

Leonardo: responding robustly to the pandemic also benefitting from military/governmental business. 1H 2020 resilient performance, with Orders at € 6.1 billion. FY 2020 New Guidance and confidence in medium-long term fundamentals.

Responding robustly to COVID-19

- Quick and effective action plans protecting employees, business and supporting customers
- Business has held up operationally
- Positive mitigating actions and recovery plans in place

Benefitting from business mix with strong military/governmental weighting, although seeing impact on civil side

- Military/governmental proving very resilient
- Strategic relevance in domestic markets
- Impact on civil segment and JV's
- Short-term impact on civil deliveries, programme execution and productivity

Resilient 1H 2020 Results in face of unprecedented challenges

- Strong commercial performance: New Orders at € 6.1 billion
- Solid Revenues at € 5.9 billion
- EBITA at € 292 million, reflecting COVID impact
- FOCF negative € 1.9 billion, in line with expected seasonal trends and partially affected by COVID-19

Robust response to COVID-19 and business resilience gives confidence in New FY 2020 Guidance (assuming no virus resurgence and no further lockdowns)

- Order Intake at € 12.5-13 billion
- Revenues at € 13.2-14 billion
- EBITA at € 900-950 million
- The Group has the objective to reach a neutral FOCF
- Group Net Debt at € 3.3 billion

Proven medium-longer term fundamentals and strengths

- Significant backlog of € 36 billion
- Strength of products and technologies
- Confidence in markets, customers
- Support of key stakeholders

Rome, 30 July 2020 – Leonardo's Board of Directors, convened today under the Chairmanship of Luciano Carta, examined and unanimously approved the results of the first half 2020.

Alessandro Profumo, Leonardo CEO stated *"I want to express my thanks to all our people at Leonardo for the commitment and effort during these trying times. The first half results showed that we have remained resilient in the face of extreme market conditions, with a strong*

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.

military/governmental domestic commercial performance. We have responded quickly and robustly to COVID-19 crisis and to the new scenario proving that Leonardo has strong foundations to leverage on. We continue to actively manage the situation well with mitigating actions and recovery plans in place. Our robust response and business resilience give us confidence in FY 2020 New Guidance. Despite pandemic challenges, the medium-long term fundamentals of our business remain unchanged and we remain confident in executing our Industrial Plan to create value for all our stakeholders”.

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

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

The industrial performance, even if affected during this half-year by the effects of the COVID-19, has begun to highlight the first signs of stabilization also as a result of initiatives implemented to guarantee the full business operations. The profitability is affected also by a lower contribution from the JVs and a mix of activities characterised by programmes under development or in which the Group operates as a prime contractor, with profit margins below the average but which are essential to the current and future positioning of the Group’s products and technologies.

The cash flows, in addition to being affected by the usual interim performance characterised by significant outflows in the first part of the year, were partly affected by some critical issues that arose mainly in the second quarter due to the COVID-19 pandemic, which entailed an increase in working capital with a consequent cash absorption.

Following the solid results recorded in terms of sales and manufacturing at the beginning of the year, the Group’s performance for the first half-year of 2020 began to be affected by the effects of the COVID-19 pandemic from March. In particular, the following effects were reported:

- A slowdown in production activities following the actions taken to protect the health of workers in line with the Italian Government’s recommendations (revision of manufacturing processes and work organisation to ensure social distancing, sanitisation of premises). This slowdown led to a reduction in production hours developed with related lower efficiency, in particular in March and April, with a gradual recovery from May. The half-year saw an average drop of 13% in production hours compared to expectations that, although mitigated by the initial effects of the measures aimed at recovering adequate productivity levels, was more marked at the entities with a greater incidence of manufacturing activities, such as those of the Aerostructures, Helicopters and Aircraft Divisions
- Less progress in the programmes, especially in the European component of the Defense & Security Electronics division, in the Aircraft division and to a lesser degree in Helicopters, as a result of the aforementioned slowdown, restrictions on the movement of resources and the impossibility of accessing our customers’ sites, as well as of an initial lower efficiency due to the reorganisation of some activities in smart working mode
- The first effects of a decline in demand in the civil market due to the dramatic slowdown in the global transport sector, which is now having an impact on aircraft manufacturers and which consequently affects Aerostructure production volumes, as well as sales forecasts for civil helicopters and ATR aircraft. This factor, together with the impossibility of our customers to carry out the testing and acceptance tests of the machines, led to the postponement of deliveries, particularly with regard to ATR aircraft and civil helicopters, as well as a decrease in the production rates of the Aerostructures Division, particularly on the B787 and ATR programmes

- Negligible effects at the reporting date on the supply chain, which nevertheless remains deserving of the utmost attention

As already highlighted in the results as at 31 March 2020, The Group reacted promptly to the new scenario by implementing a series of measures primarily aimed at guaranteeing the full protection of the workers' health and safety, while preserving the continuity of its production. From an operational point of view, the initiatives include actions aimed at recovering adequate productivity levels through the gradual increase of the workers' presence in the sites in safe conditions. In parallel, the Group is carrying out a profound review of its cost base and investment level, reducing or delaying all initiatives and expenses not strictly necessary or strategic, saving controllable and labour costs, in order to mitigate the effects of COVID-19 on the results of the year.

The primary changes that marked the Group's performance compared with that of the previous year are described below:

- **New Orders**, amounted to **EUR 6,104 million**, remained substantially in line with the first half of 2019. Specifically, the significant increase in the Helicopters sector (48%) was offset by a decline recorded in the *Defense & Security Electronics* and *Aeronautics* sectors, which had benefitted from major new orders during the first half of 2019
- **Backlog**, amounted to **EUR 35,920 million**, ensures a coverage in terms of equivalent production equal to about 2.5 years
- **Revenues**, amounted to **EUR 5,878 million**, remained in line with the first half of 2019 (€ 5,962 bn), showing a decline in the *Helicopters* sector, mainly due to fewer deliveries attributable to the abovementioned effects of the COVID-19 pandemic, which was offset by higher volumes on the EFA Kuwait programme of *Aircraft* and at *Leonardo DRS*
- **EBITA**, amounted to **EUR 292 million**, (with a ROS of 5.0%) showed a decrease of € 195 mln compared to the first half of 2019, which was mainly due to the abovementioned effects of the COVID-19 pandemic
- **EBIT**, amounted to **EUR 227 million**; showed, compared to the first half of 2019 (€ 462 mln), a reduction of € 235 mln (-50.9%), 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 difficulty in stopping the performance of some specific services
- **Net Result before extraordinary transactions**, amounted to **EUR 59 million**, was affected by a fall in EBITA, as well as by the higher impact of financial costs for the period, associated with exchange rate hedging
- **Net Result** amounted to **€ 60 mln** included the effects of the space business of Vitrociset, classified among Discontinued Operations
- **Free Operating Cash Flow (FOCF)**, negative **EUR 1,889 million** (against a negative value of € 1,050 mln in the first half of 2019). While confirming the usual interim performance characterised by significant outflows in the first part of the year, this trend was partly affected by issues that arose mainly in the second quarter 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 5,074 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 on the net financial position:

- Acquisition of Kopter Group AG in April with an impact of € 198 mln on the Net financial position)
- Acquisition of an additional amount of Avio shares in June for € 14 mln
- Payment of a dividend of € 81 mln in May
- Increase in new leases for € 54 mln

Guidance 2020

The regular and ordinary performance of the Group's business activities is being impacted by the COVID-19 crisis, in a global context of serious economic recession and high uncertainty. Even in this context, Leonardo confirms its resilience, based on a solid Order Backlog and on the ability to react promptly to this new scenario, and it remains confident in its business fundamentals.

In summary, the effects of COVID-19 are expected to show an impact on 2020 performance - compared to expectations before the outbreak of COVID-19 - as described below:

- slowdowns of activities aimed at finalising commercial negotiations, mainly due to travel bans, leading to the postponement of the acquisition of some orders, mainly in the export component, with a consequent impact on production volumes and related margins
- drop in demand in the civil market, which is expected to continue well beyond the end of the year, leading to lower new orders, revenues and margins
- slowdown on programme execution, following the slowdowns in production activities caused by actions taken to protect the safety of workers, travel bans and the inability to access customer sites, impacting Group revenues and consequently margins
- reduction of productive hours resulting from lower presence and lower efficiency, (although mitigated by the actions aimed at recovering adequate productivity levels in the second half of the year) leading to a lower absorption of fixed costs with consequent impact on EBITA

These effects are expected to be partially offset by actions promptly implemented by the Group. In addition to the progressive recovery of adequate productivity levels, these actions aim to achieve savings on controllable costs and on labor costs as well as a reduction in net investments. Actions taken are progressing according to plan and are on track to deliver the expected positive effects.

Based on first half results and the review of the projections for the second half, and assuming no covid-19 resurgence and no further lockdowns, Leonardo expects for full year 2020:

- Orders in the range of 12.5-13.5 billion, this estimate reflects the downsizing of demand in the civil market and some postponements of export campaigns due to the effects of the pandemic, and it confirms the important orders in the military/governmental business, mainly by domestic customers
- Revenues in the range of 13.2-14 billion, substantially in line with 2019 despite the effects of the decline in the civil market, which has affected deliveries in Helicopters and the production rates in Aerostructures, and lower activities on programmes caused by COVID-19; this also reflects the expectation of an acceleration of activities in the second half of the year and confirms the Group's resilience, leveraging on a solid Order Backlog and the high exposure to the military/governmental business
- EBITA in the range of 900-950 million, confirms the solidity of the business fundamentals despite this particularly challenging context, affected by the aforementioned impact of COVID-19 on volumes, deliveries and absorption of fixed costs, partially mitigated by savings associated with the reduction of controllable costs and labor costs

- The Group has the objective to reach a neutral FOCF , thanks to a constant focus, even stronger today, on the achievement of invoicing milestones on programmes together with optimisation of working capital and investment levels; this is expected to offset the lower collections associated with the postponement of cash-ins related to milestones and deliveries, as a result of COVID-19 as well as the lower cash advances associated with delays in export order acquisition

Below the FY 2020 Guidance, assuming no virus resurgence and no further lockdowns:

	<i>FY 2019</i>	<i>Outlook 2020^(**)</i>
Orders (€bn)	14.105	12.5 – 13.5
Revenues (€bn)	13.784	13.2 – 14.0
EBITA (€m)	1,251	900 - 950
FOCF (€m)	241	heading to neutral
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

Key Performance Indicators

Group (Euro million)	1H 2019	1H 2020	Chg.	Chg. %	FY 2019
New orders	6,145	6,104	(41)	(0.7%)	14,105
Order backlog	36,321	35,920	(401)	(1.1%)	36,513
Revenues	5,962	5,878	(84)	(1.4%)	13,784
EBITDA(*)	755	543	(212)	(28.1%)	1,817
EBITA (**)	487	292	(195)	(40.0%)	1,251
ROS	8.2%	5.0%		(3.2) p,p,	9.1%
EBIT (***)	462	227	(235)	(50.9%)	1,153
EBIT Margin	7.7%	3.9%		(3.8) p,p,	8.4%
Net result before extraordinary transactions	252	59	(193)	(76.6%)	722
Net result	349	60	(289)	(82.8%)	822
Group Net Debt	4,098	5,074	976	23.8%	2,847
FOCF	(1,050)	(1,889)	(839)	(79.9%)	241
ROI	12.5%	6.5%		(6.0) p,p,	16.7%
ROE	10.9%	2.3%		(8.6) p,p,	14.7%
Workforce (no.)	48,755	49,733	978	2.0%	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).

Main figures of the second quarter of 2020

New Orders: amounted to EUR 2,683 million, -26% compared to the second quarter of 2019

Revenues: amounted to EUR 3,287 million, +1.5% compared to the second quarter of 2019

EBITA: amounted to EUR 251 million, compared to the EUR 324 million in the second quarter of 2019

EBIT: EUR 197 million, compared to the EUR 306 million in the second quarter of 2019

Net result before extraordinary transactions: EUR 118 million, compared to the EUR 175 million in the second quarter of 2019

Net Result: EUR 119 million, compared to the EUR 272 million in the second quarter of 2019

Free Operating Cash Flow (FOCF): amounted to negative EUR 294 million, compared to the positive EUR 64 million in the second quarter of 2019

SECTOR PERFORMANCE

1H 2019 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	1,707	12,551	1,895	200	10.6%
Defence Electronics & Security	3,396	12,848	2,860	228	8.0%
Aeronautics	1,331	11,640	1,389	121	8.7%
Space	-	-	-	13	n.a.
Other activities	98	372	211	(75)	(35.5%)
<i>Eliminations</i>	<i>(387)</i>	<i>(898)</i>	<i>(393)</i>	-	<i>n.a.</i>
Total	6,145	36,513	5,962	487	8.2%

1H 2020 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	2,526	12,892	1,693	139	8.2%
Defence Electronics & Security	2,858	12,733	2,897	166	5.7%
Aeronautics	978	11,102	1,513	76	5.0%
Space	-	-	-	(10)	n.a.
Other activities	65	134	195	(79)	(40.5%)
<i>Eliminations</i>	<i>(323)</i>	<i>(941)</i>	<i>(420)</i>	-	<i>n.a.</i>
Total	6,104	35,920	5,878	292	5.0%

Change %	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	48.0%	2.7%	(10.7%)	(30.5%)	(2.4) p,p,
Defence Electronics & Security	(15.8%)	(0.9%)	1.3%	(27.2%)	(2.3) p,p,
Aeronautics	(26.5%)	(4.6%)	8.9%	(37.2%)	(3.7) p,p,
Space	n.a.	n.a.	n.a.	(176.9%)	n.a.
Other activities	(33.7%)	(64.0%)	(7.6%)	(5.3%)	(5.0) p,p,
<i>Eliminations</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total	(0.7%)	(1.6%)	(1.4%)	(40.0%)	(3.2) p,p,

1H 2019 <i>(Euro million)</i>	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	2,008	1,871	172	9.2%
Leonardo DRS	1,396	999	56	5.6%
<i>Eliminations</i>	<i>(8)</i>	<i>(10)</i>	-	<i>n.a.</i>
Total	3,396	2,860	228	8.0%

1H 2020 <i>(Euro million)</i>	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	1,420	1,812	102	5.6%
Leonardo DRS	1,445	1,107	64	5.7%
<i>Eliminations</i>	<i>(7)</i>	<i>(22)</i>	-	<i>n.a.</i>
Total	2,858	2,897	166	5.7%

Change %	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	(29.3%)	(3.2%)	(40.7%)	(3.6) p,p,
Leonardo DRS	3.5%	10.8%	14.3%	0.1 p,p,
<i>Eliminations</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total	(15.8%)	1.3%	(27.2%)	(2.3) p,p,

	New Orders	Revenues	EBITA	ROS %
Leonardo DRS (\$ mln.) 1H 2019	1,577	1,129	63	5.6%
Leonardo DRS (\$ mln.) 1H 2020	1,592	1,219	70	5.7%

Helicopters

The first half of 2020 was characterised by a positive performance in terms of sales, with a volume of new orders higher than that recorded in the first half of 2019, while revenues and profitability, which were affected by the effects of the COVID-19 pandemic, reported a drop compared to the same period in 2019.

New Orders. They showed an increase compared to the first half 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 half-year 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 from 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 for thirty-two TH-73A (AW119) helicopters for the US Navy

Revenues. They showed a decrease compared to the first half of 2019 as a result of the COVID-19 pandemic, which had an adverse impact on the number of deliveries made during the period and gave rise to a slowdown in operations, as well as of the expected reduction in the volumes on some programmes in the process of being completed, which were partly offset by higher volumes for the operations on the Customer Support and Training and the NH90 Qatar programme.

EBITA. This decreased compared to the first half of 2019, mainly as a result of a drop in revenues and lower efficiency reported during the half-year, due to the COVID-19 pandemic. Furthermore, it should be noted that the first half of 2019 benefitted from a revision of the terms of the UK pension scheme.

Defence Electronics & Security

The performance during the first half of 2020 was affected by the effects of the COVID-19 pandemic, in particular in Europe, while Leonardo DRS confirmed the growth trend recorded during the first quarter.

New Orders. They were lower than in the same period of the previous year, which had been characterised by major orders gained in the naval sector and in the *Airborne Systems* sector in the United Kingdom. Among the main orders in the period were additional orders won by Leonardo DRS 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, thus confirming in general the good sales performance recorded in the same period of the previous year. The Electronics segment in Europe won the order for the supply of four Vulcan systems for Dutch Navy frigates, as well as orders for the development of electronic-scanning avionic radar systems and communication systems 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. The *Automation* business won the order for the supply of a Baggage Handling System (BHS) for the international airport of Frankfurt.

Revenues. These increased compared to the first half 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 same period of the previous year, mainly as a result of the COVID-19 pandemic, which led to delays in the work progress of operations, with a

consequent lower efficiency of hours developed, particularly in Europe. The sector profitability was also influenced by 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. All this was only partially mitigated by an improvement at Leonardo DRS.

Aeronautics

During the first half-year the Sector's results were significantly affected by the effects of the COVID-19 pandemic, which conditioned the related performance in terms of manufacturing and the number of deliveries made, in particular as regards GIE-ATR.

From a production point of view, 62 deliveries were made for fuselage sections and 40 stabilisers for the B787 programme (compared to 82 fuselage sections and 41 stabilisers delivered in the first half of 2019), and 16 fuselages for the ATR programme (36 delivered in the first half of 2019). For military programmes there was the delivery of 18 wings to Lockheed Martin for the F-35 programme.

New Orders. They showed a decrease compared to the first half of 2019. In particular, the *Aircraft* Division benefitted from the major order gained for the supply of 13 additional M-345 aircraft to the Italian Air Force in the first half of 2019; while the performance of the *Aerostructures* Division was affected by lower orders placed by the GIE consortium for the ATR programme (14 aircraft in the period compared to 37 aircraft in the first half of 2019).

Among the major orders gained in the first half 2020 were the orders received from Lockheed Martin for the F-35 programme and those for logistic support to the C27J and EFA aircraft of the Air Force.

Revenues. The business volumes of both Divisions were affected by the slowdown in production reported in particular in March and April as a result of the COVID-19 pandemic. Nevertheless, revenues were slightly higher than in the first half of 2019 due to higher volumes associated with the ramp-up of production on the EFA-Kuwait programme in the *Aircraft* Division, which more than offset the slowdown mentioned above and in particular the decrease in production rates for the B787 and ATR programmes in the *Aerostructures* Division.

EBITA. This showed a decrease compared to the first half of 2019 due to the effects of the COVID-19 pandemic, which had an impact on the number of deliveries by GIE-ATR (1 delivery in the period compared to 18 deliveries in the first half of 2019) and on the manufacturing efficiency of the two Divisions; this effect was partly offset by the proceeds associated with the agreement with AIRBUS concerning the stop of work of the A380 aircraft in the *Aerostructures* Division.

Space

The lower result for the first half of 2020 was attributable to the manufacturing segment, which recorded, compared to the same period of 2019, a decline in the volume of activities, both for telecommunication satellites and for earth observation, 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 performance in 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, has a strong fit with the product portfolio of Leonardo, offering opportunities for future technological developments. The Swiss company's competencies will boost the development of new technologies, mission capabilities and hybrid/electrical propulsion solutions. This acquisition replaces the investment aimed at the development of a new single engine helicopter already included in the Plan. Kopter will act as an autonomous legal entity and competence centre within the Leonardo Helicopters Division working in close coordination with it. The transaction was completed on 8 April 2020 and entailed an outlay of € 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 Service.** On 20 December 2019 Leonardo signed the contract for the acquisition of Precision Aviation Service (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 € 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 these 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 half of 2020.

Specifically, on 29 January 2020 Leonardo signed a loan agreement with Cassa Depositi e Prestiti (CDP) amounting to € 100 mln, which was fully 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 (BEI).

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, after the end of the half year and more specifically 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 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 June 2020 Leonardo had available, to meet the financing needs for ordinary Group activities, on credit facilities totalling € 4,425 mln, which were made up as follows: a Revolving Credit Facility for € 1,800 mln (used for € 600 mln at 30 June), new credit lines totalling € 2,000 mln (entirely unused at 30 June) and additional unconfirmed short-term cash lines of credit for € 625 mln (used for € 79 mln at 30 June). 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 € 250 mln (used for € 80 mln at 30 June). Lastly, Leonardo had unconfirmed unsecured lines of credit for approximately € 10,875 mln, of which an amount of € 3,650 mln available at 30 June 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 these 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 € 432 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 Ratings (Fitch).

In view of the possibility that in the next 12-24 months 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.

CONSOLIDATED INCOME STATEMENT

€mln.	1H 2019	1H 2020	Var. YoY	2Q 2019	2Q 2020	Var. YoY
Revenues	5,962	5,878	(84)	3,237	3,287	50
Purchases and personnel expense	(5,213)	(5,337)	(124)	(2,790)	(2,917)	(127)
Other net operating income/(expense)	(28)	26	54	(16)	26	42
Equity-accounted strategic JVs	34	(24)	(58)	44	(12)	(56)
Amortisation and depreciation	(268)	(251)	17	(151)	(133)	18
EBITA	487	292	(195)	324	251	(73)
<i>ROS</i>	8.2%	5.0%	(3.2) p.p.	10.0%	7.6%	(2.4) p.p.
Non recurring income (expense)	(4)	(45)	(41)	(4)	(45)	(41)
Restructuring costs	(7)	(6)	1	(7)	(2)	5
Amortisation of intangible assets acquired as part of Business combinations	(14)	(14)	-	(7)	(7)	-
EBIT	462	227	(235)	306	197	(109)
<i>EBIT Margin</i>	7.7%	3.9%	(3.8) p.p.	9.5%	6.0%	(3.5) p.p.
Net financial income/ (expense)	(124)	(139)	(15)	(73)	(58)	15
Income taxes	(86)	(29)	57	(58)	(21)	37
Net result before extraordinary transactions	252	59	(193)	175	118	(57)
Net result related to discontinued operations and extraordinary transactions	97	1	(96)	97	1	(96)
Net result	349	60	(289)	272	119	(153)
<i>attributable to the owners of the parent</i>	349	59	(290)	272	118	(154)
<i>attributable to non-controlling interests</i>	-	1	1	-	1	1
Earning per share (Euro)						
<i>Basic e diluted</i>	0.607	0.103	(0.504)	0.473	0.206	(0.267)
Earning per share of continuing operation (Euro)						
<i>Basic e diluted</i>	0.438	0.101	(0.337)	0.304	0.204	(0.100)
Earning per share of discontinuing operation (Euro)						
<i>Basic e diluted</i>	0.169	0.002	(0.167)	0.169	0.002	(0.167)

CONSOLIDATED BALANCE SHEET

<i>€mln.</i>	30.6.2019	31.12.2019	30.6.2020
Non-current assets	12,190	12,336	12,120
Non-current liabilities	(2,396)	(2,243)	(2,237)
Capital assets	9,794	10,093	9,883
Inventories	844	947	2,404
Trade receivables	3,275	2,995	2,803
Trade payables	(3,017)	(3,791)	(3,144)
Working capital	1,102	151	2,063
Provisions for short-term risks and charges	(1,152)	(1,164)	(1,192)
Other net current assets (liabilities)	(996)	(968)	(794)
Net working capital	(1,046)	(1,981)	77
Net invested capital	8,748	8,112	9,960
Equity attributable to the Owners of the Parent	4,706	5,323	4,930
Equity attributable to non-controlling interests	11	11	11
Equity	4,717	5,334	4,941
Group Net Debt	4,098	2,847	5,074
Net (assets)/liabilities held for sale	(67)	(69)	(55)

CONSOLIDATED CASH FLOW STATEMENT

<i>€mln.</i>	1H 2019	1H 2020
Cash flows used in operating activities	(832)	(1,878)
Dividends received	129	53
Cash flow from ordinary investing activities	(347)	(64)
Free operating cash flow (FOCF)	(1,050)	(1,889)
Strategic investments	(44)	(200)
Change in other investing activities	(19)	5
Net change in loans and borrowings	326	631
Dividends paid	(81)	(81)
Net increase/(decrease) in cash and cash equivalents	(868)	(1,534)
Cash and cash equivalents at 1 January	2,049	1,962
Exchange rate gain/losses and other movements	4	1
Net increase in cash and cash equivalents - discontinued operation	(6)	-
Cash and cash equivalents at 31 June	1,179	429

CONSOLIDATED FINANCIAL POSITION

<i>€mln.</i>	30.6.2019	31.12.2019	30.6.2020
Bonds	3,110	2,741	2,696
Bank debt	1,112	983	1,699
Cash and cash equivalents	(1,179)	(1.962)	(429)
Net bank debt and bonds	3,043	1,762	3,966
Current loans and receivables from related parties	(140)	(161)	(156)
Other current loans and receivables	(44)	(36)	(31)
Current loans and receivables and securities	(184)	(197)	(187)
Non current financial receivables from Superjet	(13)	0	0
Hedging derivatives in respect of debt items	7	0	12
Other related-party loans and borrowings	698	727	713
Leasing liabilities	444	415	439
Related-party leasing liabilities	32	36	32
Other loans and borrowings	71	104	99
Group net debt	4,098	2,847	5,074

EARNINGS PER SHARE

	1H 2019	1H 2020	Var. YoY
Average shares outstanding during the reporting period (in thousands)	574,845	575,008	163
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	349	59	(290)
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	252	58	(194)
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	97	1	(96)
BASIC AND DILUTED EPS (EUR)	0.607	0.103	(0.504)
BASIC AND DILUTED EPS from continuing operations	0.438	0.101	(0.337)

6 months 2019 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	1,707	3,396	1,331	-	98	(387)	6,145
Order backlog 31.12.2019	12,551	12,848	11,640	-	372	(898)	36,513
Revenues	1,895	2,860	1,389	-	211	(393)	5,962
EBITA	200	228	121	13	(75)	-	487
<i>EBITA margin</i>	10.6%	8.0%	8.7%	n.a.	(35.5%)	n.a.	8.2%
EBIT	194	208	121	13	(74)	-	462
Amortisation	65	113	104	-	40	(45)	277
Investments	90	89	55	-	33	-	267
Workforce (no.) 31.12.2019	12,331	23,736	11,215	-	2,248	-	49,530

6 months 2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	2,526	2,858	978	-	65	(323)	6,104
Order backlog	12,892	12,733	11,102	-	134	(941)	35,920
Revenues	1,693	2,897	1,513	-	195	(420)	5,878
EBITA	139	166	76	(10)	(79)	-	292
<i>EBITA margin</i>	8.2%	5.7%	5.0%	n.a.	(40.5%)	n.a.	5.0%
EBIT	127	123	70	(10)	(83)	-	227
Amortisation	53	107	93	-	41	(45)	249
Investments	34	87	55	-	27	-	203
Workforce (no.)	12,539	24,315	11,149	-	1,730	-	49,733

2Q 2019 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,019	1,889	877	-	40	(198)	3,627
Revenues	1,082	1,531	745	-	99	(220)	3,237
EBITA	144	128	84	12	(44)	-	324
<i>EBITA margin</i>	13.3%	8.4%	11.3%	n.a.	(44.4%)	n.a.	10.0%
EBIT	141	113	84	12	(44)	-	306
Amortisation and depreciation	41	60	53	-	20	(21)	153
Investments	(91)	18	40	-	3	154	124

2Q 2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,040	1,385	334	-	29	(105)	2,683
Revenues	989	1,539	869	-	109	(219)	3,287
EBITA	121	86	93	(8)	(41)	-	251
<i>EBITA margin</i>	12.2%	5.6%	10.7%	n.a.	(37.6%)	n.a.	7.6%
EBIT	112	52	87	(8)	(46)	-	197
Amortisation and depreciation	30	54	44	-	22	(22)	128
Investments	-	45	29	-	19	-	93