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Oggetto : Leonardo: positive and effective
management in response to the pandemic.
Solid first nine months results

Testo del comunicato

Vedi allegato.

Results at 30 September 2020

PRESS RELEASE

Leonardo: positive and effective management in response to the pandemic

- **Solid first nine months results, Orders at € 8.5 billion and Revenues at € 9 billion in line with 2019, supported globally by *Aircrafts, Helicopters, Electronics Europe* and *Leonardo DRS*, businesses which had a positive EBITA performance**
- **Strong financial position**
- **Progress towards 2020 Guidance and strong confidence in business fundamentals**

Successfully and effectively reacting to short term challenges with very good results in the current macro environment

- Strong commercial results
- Steady quarter by quarter recovery operationally
- EBITA supported by *Aircrafts, Helicopters, Electronics Europe* and *Leonardo DRS* performance
- Solid financial position with no need for refinancing nor extraordinary financial transactions

Solid performance with some impact on FOCF due to COVID-19

- Order intake of € 8.5 billion, flat YoY
- Stable Revenues at € 9 billion
- EBITA at € 497 million, as expected, materially improving quarter by quarter thanks to cost control actions put in place, -28% YoY due to COVID-19 and JV's performance
- FOCF € -2.6 billion, due to both the usual seasonality and negative effects of COVID-19 leading to a significant expected increase in working capital, with a consequent cash absorption due to the shift of cash-ins towards the end of the year due to the postponement of the milestones of activity and delivery of civil machines

Progress towards FY 2020 Guidance

- Orders supported by domestic and international commercial campaigns being finalised
- Revenues supported by solid order backlog and steady progress on programmes
- EBITA supported by productivity recovery and military/governmental and Customer Support & Training across the Group
- Actions aimed at costs control and helping offsetting risks on JV's performance and challenges of Civil business
- Fully focused towards FOCF target achievement
- Detailed actions plan aimed at achieving FOCF target
Concentration of activities and timing of cash-ins in the last 2 months of the year potentially affected by slowdowns related to further COVID-19 restrictions

Strong confidence in our core business fundamentals and well positioned for the medium-long term

- Significant backlog of € 35 billion
- Military, civil and Customer Support and Training business mix is real strength
- Defence and Security market is growing
- Strong relationships with domestic markets
- Investments in innovation aimed at enhancing skills and product portfolio for the expansion of business opportunities

Leonardo, a global high-technology company, is among the top ten world players in Aerospace, Defence and Security and Italy's main industrial company. Organized into five business divisions, Leonardo has a significant industrial presence in Italy, the United Kingdom, Poland and the USA, where it also operates through subsidiaries such as Leonardo DRS (defense electronics), and joint ventures and partnerships: ATR, MBDA, Telespazio, Thales Alenia Space and Avio. Leonardo competes in the most important international markets by leveraging its areas of technological and product leadership (Helicopters, Aircraft, Aerostructures, Electronics, Cyber Security and Space). Listed on the Milan Stock Exchange (LDO), in 2019 Leonardo recorded consolidated revenues of €13.8 billion and invested €1.5 billion in Research and Development. The Group has been part of the Dow Jones Sustainability Index (DJSI) since 2010 and became Industry leader of Aerospace & Defence sector of DJSI in 2019.

- Anchored in key international programmes
- Leadership position in key market segments: very high quality products in strong demand and growing Customer Support and Training activities

Rome, 5 November 2020 – Leonardo's Board of Directors, convened today under the Chairmanship of Luciano Carta, examined and unanimously approved the results at 30 September 2020.

Alessandro Profumo, Leonardo CEO, stated *“The first nine months results show that we have been promptly responding to 2020 short term challenges, reacting effectively to changing market dynamics. We have taken actions to become more resilient and agile: we have cut costs, prioritised our investment activity without delays on the programmes, reoriented orders from export to domestic receiving strong support from domestic customers, reconfigured production lines to address COVID-19 restrictions, we have quickly and effectively implemented the so-called smart working, continuing our operations and right-sizing areas of our business in line with demand. We have a solid financial position, strengthened even more by the signing of additional credit facilities in May and the refinancing of 2021 bond: therefore, we have no need to raise capital nor further refinancing debt. We are achieving a steady quarter by quarter recovery operationally. We have strong confidence in our core business strengths and fundamentals in a growing market and we are well positioned for sustainable development in the medium-long term, also providing support to Italy. Our confidence is underpinned by our business mix, our solid order backlog, our core customer relationships, our leadership position in key market segments with high quality products and services, our key role in major international programmes and our innovative drive aimed at identifying new business opportunities”*.

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

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

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

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

Key Performance Indicators

Group (Euro million)	9M 2019	9M 2020	Chg.	Chg. %	FY 2019
New orders	8,579	8,510	(69)	(0.8%)	14,105
Order backlog	35,672	34,980	(692)	(1.9%)	36,513
Revenues	9,134	9,025	(109)	(1.2%)	13,784
EBITDA(*)	1,064	866	(198)	(18.6%)	1,817
EBITA (**)	686	497	(189)	(27.6%)	1,251
ROS	7.5%	5.5%	(2.0) p.p.		9.1%
EBIT (***)	648	395	(253)	(39.0%)	1,153
EBIT Margin	7.1%	4.4%	(2.7) p.p.		8.4%
Net result before extraordinary transactions	367	135	(232)	(63.2%)	722
Net result	465	137	(328)	(70.5%)	822
Group Net Debt	4,301	5,884(****)	1,583	36.8%	2,847
FOCF	(1,217)	(2,596)	(1,379)	(113.3%)	241
ROI	11.4%	7.0%	(4.4) p.p.		16.7%
ROE	10.3%	3.5%	(6.8) p.p.		14.7%
Workforce (no.)	49,234	49,973	739	1.5%	49,530

(*) EBITDA this is EBITA before amortisation, depreciation (net of those relating to goodwill or classified among "non-recurring costs") and adjustments impairment.

(**) EBITA is obtained by eliminating from EBIT 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, restructuring costs that are a part of defined and significant plans; other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

(***) EBIT is obtained by adding to earnings before financial income and expense and taxes and taxes the Group's share of profit in the results of its strategic Joint Ventures (GIE-ATR, MBDA, Thales Alenia Space and Telespazio).

(****) Include acquisition of Kopter Group AG in April with an impact of € 198 mln on the Net Financial Position, increase in new leases for € 153 mln, payment of a dividend of € 81 mln in May and acquisition of an additional amount of Avio shares in June for € 14 mln.

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

In particular, the performance of the third quarter showed, with revenues at similar levels year on year, a recovery in profitability, with an EBITA benefitting from higher industrial productivity and cost containment. This EBITA was also higher than that recorded in the same period of 2019, despite a lower contribution from the JVs.

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

The primary changes that marked the Group's performance compared to the previous year are described below.

Commercial Performance

- **New Orders**, amounted to **EUR 8,510 million**, remained substantially in line with the first nine months of 2019. Specifically, the significant increase in the *Helicopters* (41%) was offset by a decline recorded in the *Defence Electronics & Security* and *Aeronautics*, which had benefitted from major new orders during the comparative period
- **Backlog**, amounted to **EUR 34,980 million**, ensures a coverage in terms of equivalent production equal to about 2.5 years

Business Performance

- **Revenues**, amounted to **EUR 9,025 million**, remained in line with the first nine months of 2019, showing a decline in the *Helicopters*, mainly due to fewer civil deliveries attributable to the abovementioned effects of the COVID-19 pandemic, which was offset by expected higher volumes on the EFA Kuwait programme of *Aircraft* and at *Leonardo DRS*
- **EBITA**, amounted to **EUR 497 million**, (with a ROS of 5.5%) showed a decrease of € 189 mln compared to the comparative period, which was mainly due to the abovementioned effects of the COVID-19 pandemic and characterized by a strong recovery quarter by quarter
- **EBIT**, amounted to **EUR 395 million**; compared to the first nine months of 2019 (€ 648 mln), a reduction of € 253 mln (-39%), mainly due to a decrease in EBITA, the recognition of costs incurred to comply with the Government's guidelines on COVID-19, including those for the protection of workers' health and to support the Governmental bodies in managing the emergency, as well as to some external costs incurred because of the inability to stop the performance of certain specific services
- **Net Result before extraordinary transactions**, amounted to **EUR 135 million**, was affected by a deterioration of EBITA, as well as by the higher impact of financial costs
- **Net Result** amounted to **€ 137 mln** included the effects of the space business of Vitrociset, classified among Discontinued Operations. The comparative figure benefitted from the effects of the transaction with Hitachi related to the guarantees given upon the sale of the transportation business of AnsaldoBreda S.p.A.

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

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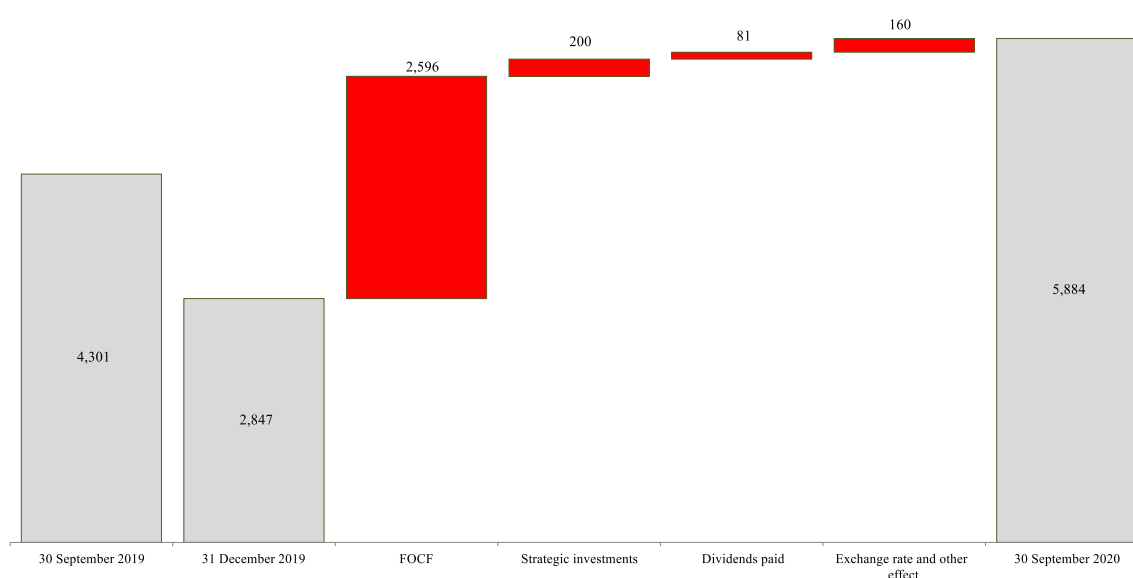
Financial performance

- **Free Operating Cash Flow (FOCF)**, negative **EUR 2,596 million** (against a negative value of € 1,217 mln in the first nine months of 2019). While confirming the usual interim performance characterised by significant outflows in the first part of the year, this trend was affected mainly by the shift in the fourth quarter of the invoicing and collection milestones and machine deliveries as

a result of the COVID-19 pandemic, which entailed a significant increase in working capital with a consequent cash absorption

- **Group Net Debt, of EUR 5,884 million**, showed an increase compared to 31 December 2019 (€ 2,847 mln), mainly as a result of the negative performance of FOCF, as well as of the impact of the following main events:
 - Acquisition of Kopter Group AG in April with an impact of € 198 mln on the Net Financial Position)
 - Increase in new leases for € 153 mln
 - Payment of a dividend of € 81 mln in May
 - Acquisition of an additional amount of Avio shares in June for € 14 mln

Changes in the Group Net Debt are shown below:



- **Net invested capital, of EUR 10,904 million** showed a significant increase, compared to 31 December 2019 (€ 8,112 mln), which was essentially attributable to the trends in **working capital** affected by the deferral of the invoicing milestone and deliveries discussed earlier

Guidance 2020

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

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

	FY 2019	Outlook 2020 ^(*)
Orders (€bn.)	14.105	12.5 – 13.5
Revenues (€bn.)	13.784	13.2 – 14.0
EBITA (€mil.)	1,251	900 – 950
FOCF (€mil.)	241	<i>heading to neutral</i>
Group Net Debt (€bn.)	2.847	ca. 3.3 ^(**)

(*) Exchange rate assumptions €/USD 1.15 and €/GBP a 0.88

(**) Including 0.1 bn higher IFRS 16 effect, Kopter acquisition (ca 0.2 bn and dividend payment

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

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

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

- the level of New Orders and Revenues continues to track in line with expectations for the full year, despite slowdowns in the finalisation of some export commercial campaigns due to COVID-19. This reflects solid demand for the Group's products from domestic and international customers and strengthens our confidence in the medium-long term opportunities for the business;
- the actions implemented to ensure a progressive recovery of productivity levels are bringing good results, with clear signs of recovery in the third quarter. Together with savings from cost reduction actions, this supports the delivery of EBITA expected for the full year and helps to mitigate the risks related to the performance of Joint Ventures and civil business, based on deliveries in the fourth quarter;
- the Group has detailed actions in place to deliver FOCF for the full year that reflects an exceptionally high concentration of activities and cash-ins in the last 2 months of the year and the current level of COVID-19 related restrictions.

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

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

- Leadership position in key market segments of *Helicopters, Defence Electronics and Aircraft* recognised in export markets

Main figures of the third quarter of 2020

Group (Euro million)	3Q 2019	3Q 2020	Chg. %
New orders	2,434	2,406	(1.2%)
Revenues	3,172	3,147	(0.8%)
EBITA	199	205	3.0%
EBIT	186	168	(9.7%)
Net result before extraordinary transactions	115	76	(33.9%)
Net results	116	77	(33.6%)
FOCF	(167)	(707)	(324.4%)

SECTOR PERFORMANCE

9M 2019 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	2,234	12,551	2,736	270	9.9%
Defence Electronics & Security	4,643	12,848	4,337	342	7.9%
Aeronautics	2,012	11,640	2,304	165	7.2%
Space	-	-	-	23	n.a.
Other activities	146	372	326	(114)	(35.0%)
Eliminations	(456)	(898)	(569)	-	n.a.
Total	8,579	36,513	9,134	686	7.5%

9M 2020 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	3,154	12,546	2,642	219	8.3%
Defence Electronics & Security	4,499	12,708	4,418	317	7.2%
Aeronautics	1,172	10,506	2,285	95	3.8%
Space	-	-	-	(1)	n.a.
Other activities	89	120	297	(133)	(41.8%)
Eliminations	(404)	(900)	(617)	-	n.a.
Total	8,510	34,980	9,025	497	5.5%

Change %	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	41.2%	(0.0%)	(3.4%)	(18.9%)	(1.6) p.p.
Defence Electronics & Security	(3.1%)	(1.1%)	1.9%	(7.3%)	(0.7) p.p.
Aeronautics	(41.7%)	(9.7%)	(0.8%)	(42.4%)	(3.0) p.p.
Space	n.a.	n.a.	n.a.	(104.3%)	n.a.
Other activities	(39.0%)	(67.7%)	(8.9%)	(16.7%)	(9.8) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.
Total	(0.8%)	(4.2%)	(1.2%)	(27.6%)	(2.0) p.p.

Helicopters

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

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

- the contract falling within the scope of the IMOS (Integrated Merlin Operational Support) programme for the provision of logistic support and maintenance services for the UK Ministry of Defence's fleet of AW101 Merlin helicopters;
- the orders for the Italian Army for development activities in relation to NEES (New Exploration And Escort Helicopter) programme and for the supply of fifteen AW169 helicopters and logistic support and training services falling within the scope of the LUH (Light Utility Helicopter) programme;
- the first order of thirty-two TH-73A (AW119) helicopters for the US Navy.

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

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

Defence Electronics & Security

9M 2019 (Euro million)	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	2,660	2,738	239	8.7%
Leonardo DRS	2,005	1,616	103	6.4%
Eliminations	(22)	(17)	-	n.a.
Total	4,643	4,337	342	7.9%

9M 2020 (Euro million)	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	2,246	2,731	216	7.9%
Leonardo DRS	2,262	1,719	101	5.9%
Eliminations	(9)	(32)	-	n.a.
Total	4,499	4,418	317	7.2%

Change %	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	(15.6%)	(0.3%)	(9.6%)	(0.8) p.p.
Leonardo DRS	12.8%	6.4%	(1.9%)	(0.5) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	(3.1%)	1.9%	(7.3%)	(0.7) p.p.

	New Orders	Revenues	EBITA	ROS %
Leonardo DRS (\$ mln.) 9M 2019	2,253	1,816	116	6.4%
Leonardo DRS (\$ mln.) 9M 2020	2,543	1,932	114	5.9%

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

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

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

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

Aeronautics

9M 2019 (Euro million)	Ordini	Ricavi	EBITA	ROS %
Aircrafts	1,521	1,502	188	12.5%
Aerostructures	535	846	(27)	(3.2%)
GIE ATR	-	-	4	n.a.
Eliminations	(44)	(44)	-	n.a.
Total	2,012	2,304	165	7.2%

9M 2020 (Euro million)	Ordini	Ricavi	EBITA	ROS %
Aircrafts	772	1,704	204	12.0%
Aerostructures	449	630	(47)	(7.5%)
GIE ATR	-	-	(62)	n.a.
Eliminations	(49)	(49)	-	n.a.
Total	1,172	2,285	95	4.2%

Change %	Ordini	Ricavi	EBITA	ROS %
Aircrafts	(49.2%)	13.4%	8.5%	(0.5) p.p.
Aerostructures	(16.1%)	(25.5%)	(74.1%)	(4.3) p.p.
GIE ATR	n.a.	n.a.	(1650.0%)	n.a.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	(41.7%)	(0.8%)	(42.4%)	(3.0) p.p.

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

Aircrafts

From a production point of view: for military programmes there was the delivery of 27 wings to Lockheed Martin for the F-35 programme (28 in the first nine months of 2019).

New Orders: showed a decrease compared to the first nine months of 2019.

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

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

- Revenues were higher compared to the first nine months of 2019 since the higher volumes associated with the ramp-up of production on the EFA-Kuwait programme more than offset the productions slowdown mentioned above due to the effects of the COVID-19 pandemic

EBITA: the ramp-up of production on the EFA-Kuwait programme and productivity recovery actions and the measures to curb costs more than offset the slowdown due to the effects of the COVID-19 pandemic

Aerostructures

From a production point of view, 90 deliveries were made for fuselage sections and 58 stabilisers for the B787 programme (123 fuselage sections and 62 stabilisers delivered in the first nine months of 2019), and 19 fuselages for the ATR programme (51 delivered in the first nine months of last year)

New Orders: showed a decrease compared to the first nine months of 2019.

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

Revenues: the Division were affected in particular by the decrease in the production rates for the B787 and ATR programmes

EBITA: the COVID-19 effects on volumes of activities and on the manufacturing efficiency were partly mitigated by the measures to curb costs and by the agreement with Airbus concerning the stopping of work of the A380 aircraft

GIE-ATR

EBITA: GIE-ATR consortium was affected by lower deliveries (1 delivery in the period compared to 29 deliveries in the comparative period) recording a significant performance decrease compared to 2019

Space

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

Industrial transactions

- **Merger of Sistemi Dinamici S.p.A. by incorporation into Leonardo S.p.a.** On 1 January 2020 the merger of Sistemi Dinamici S.p.A. by incorporation into Leonardo S.p.a. became effective, which had been approved by the Board of Directors' meeting held on 27 June 2019
- **Acquisition of Kopter Group AG (Kopter).** On 28 January 2020 Leonardo signed a contract with Lynwood (Schweiz) AG to acquire 100% of the Swiss helicopter company Kopter. SH09, the new single engine helicopter that is being currently developed by Kopter, fits into the product portfolio of Leonardo, offering opportunities for future technological developments. The Swiss company's competencies will boost the development of new technologies, mission capabilities and hybrid/electrical propulsion solutions. This acquisition replaces the investment aimed at the development of a new single engine helicopter already included in the Plan. Kopter will act as an autonomous legal entity and competence centre within the Leonardo *Helicopters* working in close coordination with it. The transaction was completed on 8 April 2020 and entailed an outlay of € 185 mln (with an impact on the net financial position equal to € 198 mln). The analyses carried out after the outbreak of the pandemic confirm the validity of the Business Case

- **Memorandum of agreement with Codemar.** On 12 February 2020 Leonardo (through its subsidiary Leonardo International) and Codemar (Companhia de Desenvolvimento de Maricá) created a new joint venture, named *Leonardo&Codemar SA*, which will operate as the main partner of the Maricá municipality for the development of proposals about urban security, resilience, management of critical infrastructures and helicopter services, which will constitute an important lever for its economic and sustainable development
- **Acquisition of Precision Aviation Services.** On 20 December 2019 Leonardo signed the contract for the acquisition of Precision Aviation Services (PAS) with the objective of strengthening its local service capacity and, therefore, improving support to Leonardo's fleet operating in the Sub-Saharan Africa region (in particular South Africa), which relies on about 120 aircraft. The closing of the transaction took place on 30 April 2020 and entailed an outlay of about € 2 mln
- **Increasing our investment in Avio and further strengthening our position in the Space Sector.** On 15 June 2020 Leonardo announced the conclusion of the transactions aimed at acquiring 988,475 shares of Avio. Following the aforesaid transactions, which were completed on 29 May 2020 with an outlay of € 14 mln, Leonardo's investment increased by 3.75% and is currently equal to 29.63% of the share capital of Avio

Financial transactions

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

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

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

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

S.p.a., for a total value of € 240 mln (used for € 34 mln at 30 September). Finally, Leonardo had unconfirmed unsecured lines of credit for a total of € 10,732 mln, of which an amount of € 3,689 mln available at 30 September 2020.

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

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

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

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

The officer in charge of the company's financial reporting, Alessandra Genco, hereby declares, in accordance with the provisions of Article 154-bis, paragraph 2, of the Consolidated Law on Finance, that the accounting information included in this press release corresponds to the accounting records, books and supporting documentation.

The interim results, approved today by the Board of Directors, are made available to the public at the Company's registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, section Investors/Results and Reports), as well as on the website of the authorised storage mechanism eMarket Storage (www.emarketstorage.com).

CONSOLIDATED INCOME STATEMENT

€mln.	9M 2019	9M 2020	Var. YoY	3Q 2019	3Q 2020	Var. YoY
Revenues	9,134	9,025	(109)	3,172	3,147	(25)
Purchases and personnel expense	(8,109)	(8,135)	(26)	(2,896)	(2,798)	98
Other net operating income/(expense)	(19)	14	33	9	(12)	(21)
Equity-accounted strategic JVs	58	(38)	(96)	24	(14)	(38)
Amortisation and depreciation	(378)	(369)	9	(110)	(118)	(8)
EBITA	686	497	(189)	199	205	6
ROS	7.5%	5.5%	(2.0) p.p.	6.3%	6.5%	0.2 p.p.
Non recurring income (expense)	(7)	(60)	(53)	(3)	(15)	(12)
Restructuring costs	(11)	(21)	(10)	(4)	(15)	(11)
Amortisation of intangible assets acquired as part of Business combinations	(20)	(21)	(1)	(6)	(7)	(1)
EBIT	648	395	(253)	186	168	(18)
EBIT Margin	7.1%	4.4%	(2.7) p.p.	5.9%	5.3%	(0.6) p.p.
Net financial income/ (expense)	(188)	(207)	(19)	(64)	(68)	(4)
Income taxes	(93)	(53)	40	(7)	(24)	(17)
Net result before extraordinary transactions	367	135	(232)	115	76	(39)
Net result related to discontinued operations and extraordinary transactions	98	2	(96)	1	1	-
Net result	465	137	(328)	116	77	(39)
attributable to the owners of the parent	465	136	(329)	116	195	79
attributable to non-controlling interests	-	1	1	-	-	-
Earning per share (Euro)						
Basic e diluted	0.809	0.237	(0.572)	0.202	0.134	(0.068)
Earning per share of continuing operation (Euro)						
Basic e diluted	0.638	0.233	(0.405)	0.200	0.132	(0.068)
Earning per share of discontinuing operation (Euro)						
Basic e diluted	0.171	0.004	(0.167)	0.002	0.002	(0.000)

CONSOLIDATED BALANCE SHEET

<i>€mln.</i>	30.9.2019	31.12.2019	30.9.2020
Non-current assets	12,364	12,336	12,109
Non-current liabilities	(2,346)	(2,243)	(2,146)
Capital assets	10,018	10,093	9,963
Inventories	1,401	947	2,868
Trade receivables	3,013	2,995	2,992
Trade payables	(3,371)	(3,791)	(3,179)
Working capital	1,043	151	2,681
Provisions for short-term risks and charges	(1,096)	(1,164)	(1,180)
Other net current assets (liabilities)	(784)	(968)	(560)
Net working capital	(837)	(1,981)	941
Net invested capital	9,181	8,112	10,904
Equity attributable to the Owners of the Parent	4,936	5,323	5,068
Equity attributable to non-controlling interests	11	11	11
Equity	4,947	5,334	5,079
Group Net Debt	4,301	2,847	5,884
Net (assets)/liabilities held for sale	(67)	(69)	(59)

CONSOLIDATED CASH FLOW STATEMENT

<i>€mln.</i>	9M 2019	9M 2020
Cash flows used in operating activities	(864)	(2,444)
Dividends received	134	53
Cash flow from ordinary investing activities	(487)	(205)
Free operating cash flow (FOCF)	(1,217)	(2,596)
Strategic investments	(44)	(200)
Change in other investing activities	(1)	1
Net change in loans and borrowings	314	1,335
Dividends paid	(81)	(81)
Net increase/(decrease) in cash and cash equivalents	(1,029)	(1,541)
Cash and cash equivalents at 1 January	2,049	1,962
Exchange rate gain/losses and other movements	10	(16)
Net increase in cash and cash equivalents - discontinued operation	(6)	-
Cash and cash equivalents at 30 September	1,024	405

CONSOLIDATED FINANCIAL POSITION

<i>€mln.</i>	30.9.2019	31.12.2019	30.9.2020
Bonds	3,156	2,741	3,199
Bank debt	1,091	983	1,932
Cash and cash equivalents	(1,024)	(1,962)	(405)
Net bank debt and bonds	3,223	1,762	4,726
Current loans and receivables from related parties	(154)	(161)	(147)
Other current loans and receivables	(42)	(36)	(36)
Current loans and receivables and securities	(196)	(197)	(183)
Non current financial receivables from Superjet	(13)	0	0
Hedging derivatives in respect of debt items	(9)	0	(3)
Other related-party loans and borrowings	709	727	696
Leasing liabilities	443	415	507
Related-party leasing liabilities	32	36	31
Other loans and borrowings	112	104	110
Group net debt	4,301	2,847	5,884

EARNINGS PER SHARE

	9M 2019	9M 2020	Var. YoY
Average shares outstanding during the reporting period (in thousands)	575,008	575,043	35
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	465	136	(329)
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	367	134	(233)
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	98	2	(96)
BASIC AND DILUTED EPS (EUR)	0.809	0.237	(0.572)
BASIC AND DILUTED EPS from continuing operations	0.638	0.233	(0.405)

9 months 2019 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	2,234	4,643	2,012	-	146	(456)	8,579
Order backlog 31.12.2019	12,551	12,848	11,640	-	372	(898)	36,513
Revenues	2,736	4,337	2,304	-	326	(569)	9,134
EBITA	270	342	165	23	(114)	-	686
<i>EBITA margin</i>	9.9%	7.9%	7.2%	n.a.	(35.0%)	n.a.	7.5%
EBIT	263	314	165	23	(117)	-	648
Amortisation	66	110	116	-	50	-	342
Investments	139	130	85	-	56	-	410
Workforce (no.) 31.12.2019	12,331	23,736	11,215	-	2,248	-	49,530

9 months 2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	3,154	4,499	1,172	-	89	(404)	8,510
Order backlog	12,546	12,708	10,506	-	120	(900)	34,980
Revenues	2,642	4,418	2,285	-	297	(617)	9,025
EBITA	219	317	95	(1)	(133)	-	497
<i>EBITA margin</i>	8.3%	7.2%	4.2%	n.a.	(44.8%)	n.a.	5.5%
EBIT	192	259	84	(1)	(139)	-	395
Amortisation	59	100	99	-	54	-	312
Investments	92	132	70	-	40	-	334
Workforce (no.)	12,497	24,395	11,303	-	1,778	-	49,973

3Q 2019 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	527	1,247	681	-	48	(69)	2,434
Revenues	841	1,477	915	-	115	(176)	3,172
EBITA	70	114	44	10	(39)	-	199
<i>EBITA margin</i>	8.3%	7.7%	4.8%	n.a.	(33.9%)	n.a.	6.3%
EBIT	69	106	44	10	(43)	-	186
Amortisation and depreciation	15	33	36	-	16	-	100
Investments	49	41	30	-	23	-	143

3Q 2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	628	1,641	194	-	24	(81)	2,406
Revenues	949	1,521	772	-	102	(197)	3,147
EBITA	80	151	19	9	(54)	-	205
<i>EBITA margin</i>	8.4%	9.9%	2.5%	n.a.	(52.9%)	n.a.	6.5%
EBIT	65	136	14	9	(56)	-	168
Amortisation and depreciation	20	33	30	-	18	-	101
Investments	58	45	15	-	13	-	131

Fine Comunicato n.0131-91

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