594**	**11,460**
Inventories	2,147	1,292	1,731
Trade receivables	3,128	3,203	3,558
Trade payables	(3,002)	(3,372)	(3,026)
Working capital	**2,273**	**1,123**	**2,263**
Provisions for short-term risks and charges	(1,176)	(1,111)	(1,042)
Other net current assets (liabilities)	(827)	(1,046)	(1,301)
Net working capital	**270**	**(1,034)**	**(80)**
Net invested capital	**10,591**	**9,560**	**11,380**
Equity attributable to the Owners of the Parent	5,891	6,428	6,993
Equity attributable to non-controlling interests	10	27	34
Equity	**5,901**	**6,455**	**7,027**
Group Net Debt	**4,690**	**3,122**	**4,359**
Net (assets)/liabilities held for sale	**-**	**(17)**	**(6)**

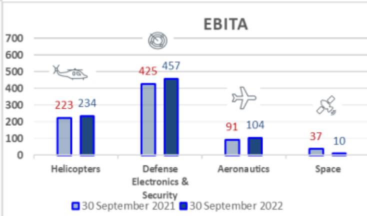
The increase in non-current assets essentially reflects the above-mentioned acquisition of the equity interest in Hensodlt.

KEY PERFORMANCE INDICATORS BY SECTOR

Leonardo continued the path to growth in almost all sectors of its core business. The performance of New Orders, Revenues and EBITA by sector showed the following trend:







The business sectors are commented on below in terms of business and financial performance:

		30 September 2021	30 September 2022	Change	Change %
1. Helicopters	New orders	2,391	4,623	2,232	93.4%
	Order backlog at 31 Dec. 2021	12,377	13,714	1,337	10.8%
	Revenue	2,719	3,153	434	16.0%
	EBITA	223	234	11	4.9%
	ROS	8.2%	7.4%		(0.8) p.p.
2. Defense Electronics & Security	New orders	5,457	5,605	148	2.7%
	Order backlog at 31 Dec. 2021	14,237	14,882	645	4.5%
	Revenue	4,737	4,856	119	2.5%
	EBITA	425	457	32	7.5%
	ROS	9.0%	9.4%		0.4 p.p.
3. Aeronautics	New orders	1,908	1,899	(9)	(0.5%)
	Order backlog at 31 Dec. 2021	10,033	9,712	(321)	(3.2%)
	Revenue	2,492	2,273	(219)	(8.8%)
	EBITA	91	104	13	14.3%
	ROS	3.7%	4.6%		0.9 p.p.
4. Space	EBITA	37	10	(27)	(73.0%)

1. Helicopters

The Sector continued to show a positive performance and increasing values, compared to the same period of 2021, in line with the plan expectations. Particularly worth mentioning is the value of New Orders which were up by 93% compared with the first nine months of 2021, especially thanks to the acquisition in the period of an important contract for the supply of AW149 helicopters to the Polish Ministry of Defence. Revenues increased by 16%, with overall unchanged profitability if we exclude pass-through volumes. 87 deliveries of new helicopters were made in the period under review compared to the 73 deliveries reported at 30 September 2021. An upswing is reported in the civil sector.

New orders were increasing as a result of the above-said order from Poland, in addition to the higher orders of helicopters in the Commercial and Customer Support & Training (CS&T) fields. Among the main acquisitions for the period we note:

- the aforementioned contract for the supply of 32 AW149 multi-role helicopters to the Polish Ministry of Defence;
- contracts in Italy for the supply of 20 AW119Kx helicopters to the Carabinieri Corps and 10 AW139 helicopters to the Fire Brigade;
- the contract concerning the supply of 6 AW189 helicopters for the Rescue and Salvage Bureau of the Chinese Ministry of Transport;
- the contract for the Mid Life Upgrade (MLU) of 1 AW101 helicopter for a foreign customer;
- the contract for 5 AW119Kx helicopters for Israel;
- the order for 4 AW609 convertiplanes and various orders for AW139 helicopters for commercial use.

Revenues. They were on the rise, mainly due to the greater activities on the NH90 programme for Qatar, on the AW169 line and on the CS&T front.

EBITA. It showed an increase as a result of the higher volumes, with profitability that was affected by pass-through revenues.

2. Defense Electronics & Security

The first nine months of 2022 were characterised by a business performance and volumes of revenues slightly increasing against the comparative period of the previous year; the period under review benefitted also from a positive impact arising from the USD/€ exchange rate on the main indicators, even though during the year the Sector recorded the deconsolidation of the Automation business from its scope of operations (the Automation business was consolidated in the “Other activities” starting from 1 January 2022), and the sale of the GES business of the subsidiary Leonardo DRS occurred in August. Margins were on the rise almost in all the business areas with particular reference to the European component.

Key Performance Indicators of the sector

30 September 2021	New orders	Revenue	EBITA	ROS
DES Europe	3,861	3,023	281	9.3%
Leonardo DRS	1,603	1,720	144	8.4%
Eliminations	*(7)*	*(6)*	-	*n.a.*
Total	**5,457**	**4,737**	**425**	**9.0%**

30 September 2022	New orders	Revenue	EBITA	ROS
DES Europe	3,495	3,149	306	9.7%
Leonardo DRS	2,163	1,759	151	8.6%
Eliminations	*(53)*	*(52)*	-	*n.a.*
Total	**5,605**	**4,856**	**457**	**9.4%**

Change %	New orders	Revenue	EBITA	ROS
DES Europe	(9.5%)	4.2%	8.9%	0.4 p.p.
Leonardo DRS	34.9%	2.3%	4.9%	0.2 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**2.7%**	**2.5%**	**7.5%**	**0.4 p.p.**

Average €/USD exchange rate: 1.0650 (first nine months of 2022) and 1.1967 (first nine months of 2021)

New Orders. They were on the rise compared to the same period of 2021 despite the different scope of operations.

The main acquisitions in the period concerned the Electronics Division and included the order for the supply of naval guns and related logistic support, with which four F126-class frigates for the German Navy will be equipped, the order for the provision of a combat system and related logistics for a special operations support unit, to support underwater operations and to rescue damaged submarines (Special and Diving Operations - Submarine Rescue Ship, SDO-SuRS). As part of the larger Halcon programme, we note the order for the supply of electronic countermeasures and self-protection systems to remove noise and neutralize threats which will equip 20 Typhoon aircraft, which are due to replace a part of the fleet of the Boeing EF-18 Hornets currently used by the Spanish Ministry of Defence.

As for Leonardo DRS, additional orders were gained for the production of next-generation of U.S. Army mission command computing systems called Mounted Family of Computer Systems (MFoCS) and the IM-SHORAD (Initial Manoeuvre-Short Range Air Defense) order for the initial supply of a Mission Equipment Package, which will be integrated into heavy Stryker-type vehicles and which will enable the neutralisation of low-altitude aerial threats, including threats from remotely-controlled drones.

Revenues. Despite the changed scope, these were increasing due to the higher volumes of the European component, which also recorded an increase in pass-through activities. As regards Leonardo DRS, there was a decline in volumes due to certain postponements in the supply chain more than offset by the positive effect of the USD/€ exchange rate.

EBITA. This increased in all the main European business areas and in particular in the Electronics Division. As regards Leonardo DRS, a positive trend was confirmed despite lower volumes more than offset by the positive effect of the USD/€ exchange rate, and in spite of the different scope of operations as mentioned earlier.

Leonardo DRS data in USD

	New orders	Revenue	EBITA	ROS
DRS ($mil.) September 2021	1,919	2,059	173	8.4%
DRS ($mil.) September 2022	2,304	1,873	161	8.6%

3. Aeronautics

The first nine months of 2022 bear witness to the good performance of the Aircraft Division, and an improved performance in the regional civil transport. Some criticalities remain in the civil component still heavily affected by the effects of the pandemic, with decreasing production volumes in the Aerostructures Division in line with expectations, which anticipated an acceleration of production in the last quarter of 2022.

From a production point of view:

- for the military programmes of the Aircraft Division 31 wings and 8 final assemblies were delivered to Lockheed Martin under the F-35 programme (32 wings and 8 final assemblies delivered in the same period of the previous year);
- we must note 4 additional deliveries of Typhoon aircraft to Kuwait;
- for the Aerostructures Division 16 fuselage sections and 9 stabilisers were delivered under the B787 programme (32 fuselages and 16 stabilisers were delivered in the first nine months of 2021) and 14 fuselages were delivered under the ATR programme (10 in September 2021);
- the GIE-ATR consortium delivered 10 aircraft, compared with the 16 deliveries recorded in 2021.

Key Performance Indicators of the sector

30 September 2021	New orders	Revenue	EBITA	ROS
Aircrafts	1,643	2,121	241	11.4%
Aerostructures	299	405	(125)	(30.9%)
GIE ATR	n.a.	n.a.	(25)	n.a.
Eliminations	(34)	(34)	-	n.a.
Total	**1,908**	**2,492**	**91**	**3.7%**
30 September 2022	**New orders**	**Revenue**	**EBITA**	**ROS**
Aircrafts	1,637	1,959	242	12.4%
Aerostructures	342	351	(134)	(38.2%)
GIE ATR	n.a.	n.a.	(4)	n.a.
Eliminations	(80)	(37)	-	n.a.
Total	**1,899**	**2,273**	**104**	**4.6%**
Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
Aircrafts	(0.4%)	(7.6%)	0.4%	1.0 p.p.
Aerostructures	14.4%	(13.3%)	(7.2%)	(7.3) p.p.
GIE ATR	n.a.	n.a.	84.0%	n.a.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	**(0.5%)**	**(8.8%)**	**14.3%**	**0.9 p.p.**

New orders. They were substantially in line with the first nine months of 2021. More specifically:

- the Aircraft Division recorded orders essentially in line with the comparative period; it obtained orders for 20 Spain Typhoon export aircraft, 1 C-27J aircraft to the Slovenian MoD and for the remotely piloted aircraft system Euromale, in addition to further orders on the JSF (Joint Strike Fighter) and logistic support programmes for the Typhoon aircraft;
- the Aerostructures Division benefitted from higher orders from customer Airbus, specifically on the A220 and A321 programmes, in addition to the Euromale programme. During the period no new orders were acquired from customer Boeing (B787 programme) and from the GIE consortium.

Revenues. They showed a decline due to the postponement of volumes in the Aircraft Division and to the expected downturn in the Aerostructures Division. We must note:

- Aircraft Division: lower production volumes, especially on the business lines of the Trainers and EFA Kuwait programme. Note that the reduction related to the EFA Kuwait programme is due to the ramp-up occurred in 2021. Major activities were reported in the European military business especially related to the logistic operations on the Typhoon and on the Airlifters business line for the new C-27J order;
- Aerostructures Division: it was affected by the lower operations on the Boeing programme partially offset by the higher production rates on the Airbus programmes.

EBITA. It showed growth compared to 2021 as a result of a partial recovery in the business of the GIE-ATR consortium, which more than offset the decline in the Aerostructures Division. Specifically:

- the Aircraft Division recorded an EBITA figure in line with September 2021, confirming the high level of profitability;
- the GIE-ATR consortium recorded higher results compared to those of 2021 thanks to the improved profitability and the effects from contractual redefinitions made in the period;
- the slight decline in the Aerostructures Division was due to the concentration of activities during the last quarter of the year in order to mitigate the impact coming from production sites working at lower capacity.

4. Space

Compared with the corresponding period of the previous year, the first nine months of 2022 showed a decline attributable to the manufacturing business, which for the Italian component had benefitted, in the first nine months of 2021, from the significant effects arising from the realignment between the tax and statutory value of goodwill. To this must be added the recognition of costs for risks associated with contracts in Russia due to the conflict that is now in progress.

As regards the satellite services segment, good industrial performance was confirmed with growing revenues and solid profitability.

OUTLOOK

The first nine months of the year recorded solid results, in terms of growth in orders, increased profitability and strengthening of cash performance, in line with the objectives set.

The increased demand for defence and security linked to the geopolitical scenario generates positive prospects for the defence sector. At the same time, there is a more complex operational context, in particular in the labour market and the supply chain, which entails important challenges to be faced and managed.

In light of the solid progress in the first nine months and based on the current assessment of the impacts from the geopolitical and health situation on the labour market, on the supply chain, the outlook for the global economy and the actions taken by Leonardo to face these challenges, assuming no additional major deterioration, along side the changes in perimeter deriving from the sale of GES, the Group updates the Guidance 2022 as follows:

- Increase in new order intake from ca. €billion 15 to a level higher than €billion 16, mainly due to the AW149 Poland contract booked in the third quarter of 2022;
- Confirmation of the expectations made in the preparation of the 2021 Financial Statements relating to Revenues and EBITA, taking into account the effect of change in perimeter (Revenues €billion 14.4-15.0; EBITA €million 1,170 -1,220);
- Upward revision of the FOCF from ca. €million 470, including perimeter effect, to ca. €million 500;
- Reduction of the Group's Net Debt, from ca. €billion 3.1 to ca. €billion 3.0, due to the higher disposal proceeds which more than offset the redemption cost of the US dollar bonds. The Net Debt also includes expectations relating to the FOCF, the acquisition of 25.1% of Hensoldt and the dividend payment.

This is summarised in the table below:

	FY 2021	*FY 2022 Guidance* (1)	*FY 2022 Guidance New Perimeter* (4)	*Update FY Guidance 2022* (1)
New Orders (€bil.)	14.3	ca. 15	ca. 14.9	ca. > 16.0
Revenues (€bil.)	14.1	14.5 – 15.0	14.4 – 14.9	14.4 – 15.0
EBITA (€mil.)	1,123	1,180 – 1,220 (2)	1,170 – 1,210 (2)	1,170 – 1,220 (2)
FOCF (€mil.)	209	ca. 500	ca. 470	ca. 500
Group Net Debt (€bil.)	3.1	ca. 3.1 (3)	ca. 3.1 (3)	ca. 3.0 (5)

Based on USD/€ exchange rate at 1.18 and €/GBP exchange rate at 0.90
Adjusted perimeter to exclude the contribution of Global Entreprise Solutions in August and September 2021 (closing of disposal on 1/08/2022). Avg. exchange rate August-September 2021€/$ @ 1.19671

(1) Based on the current assessment of the effects deriving from the geopolitical and global health situation on the supply chain and labour market and the global economy and assuming no additional major deterioration
(2) Including COVID-related costs previously included among non-recurring costs below EBITA
(3) Assuming 25.1% acquisition of Hensoldt for €mln. 606, disposals for ca. €mln. 300 and dividend payment for € 0.14 p.s
(4) Guidance adjusted for seven months' contribution of GES (Jan –July 2022) vs 12 months assumed in previous guidance and 12 month contribution of Hensoldt
(5) Including higher disposal proceeds and make-whole costs

MAIN TRANSACTIONS OF THE FIRST 9 MONTHS OF 2022 AND SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

At the end of February 2022, the offensive launched by the Russian government against Ukraine – which is still ongoing – generated profound changes in the context of the world's geopolitical and economic equilibrium. The process of integration and creation of a European Defence and Security and, at the same time, the increase in Defence spending in EU and neighbouring countries have brought accelerations with consequent opportunities for companies operating in the sector. On the other hand, relations with Russia are significantly affected by the numerous logistical and economic sanctions imposed by the European Union, other countries and other International Bodies. Leonardo has no particularly significant exposure to these two countries and is continuing to monitor the situation to precisely identify the consequences on its current and prospective position. In view of the continuation of this scenario, which does not suggest a resolution in the short term, Leonardo has written down its net exposure to the two countries involved (mainly relating to Russia) by a total amount of €mil. 38, including tax effects.

With regard to the economic and financial scenarios that are emerging as a result of a higher demand for goods and services in the markets due to the aforementioned conflict in Ukraine, Leonardo has been taking some actions aimed at monitoring and mitigating the effects in the short and medium-term since the first signs of recovery in economy. Specifically, with respect to the recent inflationary pressures on the energy market and the consequent increase in the prices of raw materials and products used in its production processes, Leonardo has promptly entered into medium-term contracts to secure adequate supply conditions in good time, as well as has increased its inventory stock of raw materials and components, thus limiting the effects of both inflation and the shortage of mechanical and electronic components for the current financial year. Likewise, the measures put in place, based on the information available to date, ensure adequate coverage of potential effects for the year 2023 as well, although further tensions in price trends might require a revision of the forward-looking scenarios. As regards the current increases in interest rates on financial markets, Leonardo has carried out an analysis of the effects on discount rates in order to verify whether trigger events are occurring. At present, this analysis has not revealed findings that are such as to require the performance of new impairment tests, nor any evidence of impacts on existing contract assets. The aforesaid analyses will be performed again in the annual report in order to take account of any possible further development.

Furthermore, in June 2022 the Norwegian Defence Materiel Agency (NDMA) formalized a request for termination for default under the contract - governed by the Norwegian laws - for the supply of 14 NH90 helicopters, which had been entered into in 2001 with NH Industries (NHI), a company incorporated under French law the shareholdings of which are held by Leonardo, Airbus Helicopters and Fokker Aerostructure, due to alleged delays and alleged product non-conformities. The contract has been subject to extensions and amendments over the years and was expected to be completed by the end of 2023. NDMA's request is to return the 13 helicopters that have already been delivered and accepted and claim repayment of the disbursed amounts, including interest. NHI considers this request for termination for default legally groundless and reasonably challengeable in any appropriate forum due to lack of factual and legal basis, misinterpretation of the contract and the Norwegian law as well as breach of confidentiality obligations. With the request for termination the NDMA enforced the residual bank guarantees issued by Leonardo on behalf of NHI totalling €mil. 69.7 (including €mil. 19.3 as interest). It is pointed out that Leonardo's commitment portion is proportionate to its share in the initiative – about 41% - and therefore equal to a total of €mil. 28.7 (including €mil. 7.9 as interest). During September 2022 the enforcement of the first tranche of the guarantees was finalised for a total amount of €mil. 8.8 and regarding the remaining guarantees enforced, totalling €mil. 60.9, the documentation submitted by the NDMA is still under verification for adequacy purposes by the guarantor.

With regard to the comparative period, taking account of the effects of the pandemic on the civil sector and the changed perspectives of the commercial aviation market, Leonardo had implemented the actions to mitigate the effects on the industrial performance of the Aerostructures Division. In this context, on 21 July 2021 trade union agreements were signed to make operational the instruments identified for the early retirement of employees up to 500 employees who would meet the criteria for early retirement in the three-year period 2021-2023.

Industrial transactions:

- ***Acquisition of equity investment in Hensoldt AG***. 3 January 2022 saw the completion of the acquisition from Square Lux Holding II S.à r.l., a company controlled by funds advised by Kohlberg Kravis & Roberts & Co. L.P., of a 25.1% stake in Hensoldt AG, a company that is the leading German player in the field of sensor solutions for defence and security applications, with an ever-expanding portfolio in sensors, data management and robotics, at a price of €mil. 606. The transaction is an important step towards achieving the strategic objective of acquiring a leading position in the European Defence Electronics market, as defined in the "Be Tomorrow – Leonardo 2030" Plan, and reflects Leonardo's determination to play a leading role in the ongoing consolidation process, also with a view to future cooperation programmes at continental level;
- ***National Strategic Hub for the Cloud***. On 11 July 2022, following the exercise of the pre-emption right, in compliance with the applicable legislation and the tender documentation, the partnership composed of TIM, Leonardo, Cassa Depositi e Prestiti (CDP, through the subsidiary CDP Equity) and Sogei, was notified the award of the tender for the design, creation and management of the Polo Strategico Nazionale (PSN) [National Strategic Hub - NSH] infrastructure to supply cloud services for the Public Administration. On 4 August 2022, a joint venture was set up between the members of the partnership in the form of an Italian law stock company, with a view to ensuring the highest possible level of data efficiency, security and reliability to support the Public Administration. On 24 August 2022, the company PSN signed the Convention with the Department for Digital Transformation of the Presidency of the Council of Ministers for the assignment of the infrastructure under a 13-year concession;
- ***Sale of Global Enterprise Solutions***. On 22 March 2022 the US subsidiary Leonardo DRS signed a definitive agreement to sell its Global Enterprise Solutions (GES) business to SES S.A. for USDmil. 450, gross of taxes, subject to customary working capital adjustments at closing. GES is the largest provider of commercial satellite communications for the US

government and offers mission-critical communications and global-class security solutions. The closing of the transaction occurred on 1 August 2022;
- ***Sale of equity investment in JV Advanced Acoustic Concepts*** (AAC). On 26 April 2022 the US subsidiary Leonardo DRS signed a binding agreement to sell its investment in the Advanced Acoustic Concepts (AAC) Joint Venture to TDSI, a subsidiary of the French company Thales, thus marking a further step in the process of refocusing DRS' business portfolio. The US company AAC is active in the sector of advanced sonar, training and knowledge management systems. The company works with the US Navy as a contractor in the US sector, providing innovative systems and solutions in the underwater sensor domain. The closing of the transaction occurred on 27 July 2022;
- ***Acquisition of RADA***. On 21 June 2022, the US subsidiary Leonardo DRS and RADA Electronic Industries Ltd. signed a binding agreement that will lead to the acquisition of 100% of RADA's share capital by Leonardo DRS through a merger transaction involving RADA. RADA Electronic Industries Ltd. is listed on the NASDAQ and Tel Aviv Stock Exchange (TASE) and is a leading provider of advanced software-defined tactical military radars serving attractive and high-growth markets, including critical infrastructure protection, border surveillance, active military protection, and counter-drone applications. This transaction will give Leonardo a stronger position in emerging areas of the tactical operational segment and a domestic footprint in Israel. As a result of the merger, Leonardo DRS will also acquire 100% of RADA's share capital in exchange for the assignment to RADA's current shareholders of about 19.5% in Leonardo DRS, in which Leonardo will continue to hold 80.5% through its US subsidiary Leonardo Holding. Upon closing of the transaction, which is expected by the end of 2022, Leonardo DRS will be listed on both NASDAQ and TASE under the symbol "DRS".

Moreover, we note that on 8 February 2022 Leonardo interrupted the process of selecting a partner for the automation business, as none of the parties that had expressed interest could guarantee the requirements of a long-term vision and an adequate investment plan that Leonardo had always considered to be essential elements. Leonardo is completing the analysis process to identify targeted actions on processes, organisation and governance in order to better face the reference market.

Financial transactions. No new transaction was carried out on the financial markets during the first nine months of 2022. However, in January 2022 the remaining amount of €mil. 556 of the bond issued in December 2009 was repaid, having reached its natural expiry.

Moreover, in June 2022 the EMTN (Euro Medium Term Note) programme was renewed for further 12 months, which regulates possible bond issues on the European market for a maximum nominal value of €bil. 4. At the date of this report, the Programme is used for a total of €bil. 1.6.

Finally, it should be noted that in August 2022 Leonardo endorsed a framework Programme for the issuance of Commercial Papers on the European market (Multi-Currency Commercial Paper Program), for a maximum amount of €bil. 1 still unused at the date of this report.

As at 30 September 2022 Leonardo had credit facilities available for a total of about €mil. 3,210, to meet the financing needs of the Group's recurring operations, broken down as follows: an ESG-linked Revolving Credit Facility, for an amount of €mil. 2,400, structured into two tranches, and additional unconfirmed short-term lines of credit of about €mil. 810, which had not been used at the reporting date. Furthermore, the subsidiary Leonardo US Holding has short-term revocable lines of credit in dollars, guaranteed by Leonardo Spa, for a total counter-value of €mil. 256, which were entirely unused at 30 September 2022. Finally, Leonardo has unconfirmed unsecured bank lines of credit for a total of €mil. 9,919, an amount of €mil. 2,887 of which was available at 30 September 2022.

Outstanding bond issues are given a medium/long-term financial credit rating by the international rating agencies: Moody’s Investors Service (Moody’s), Standard & Poor’s and Fitch. In July 2022 Moody's upgraded Leonardo's outlook from stable to positive in view of the operational performance Leonardo had recorded over the past two years, the favourable conditions in its industry, and the improvement in credit metrics it had estimated over the next 12 to 18 months. At the date of presentation of this report, Leonardo’s credit ratings, compared to those preceding the last change, were then as follows:

Agency	Last update	Previous		Updated	
		Credit Rating	Outlook	Credit Rating	Outlook
Moody's	July 2022	Ba1	stable	Ba1	positive
Standard&Poor's	May 2022	BB+	stable	BB+	positive
Fitch	January 2022	BBB-	negative	BBB-	stable

Finally, it should be noted that after the closing of the reporting period, on 3 November 2022 the subsidiary Leonardo US Holding, LLC has elected to redeem in full its bonds maturing in 2039 and 2040, for a total residual nominal principal amount of USDmil. 305.

THE RESULTS OF THE THIRD QUARTER

Reclassified income statement

	For the Three months ended 30 September			
(€ millions)	***2021***		***2022***	
Revenue	3,219		3,341	
Purchases and personnel expenses	(2,870)		(3,039)	
Other net operating income/(expenses)	(48)		19	
Equity-accounted strategic investments	13		8	
Amortisation, depreciation and write-offs	(107)		(128)	
EBITA	**207**		**201**	
ROS	*6.4%*		*6.0%*	
EBITA Restated		**198**		**201**
ROS Restated		*6.2%*		*6.0%*
Non-recurring income/(expenses)	(10)		(2)	
Restructuring costs	(94)		(3)	
Amortisation of intangible assets acquired as part of business combinations	(5)		(6)	
EBIT	**98**		**190**	
EBIT Margin	*3.0%*		*5.7%*	
Net financial income/(expenses)	(44)		(49)	
Income taxes	(2)		(21)	
Net Result before extraordinary transactions	**52**		**120**	
Net result related to discontinued operations and extraordinary transactions	-		275	
Net result	**52**		**395**	

Below is a breakdown of the indicators by sector for the third quarter:

Third quarter 2021	**New orders**	**Revenue**	**EBITA**	**ROS**
Helicopters	382	829	75	9.0%
Defense Electronics & Security	1,839	1,537	128	8.3%
Aeronautics	568	981	44	4.5%
Space	-	-	14	*n.a.*
Other activities	15	90	(54)	(60.0%)
Eliminations	*(220)*	*(218)*	-	*n.a.*
Total	**2,584**	**3,219**	**207**	**6.4%**

Third quarter 2022	**New orders**	**Revenue**	**EBITA**	**ROS**
Helicopters	2,440	1,043	83	8.0%
Defense Electronics & Security	1,806	1,627	143	8.8%
Aeronautics	272	798	41	5.1%
Space	-	-	7	*n.a.*
Other activities	38	120	(73)	(60.8%)
Eliminations	*(147)*	*(247)*	-	*n.a.*
Total	**4,409**	**3,341**	**201**	**6.0%**

Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
Helicopters	538.7%	25.8%	10.7%	(1.0) p.p.
Defense Electronics & Security	(1.8%)	5.9%	11.7%	0.5 p.p.
Aeronautics	(52.1%)	(18.7%)	(6.8%)	0.6 p.p.
Space	n.a.	n.a.	(50.0%)	n.a.
Other activities	153.3%	33.3%	(35.2%)	(0.8) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	**70.6%**	**3.8%**	**(2.9%)**	**(0.4) 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.leonardo.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 30 September 2022, which should be read in conjunction with the Consolidated Financial Statements at 31 December 2021, are unchanged from those of the Consolidated Financial Statements at 31 December 2021 (except for those specifically applicable to interim financial reports) and the interim reporting at 30 September 2021.

This interim reporting, approved by the Board of Directors on 3 November 2022, was not subject to any statutory review.

FINANCIAL INCOME AND EXPENSES

	For the 9 months ended 30 September	
	2021	2022
Interest	(104)	(84)
Commissions	(13)	(6)
Fair value gains (losses) through profit or loss	6	21
Premiums (paid) received on forwards	(11)	(17)
Exchange rate differences	2	1
Other financial income and expenses	(20)	(24)
Share of profits/(losses) of equity-accounted investees	8	13
	(132)	**(96)**

The performance of net financial expenses for the first nine months of 2022 showed an improvement mainly attributable to lower expenses linked to the bond issues repaid during 2021 and in January 2022.

LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	***30 September 2021***	*of which current*	***31 December 2021***	*of which current*	***30 September 2022***	*of which current*
Bonds	2,451	*603*	2,481	*626*	1,928	*28*
Bank debt	1,270	*269*	1,648	*49*	1,605	*6*
Cash and cash equivalents	(467)	*(467)*	(2,479)	*(2,479)*	(731)	*(731)*
Net bank debt and bonds	**3,254**		**1,650**		**2,802**	
Current loans and receivables from related parties	(65)	*(65)*	(45)	*(45)*	(78)	*(78)*
Other current loans and receivables	(18)	*(18)*	(16)	*(16)*	(18)	*(18)*
Current loans and receivables and securities	**(83)**		**(61)**		**(96)**	
Hedging derivatives in respect of debt items	10	*10*	(8)	*(8)*	30	*30*
Related party lease liabilities	30	*4*	30	*4*	25	*4*
Other related party loans and borrowings	834	*734*	856	*756*	932	*832*
Lease liabilities	532	*78*	538	*78*	562	*82*
Other loans and borrowings	113	*47*	117	*45*	104	*31*
Group Net Debt	**4,690**		**3,122**		**4,359**	

The reconciliation with the net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006, updated by the provisions of ESMA Guideline 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice no. 5/21 of 29 April 2021, is provided in Annex 2.

Note that financial covenants are included in the ESG-linked Revolving Credit Facility line of credit of €mil. 2,400, and imply the Leonardo compliance with two financial ratios: the ratio of Group Net Debt excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities to EBITDA (worsened for the amortisation of rights of use) must not be higher than 3.75 and the ratio of EBITDA (worsened for the amortisation of rights of use)/ to Net interest must not be 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 2021. These covenants are also included in the loan agreement with CDP for €mil. 100 and in the Term Loans of €mil. 500 and €mil. 600; furthermore, in accordance with contractual provisions providing for this option, these covenants have also been extended to all the EIB loans in place (used for a total amount of €mil. 500 at 30 September 2022), as well as to certain loans granted in past years to Leonardo DRS by US banks.

The decrease in bonds compared to 31 December 2021 is attributable to the repayment of the remaining nominal amount of €mil. 556 of the bond issued in 2009, which reached its natural expiry in January 2022.

CONTINGENT LIABILITIES

With reference to criminal proceedings pending against some Group companies or Leonardo and some former directors, as well as executives for acts committed in the performance of their duties at Group companies or at Leonardo, there are no updates with respect to the situation as at 30 June 2022, commented on in the half-year financial report to which reference should be made.

* * * * * * * *

With regard to the provisions for civil, tax and administrative disputes, it is underlined that the Leonardo Group companies' operations regard industries and markets where many disputes, both as petitioner and plaintiff, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the IFRSs, provisions have only been set aside for risks that are deemed probable and for which the amount can be determined. No specific provisions have been set aside for certain disputes in which the Group is defendant as these disputes are reasonably expected to be settled, based on current knowledge, satisfactorily and without significantly impacting the Group. Compared to what already described during the preparation the financial report as at 30 June 2022, to which reference should be made, note the following updates:

- the proceedings brought by Firema under extraordinary management before the Court of Naples against the directors and statutory and independent auditors of Firema Trasporti (Case no. 32257/13), within which Leonardo and AnsaldoBreda have been summoned as parties concerned, have been postponed to the hearing scheduled on 8 November 2022 in order to discuss whether they must be joined to proceedings with Case no. 16312/15 (brought by GMR against Leonardo and AnsaldoBreda before the Court of Naples for abuse of management and coordination activities) in the event the first proceedings are resumed following their suspension after the death of Mr Gianfranco Fiore (former director of Firema), or, in any case, for their continuation.

* * * * * * * *

Moreover, given their complexity, their cutting-edge technological content and the nature of customers, the Group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account the possible developments in the relevant disputes. With regard to contracts in progress affected by uncertainties and issues under discussion with customers, compared to what already described during the preparation the financial report as at 30 June 2022, it should be noted that as part of the arbitration proceedings initiated by Leonardo S.p.a. and PSC S.p.A. ("L&P JV) against Galfar Misnad Engineering & Contracting W.L.L., Salini-Impregilo S.p.A. (now Webuild) and Cimolai S.p.A. (collectively "GSIC JV"), from 4 to 15 July 2022 the arbitration hearing took place in Doha and that in view of the issuance of the award - expected, unless extended, for 30 April 2023 - the respective closing and reply briefs are expected to be filed (reply briefs scheduled for 30 November 2022).

For the Board of Directors

The Chairman

Luciano Carta

ANNEXES

ANNEX 1: SCOPE OF CONSOLIDATION

Below are the changes in the scope of consolidation at 30 September 2022 in comparison with 30 September 2021:

Company	Event	Month
Companies which entered the scope of consolidation:		
Hensoldt Ag (**)	newly acquired	January 2022
Blackstart Ltd	newly established	June 2022
Earthlab Luxembourg Sa (**)	newly acquired	July 2022
Leonardo Us Corporation	newly established	August 2022
Companies which left the scope of consolidation:		
CCRT Sistemi Spa (in bank.) (*)	sold	December 2021
Agustawestland Holdings Ltd	deconsolidated	January 2022
Industrie Aeronautiche e Meccaniche Rinaldo Piaggio Spa (*)	sold	June 2022
Advanced Acoustic Concepts Llc (**)	sold	July 2022
Drs Global Enterprise Solutions Inc	sold	August 2022
Global Network Services Llc	sold	August 2022
Drs Tsi International Llc	sold	August 2022
Drs Technologies Verwaltungs Gmbh	sold	August 2022
Drs C3 & Aviation Company	deconsolidated	September 2022
Drs Radar Systems Llc	deconsolidated	September 2022

Companies involved in merger transactions:

Merged company	Merging company	Month
Vitrociset Spa	Leonardo Spa	January 2022

Companies which changed their name:

Old name	New name	Month
So.Ge.Pa. – Società Generale di Partecipazioni Spa	Leonardo Partecipazioni Spa	June 2022

(*): companies valued at cost

(**): companies valued at equity

ANNEX 2: "NON-GAAP" ALTERNATIVE 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, extraordinary items or items unrelated to ordinary operations.

As required by Consob Communication 0092543 of 3 December 2015, implementing the ESMA guidelines 2015/1415 on alternative performance indicators, below is a description of the components of each of these indicators:

- New orders: this includes contracts entered into with customers during the period that have commercial substance and represent an obligation for both parties to fulfil the contract.

- 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 (excluding amortisation of intangible assets from business combinations), depreciation and impairment losses (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 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 non-recurring or unusual costs or income, i.e. connected to particularly significant or exceptional events that are not related to the ordinary performance of the business. The item includes charges incurred during M&A transactions, charges linked to disposed businesses and/or products and systems, and the recognition of losses on contracts that have become onerous as a result of non-operating events.

  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 9 months ended 30 September	
	2021	*2022*
Income before tax and financial expenses	403	515
Equity-accounted strategic investments	42	37
EBIT	**445**	**552**
Amortisation of intangible assets acquired as part of business combinations	16	17
Restructuring costs	101	5
Non-recurring (income) expense	45	45
EBITA	**607**	**619**

- Return on Sales (ROS): this is calculated as the ratio of EBITA to revenue.

- EBIT: this is obtained by adding to income before tax and financial expenses (defined as earnings before "financial income and expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "Profit (loss) from discontinued operations") the Group's share of profit in the results of its strategic Joint Ventures (MBDA, GIE ATR, TAS, Telespazio and Hensoldt), reported in the "share of profits (losses) of equity-accounted investees". Until 31 December 2021 this indicator included solely the part of the results of the strategic joint ventures (MBDA, GIE ATR, TAS and Telespazio) pertaining to the Group.

- 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).

- 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, updated by the provisions of the ESMA guideline 32-382-1138 of 4 March 2021 as implemented by Consob warning notice no. 5/21 of 29 April 2021, is reported below:

	31 December 2021	*30 September 2022*
A - Cash	(2,479)	(731)
C - Other current financial assets	(61)	(96)
D - Liquidity	**(2,540)**	**(827)**
E - Current financial debt (*)	932	955
F - Current portion of non-current financial debt	626	28
G - Current financial debt	**1,558**	**983**
H - Net current financial debt (funds)	**(982)**	**156**
I - Non-current financial debt (*)	4,112	4,173
J - Debt instruments (**)	(8)	30
K- Trade payables and other non-current debt	165	169
L - Non-current financial debt	**4,269**	**4,372**
M - Total financial debt	**3,287**	**4,528**

(*) Includes payables for leases of €mil. 82 in current payables and €mil. 480 in non-current payables (€mil. 82 current and €mil. 486 non-current at 31 December 2021)
(**) Includes the fair value of FX hedging derivatives in respect of debt items

- **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 12 months before the reporting period.

- **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 AND SUPPLEMENTED

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 as amended and supplemented, the undersigned Alessandra Genco, the Officer in charge of Financial Reporting of Leonardo Società per azioni certifies that this interim reporting at 30 September 2022 corresponds to the related accounting records, books and supporting documentation.

Rome, 3 November 2022

Officer in charge of Financial Reporting

(Alessandra Genco)