
Leonardo: FY 2020 results confirm robust and resilient business performance, Orders at € 13.8 bn. Successful execution with positive FOCF at € 40 mln. Continued confidence in medium-long term core business fundamentals.

Successfully steered and navigated the Group through 2020, in an extraordinary scenario effectively addressed

- Continued strong order intake of € 13.8 billion
- Resilient revenue performance at € 13.4 billion
- EBITA at €938 million, with solid performance in main businesses and cost savings offsetting civil market pressures
- Net results at € 243 million
- Delivered record Q4 cash generation to enable FY FOCF to be positive 40 million
- 2020 Integrated Report: ESG embedded across our business and ecosystems

Solid 2021 Guidance

- Assuming progressive improvement in the global health situation through the year with consequent normalization of operating and market conditions as restrictions are eased
- Continued strong commercial momentum, new orders at ca. € 14 bn
- Continued top line resilience, revenues at € 13.8-14.3 bn
- Improving EBITA at € 1,075-1,125 mln
- FOCF will continue to benefit from military/governmental and continued pressures on civil side
- Taken action to address the challenges in the civil side

Medium-Long Term

- Military/governmental showing robustness and resilience
- Solid backlog and order intake confirm confidence we have the right products and service for the future
- Addressing challenges in a complex scenario
- New opportunities post Covid-19 leveraging transversal capabilities

Rome, 9 March 2021– Leonardo's Board of Directors, convened today under the Chairmanship of Luciano Carta, examined and unanimously approved the draft of Group consolidated and Leonardo S.p.A. financial statements at 31 December 2020.

Alessandro Profumo, Leonardo CEO, stated *“We have addressed the 2020 challenging environment achieving strong performance with orders at € 13.8 billion, revenues at € 13.4 billion, EBITA at € 938 million and FOCF positive for € 40 million. Our resilient military and governmental business is in good shape enabling us to deliver results despite Covid impact on civil business. Our strong foundations and core fundamentals give us firm confidence in both the short-term and medium-long term. We are catching new opportunities post Covid leveraging existing transversal capabilities and we are fully focused to create value sustainably for all our stakeholders”.*

Leonardo's first Integrated Annual Report

Leonardo's first Integrated Annual Report aims to offer in a single document a complete, measurable and transparent view of the value generated by the company, connecting financial performance with environmental, social and governance information.

A representation of the development strategies and performances achieved, of the way in which the company creates innovative solutions with its supply chain partners and the scientific research ecosystem, of the way in which it operates responsibly in the countries where it is present, of the use it makes of all its capital, both financial and non-financial.

In this manner, Leonardo strengthens its focus on sustainability within the vision of the next decade, expressed by the Be Tomorrow – Leonardo 2030 Strategic Plan, which outlines the strategic priorities underlying the path to innovation and sustainable development.

2020 Results

The year 2020 saw the Leonardo Group cope with the effects of the pandemic in a scenario that was out of the ordinary and unprecedented, thanks to the strength and diversification of its portfolio of products and solutions and its widespread presence all over the world.

Even if the Covid-19 pandemic has affected the financial position and performance in 2020, the business fundamentals and prospects in the medium to long-term remain unchanged.

In spite of the serious crisis that struck the civil aviation sector and its main global players, Leonardo gave further proof of its resilience in that its sales performance was at the same level as the previous year, while benefitting from orders gained from domestic customers in government and military sectors.

Even with regard to Revenues, the actions taken to limit the effects of government measures restricting movement and the steps taken for the protection of health, in addition to higher production volumes on the programmes in the defence sector, both in the Aircraft Division and in the Helicopters and Electronics sectors, were responsible for a result that was practically the same as in 2019, thus also offsetting a substantial decline in production rates imposed by the main aviation customers Boeing, Airbus and ATR.

While benefiting from the actions taken to bring the business back to full operation and ensure cost reduction, industrial performance and profitability were impacted by the slowdowns recorded during the first phase of the emergency and by a lower demand in the civil aviation sector that affected in particular the Aerostructures Division, helicopters in the civil sector and the ATR JV, which were heavily hit by the drop in demand from the operators in the sector.

Finally, cash flow, while being affected by lower revenues and the slowdowns caused by the pandemic, posted a slightly positive value thanks to an exceptionally high level of proceeds recorded during the last quarter. The Group's net debt remained stable at pre-Covid 2019 levels, after excluding the effects of dividends paid, strategic M&A transactions and the recognition of financial liabilities deriving from new leases.

Key Performance Indicators

Group (Euro million)	2019	2020	Chg.	Chg. %
New orders	14,105	13,754	(351)	(2.5%)
Order backlog	36,513	35,516	(997)	(2.7%)
Revenues	13,784	13,410	(374)	(2.7%)
EBITDA(*)	1,817	1,458	(359)	(19.8%)
EBITA (**)	1,251	938	(313)	(25.0%)
ROS	9.1%	7.0%	(2.1) p.p.	
EBIT (***)	1,153	517	(636)	(55.2%)
EBIT Margin	8.4%	3.9%	(4.5) p.p.	
Net result before extraordinary transactions	722	241	(481)	(66.6%)
Net result	822	243	(579)	(70.4%)
Group Net Debt	2,847	3,318	471	16.5%
FOCF	241	40	(201)	(83.4%)
ROI	16.7%	11.3%	(5.4) p.p.	

(*) 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).

Commercial Performance

- **New Orders**, amounted to **EUR 13,754 million**, thus limiting to just 2.5% the expected downturn for the effects caused by the pandemic compared to the previous year. This occurred thanks to major orders gained from domestic customers in the military and government sectors and in general to a solid performance in all sectors, which confirmed the good positioning of the Group's products and solutions in the target markets, capable of mitigating the effects of a fall in demand in the civil aeronautics sector and of the delays in the completion of export campaigns following the restrictions on sales activities due to the pandemic
- **Backlog**, amounted to **EUR 35,516 million**, ensures a coverage in terms of equivalent production equal to about 2.5 years

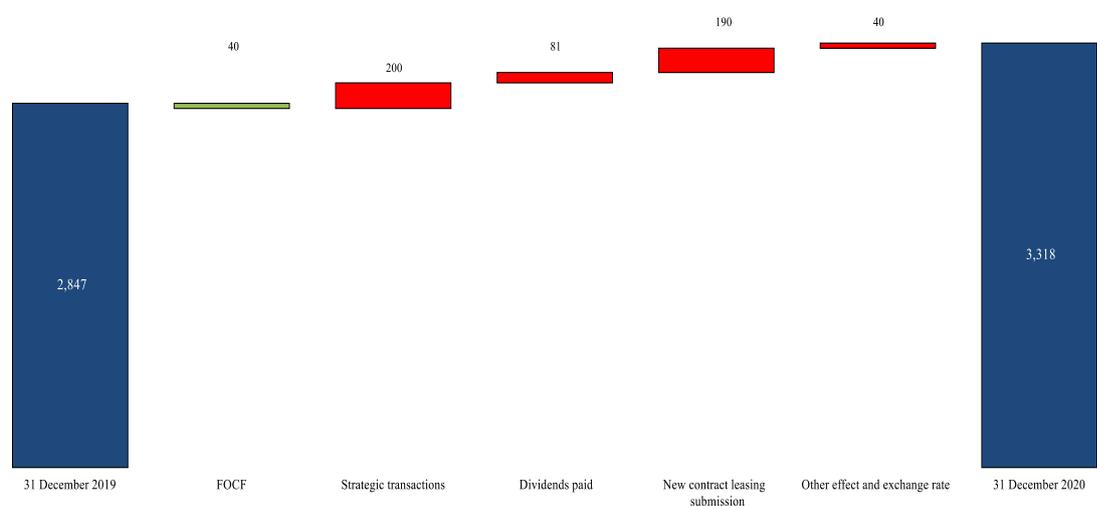
Business Performance

- **Revenues**, amounted to **EUR 13,410 million**, substantially in line with the 2019 figure. The reduction in production volumes on civil aviation programmes was offset by the growth resulting from the ramp-up of operations on some contracts in the military sector (in particular EFA Kuwait), while the slowdowns caused by the pandemic actually slackened the expected increase in the Group's revenues
- **EBITA**, amounted to **EUR 938 million**, (with a ROS of 7.0%) showed, compared to the previous year, a decrease of €mil. 313, mainly due to the abovementioned effects of the Covid-19 outbreak, which have also hit the results achieved by the strategic Joint Ventures, in particular GIE ATR, which alone represents about 40% of the above-mentioned decrease
- **EBIT**, amounted to **EUR 517 million**; showed, compared to 2019 (€mil. 1,153), a reduction of €mil. 636 (-55%), which was mainly due, in addition to a decrease in EBITA, to
 - the necessary one-off update of the valuation of tangible and intangible assets in the civil aviation segment as a result of the expected lower production rates imposed by certain customers (€mil. 248)
 - the recognition of one-off costs incurred to comply with the government's guidelines on the Covid-19 pandemic-related measures, including for the protection of workers' health and the support to government bodies in the management of the emergency (€mil. 55).
- **Net Result before extraordinary transactions**, amounted to **EUR 241 million**, was affected by a reduction in EBIT, net of the tax benefit associated with a lower tax base and the recognition of tax income from previous years, beside a lower impact of financial costs
- **Net Result** amounted to **EUR 243 million** included the effects of the space business of Vitrociset, which is classified among Discontinued Operations. The comparative figure benefited from the effects of the transaction with Hitachi concerning the guarantees given upon the sale of the transport business of AnsaldoBreda S.p.A.

Financial performance

- **Free Operating Cash Flow (FOCF)**, positive **EUR 40 million** (€mil. 241 in 2019). The figure confirms the updated cash generation forecasts communicated to the Group's stakeholders during the year, although it was significantly affected by the ongoing pandemic emergency that makes it difficult to compare the figure to the value posted in the previous year
- **Group Net Debt**, of **EUR 3,318 million**, showed an increase, compared to 31 December 2019 (€mil. 2,847), mainly as a result of the following events, net of FOCF for the period:
 - Acquisition of Kopter Group AG in April 2020, with an impact of €mil. 198 on the Net Financial Position;
 - Recognition of liabilities for new lease agreements entered into in the year for €mil. 190;
 - Payment of dividends of €mil. 81 in May;
 - Acquisition of an additional amount of shares in Avio for €mil. 14 in June

Below is the breakdown of the Group Net Debt to 31 December 2020:



ESG Performance Indicators

	2019	2020	Var.
Workforce (no.)	49,530	49,882	0.7%
Employees under 30 on total employees (%)	10.1	10.3	0.2 p.p.
Women in managerial positions on total managers and junior managers (%)	16.8	17.3	0.5 p.p.
Average hours of training per employee (no.)	18.8	16.2	(13.8%)
Injury rate (injuries on 1,000,000 worked hours)	4.41	2.60	(41.0%)
Employees at OHSAS 18001 or ISO 45001-certified sites on total employees (%)	74	75	1 p.p.
Total R&D expenses (€ billion)	1,525	1,646	7.9%
of which self-funded	553	559	1.1%
Computing power per capita (Gigaflops on no. of Italian employees)	n.a.	198	n.a.
Data storage capacity per capita (Gigabyte on no. of Italian employees)	n.a.	874	n.a.
Energy consumption intensity (MJ/euro) on revenues	0.423	0.410	(3.3%)
Water withdrawals intensity on revenues (l/€)	0.427	0.394	(7.7%)
Waste produced intensity on revenues (g/€)	2.79	2.57	(8.0%)
Scope I and II CO2 emissions intensity on revenues (g/€) location based	43.55	45.39	4.2%

The reported indicators are part of the Consolidated Non-financial Statement

Significant recent developments

Taking into account the medium-term consequences of the pandemic on the civil sector, and in particular the prospects of the commercial aviation market, Leonardo is undertaking actions aimed at mitigating the effects on the industrial performance of the Aerostructures Division. In this context, Leonardo is beginning, among other things, to adopt measures for the early retirement of employees. Management has estimated to involve about 500 employees

Guidance 2021

The pandemic continues to lead to a high level of volatility in the global context.

Although the situation is expected to improve gradually over the course of the year, the macro-economic and health outlook remain uncertain in the short term.

2021 expected performance confirms the Group resilience, underlined by the ability to react to the new context, with a return to our path of sustainable growth and increased profitability. Our civil business is expected to still be heavily affected by the effects of the pandemic, with, in particular, a further contraction of production volumes in Aerostructures and GIE- ATR expected deliveries still far below the pre-Covid-19 levels.

Our Guidance for 2021 assumes a progressive improvement in the global health situation through the year with consequent normalization of operating / market conditions. This is expected to deliver

- high levels of new orders (approx. € 14 bn), reflecting a strong positioning of the Group's products and solutions and effective commercial penetration in key markets;
- revenues of € 13.8-14.3 bn, up compared to 2020 based on the expected contribution of new orders and the delivery of activities in backlog on military / government programmes, in particular EFA Kuwait;
- increasing profitability, with EBITA of € 1,075 - 1,125 mil, driven by the expected growth in volumes and continued solid industrial profitability of the main business areas, offsetting mix effect of programmes under development and growing shares of prime contractor revenues; the estimate reflects also continued pressure in the civil sector, in particular Aerostructures and GIE-ATR;
- FOCF of approx. € 100 mil, assuming a solid performance from the main divisions, a significant cash absorption by the Aerostructures of around € 350-400 mln, and "normalization" of the levels of net investments and operating expenses compared to the extraordinary measures implemented in 2020;
- Group net debt of approx. € bil. 3.2 assuming no dividend payable for 2020 results and no strategic private and public transaction

The estimates for the year 2021 are summarized below

		FY2020A	FY2021 Guidance
New Orders	(€ bn)	13.8	ca. 14
Revenues	(€ bn)	13.4	13.8-14.3
EBITA	(€ mln)	938	1,075-1,125
FOCF	(€ mln)	40	ca. 100
Group Net Debt	(€ bn)	3.3	ca. 3.2

Assuming forex exchange rate €/USD at 1.18 and €/GBP at 0.90.

Proposal to the Shareholder's meeting

Leonardo's Board of Directors has resolved to propose to the Shareholders' Meeting:

- to approve the Directors' Report on operations and the financial statements at 31 December 2020;

- to approve the proposal posed by the Board of Directors of covering the 2020 net loss of Euro 93,152,464.65, through the use of profits carried forward

Main figures of the fourth quarter of 2020

Group (Euro million)	2019	2020	Chg. %
New orders	5,526	5,244	(5.1%)
Revenues	4,650	4,385	(5.7%)
EBITA	565	441	(21.9%)
EBIT	505	122	(75.8%)
Net result before extraordinary transactions	355	106	(70.1%)
Net results	357	106	(70.3%)
FOCF	1,458	2,636	80.8%

SECTOR PERFORMANCE

2019 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	4,641	12,551	4,025	431	10.7%
Defence Electronics & Security	7,022	12,848	6,701	613	9.1%
Aeronautics	2,788	11,640	3,390	362	10.7%
Space	-	-	-	39	n.a.
Other activities	234	372	463	(194)	(41.9%)
<i>Eliminations</i>	<i>(580)</i>	<i>(898)</i>	<i>(795)</i>	-	<i>n.a.</i>
Total	14,105	36,513	13,784	1,251	9.1%

2020 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	4,494	12,377	3,972	383	9.6%
Defence Electronics & Security	7,374	13,449	6,525	537	8.2%
Aeronautics	2,552	10,696	3,393	200	5.9%
Space	-	-	-	23	n.a.
Other activities	103	87	407	(205)	(50.4%)
<i>Eliminations</i>	<i>(769)</i>	<i>(1,093)</i>	<i>(887)</i>	-	<i>n.a.</i>
Total	13,754	35,516	13,410	938	7.0%

Change %	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	(3.2%)	(1.4%)	(1.3%)	(11.1%)	(1.1) p.p.
Defence Electronics & Security	5.0%	4.7%	(2.6%)	(12.4%)	(0.9) p.p.
Aeronautics	(8.5%)	(8.1%)	0.1%	(44.8%)	(4.8) p.p.
Space	n.a.	n.a.	n.a.	(41.0%)	n.a.
Other activities	(56.0%)	(76.6%)	(12.1%)	(5.7%)	(8.5) p.p.
<i>Eliminations</i>	<i>(32.6%)</i>	<i>(21.7%)</i>	<i>(11.6%)</i>	<i>n.a.</i>	<i>n.a.</i>
Total	(2.5%)	(2.7%)	(2.7%)	(25.0%)	(2.1) p.p.

Helicopters

While impacted by the effects of the pandemic, the results achieved in 2020 confirmed the strength of the sector's fundamentals, which recorded a good sales performance and revenue volumes in line with 2019. Profitability, albeit in decline, benefitted from actions taken to limit the effects of the Covid-19 emergency

New Orders: Particularly significant, confirming the positioning of Leonardo's helicopter sector in the related market, were the orders acquired in the government sector, which offset the demand reduction in the civil sector. Among the main acquisitions for the period note:

- The contract falling within the scope of the IMOS (Integrated Merlin Operational Support) programme concerning the provision of logistic support and maintenance services for the fleet of AW101 Merlin helicopters to the UK Ministry of Defence;
- Orders for the Italian Army for development activities relating to the NEES (Nuovo Elicottero da Esplorazione e Scorta, New Exploration and Escort Helicopter) programme, the supply of 15 AW169 helicopters and the provision of logistic support and training services as part of the LUH (Light Utility Helicopter) programme);
- The first order for 32 TH-73A (AW119) helicopters for the US Navy;
- The contract concerning the supply of 31 multipurpose naval NH90 helicopters for the German armed forces

Revenues: They were in line with 2019. The expected reduction in volumes on certain programs nearing completion was offset by increased work on the NH90 Qatar program and the start-up of the TH-73A US program. The expected growth in revenues suffers from the slowdowns caused by the Covid-19 emergency, which adversely affected in particular the number of deliveries during the year.

EBITA: The result is only partially affected by the lower efficiency reported in the period due to the Covid-19, as well as to a less favourable mix of activities performed, thanks to the efficacy of the actions aimed at recovering productivity and containing costs. It should also be noted that the comparative period had benefited from a review of the terms and conditions of the UK pension scheme.

Outlook: In 2021, revenue volumes are expected to grow, driven by the development of backlog activities on military/governmental programmes and a good flow of new orders, although in a context still characterised by the effects of the pandemic, particularly in the civil market. Profitability remained at good levels, also thanks to the initiatives to optimise industrial processes and improve the competitiveness of the main products, even though it was affected by a production mix characterised by growing activities on contracts acquired as prime contractor.

Defence Electronics & Security

The 2020 results showed a solid sales and industrial performance, thus confirming the good positioning of the sector's products and solutions in target markets. Profitability is still affected by the expected revenue mix characterised by programs under development.

2019 (Euro million)	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	4,444	4,289	427	10.0%
Leonardo DRS	2,611	2,438	186	7.6%
<i>Eliminations</i>	(33)	(26)	-	<i>n.a.</i>
Total	7,022	6,701	613	9.1%

2020 (Euro million)	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	4,710	4,147	360	8.7%
Leonardo DRS	2,674	2,414	177	7.3%
<i>Eliminations</i>	(10)	(36)	-	<i>n.a.</i>
Total	7,374	6,525	537	8.2%

Change %	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	6.0%	(3.3%)	(15.7%)	(1.3) p.p.
Leonardo DRS	2.4%	(1.0%)	(4.8%)	(0.3) p.p.
<i>Eliminations</i>	69.7%	(38.5%)	<i>n.a.</i>	<i>n.a.</i>
Total	5.0%	(2.6%)	(12.4%)	(0.9) p.p.

New Orders: They were on the rise compared to 2019, due in particular to an excellent sales performance recorded in Electronics in Europe during the last quarter, despite delays in the completion of certain export campaigns caused by the Covid-19 emergency and the adverse impact of the USD/€ and GBP/€ exchange rate.

The major orders gained for Electronics in Europe included the contract for the equipment of Blindo Centauro 2 vehicles intended for line cavalry regiments of the Italian Army and the contract for the supply of four Vulcano systems for the frigates of the Dutch Navy and, in the United Kingdom, the contract for the development of next-generation radars (AESA, Active Electronically Scanned Array) for the Royal Air Force's Eurofighter Typhoons and the order under the IMOS (Integrated Merlin Operational Support) contract for logistics support and maintenance services for the fleet of AW101 Merlin helicopters, in addition to the supplemental order for the "Safe Soldier" project, providing for a full renewal of individual equipment for the components «Protection», «C4Istar» (Command, Control, Communications, Computers, Information/Intelligence, Surveillance, Targeting Acquisition and Reconnaissance) and «Night mobility» the Italian Army is equipped with.

In the Cyber area note an order for the supply of a Cyber Range Training system to assess the resilience of systems to cyber-attacks for the Qatar Computing Research Institute. With regard to DRS, which confirmed its growth trend of the last few years, note additional orders for the production of the new generation of IT systems, known as Mounted Family of Computer Systems (MFoCS) for

mission commands of the US Army and the contract for the supply of equipment, switchboards and propulsion controls for the CVN 80 and CVN 81 ships for the US Navy.

Revenues: They were substantially in line with the prior year. The production activities of the European component showed a slight decrease, in particular in the last quarter, being affected by delays in the finalisation of part of new orders caused by the Covid-19 emergency in the first nine months. As regards DRS, the excellent trend of the last few years was confirmed with revenues showing an increase considering that 2019 was marked by the peak of operations for the deliveries under the APS contract within the JUON (Joint Urgent Operational Need) programme.

EBITA: The result was affected by the revenue mix characterised by programs under development, which were instrumental to the renewal of the offer portfolio, and by a lower contribution of highly profitable orders, as well as of higher costs recorded on certain programs, in the Automation businesses. The Covid-19 effects on production were neutralised thanks to actions aimed at recovering efficiency and containing costs.

Outlook: In 2021, the slowdown recorded in 2020 due to the pandemic is expected to be recovered, with revenue volumes growing, supported in particular by programmes in portfolio, which was further strengthened during 2020. Profitability improved as a result of the continued focus on programme execution and cost containment, although a mix of activities still characterised by programmes under development and increasing shares of "pass-through" revenues".

Aeronautics

The sector was significantly impacted by the effects of the Covid-19 pandemic, which particularly affected the industrial performance of Aerostructures and the ability to carry out scheduled deliveries on the part of GIE-ATR.

2019 (Euro million)	New Orders	Revenues	EBITA	ROS %
Aircrafts	1,904	2,329	320	13.7%
Aerostructures	948	1,125	(11)	(1.0%)
GIE ATR	-	-	53	n.a.
Eliminations	(64)	(64)	-	n.a.
Total	2,788	3,390	362	10.7%

2020 (Euro million)	New Orders	Revenues	EBITA	ROS %
Aircrafts	2,031	2,634	355	13.5%
Aerostructures	581	819	(86)	(10.5%)
GIE ATR	-	-	(69)	n.a.
Eliminations	(60)	(60)	-	n.a.
Total	2,552	3,393	200	5.9%

Change %	New Orders	Revenues	EBITA	ROS %
Aircrafts	6.7%	13.1%	10.9%	(0.2) p.p.
Aerostructures	(38.7%)	(27.2%)	(681.8%)	(9.5) p.p.
GIE ATR	n.a.	n.a.	(230.2%)	n.a.
Eliminations	6.3%	6.3%	n.a.	n.a.
Total	(8.5%)	0.1%	(44,8%)	(4.8) p.p.

Aircrafts

From a production point of view for the military programmes of Aircraft Division 37 wings were delivered to Lockheed Martin under the F-35 programme (41 in 2019).

New Orders:

- Of particular significance is the performance of the Aircraft Division which, despite some delays in the completion of major export campaigns, reported orders that were higher than in 2019 owing to orders for the modernisation of the German Air Force's Eurofighter Typhoon fleet, as well as orders from Lockheed Martin for the F-35 program and those for logistic support services for the Italian Air Force's C-27J and EFA aircraft

Revenues: Total business volumes were in line with 2019, although they were adversely affected by production slowdowns due to Covid-19, particularly in March and April characterised by stringent government restrictions.

- The Aircraft Division showed a significant performance (+13.1%) which benefitted from the expected ramp-up of production on the EFA-Kuwait program more than offsetting the production slowdowns caused by the pandemic

EBITA: The result of the Aircraft Division benefitted from the abovementioned increase in production on the EFA Kuwait program. The actions taken to recover productivity and contain costs more than offset the slowdowns caused by the Covid-19 emergency with a profitability in line with the prior year.

Outlook: revenue volumes are expected to increase further with first deliveries of EFA Kuwait aircraft, the solid contribution of the F-35 programme and the growth of the activities on proprietary products, specifically M-346 and M-345

Aerostructures

From a production point of view, 105 fuselage sections and 72 stabilisers were delivered under the B787 programme (164 fuselages and 92 stabilisers were delivered in 2019) and 26 fuselages were delivered under the ATR programme (68 in 2019).

New Orders: Orders from customers were affected on the whole by the reduction in new orders recorded by the Aerostructures Division as a result of the downturn in the commercial aviation market.

- the Division was affected by lower requests from the GIE consortium for the ATR program (14 aircraft in 2020 compared to 60 aircraft in 2019) and from Boeing for the B787 (80 fuselages in 2020 compared to 154 in 2019)

Revenues: Total business volumes were in line with 2019, although they were adversely affected by production slowdowns due to Covid-19, particularly in March and April characterised by stringent government restrictions

- The Division was affected by the reduction in the production rates of the B787 and ATR programmes requested by customers

EBITA: For the Aerostructures Division, Covid-19's effects on business volumes and industrial efficiency were only partially offset by cost reduction actions and the income associated with the agreement reached with AIRBUS on the stop of work of the A380 aircraft.

Outlook: For the Civil sector, the trend in 2021 will still be heavily conditioned by the effects of the pandemic, with repercussions on production activities associated with the drop in customer demand. This will lead to a further reduction in the production volumes of the Aerostructures Division, which is particularly exposed to the drop in rates communicated by Boeing, as well as forecasts of deliveries still well below pre-Covid-19 levels by the GIE-ATR

GIE-ATR

EBITA: the GIE-ATR consortium was affected by lower deliveries in the period (10 deliveries in the period compared to 68 deliveries in the comparative period), thus recording a marked deterioration in results compared to 2019, which absorbs about 70% of the lower result of the division

Space

<i>(Milioni di Euro)</i>	Dicembre 2019	Dicembre 2020	Variazioni %
Thales Alenia Space	17	1	(94.1%)
Telespazio	22	22	0.0%
Totale	39	23	(41.0%)

In 2020, the sector was affected by the Covid-19 pandemic, which affected its sales performance, with some slippage in new orders for satellites in the fields of both telecommunications and Earth observation, and production volumes in the manufacturing segment, which recorded a 13% decrease compared to 2019, particularly for Observation, Exploration and Navigation satellites, against substantial stability in the segment of services, which actually grew slightly, particularly in GeoInformation.

The results of operations showed a decline due to the effect of the aforementioned decrease in Revenues and a deterioration of profitability in the manufacturing segment that was hit by the effects of Covid-19 and higher costs on telecommunications programs, which were only partly mitigated by the effects of efficiency improvement actions and lower restructuring costs compared to 2019. The results achieved in the satellite services segment were substantially in line with the value posted in 2019, recording a solid operational performance as a result of a favourable mix of activities and cost reduction actions taken to cope with the effects of the Covid-19 emergency.

Outlook: 2021 is characterised by growing business volumes and improving profitability as a result of the gradual recovery of the manufacturing segment, which was particularly penalised in 2020 by the effects of Covid-19 and difficulties on development programmes, while confirming a solid operating performance in the satellite service segment.

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 was approved by the Board of Directors 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. The SH09, the new single-engine helicopter currently under development by Kopter, is part of Leonardo's product portfolio and offers opportunities for further technological developments in the future. The Swiss company's expertise will allow the development of new technologies, mission capabilities and hybrid/electric propulsion solutions, to be speed up. The acquisition replaces the investments aimed at developing a new single-engine helicopter already envisaged in the Plan. Kopter will act as an autonomous legal entity and competence centre within and in close coordination with the Leonardo Helicopter Division. The transaction was completed on 8 April 2020 and entailed an outlay of €mil. 185 (with an effect of €mil. 198 on the net financial position). The analyses carried out after the outbreak of the pandemic confirmed the validity of the Business Case;
- **Joint venture agreement with Codemar.** On 12 February 2020, Leonardo (through its subsidiary Leonardo International) and Codemar (Companhia de Desenvolvimento de Maricá) set up a new joint venture, named Leonardo&Codemar SA, which will operate as the main partner of the Municipality of Maricá for the development of proposals concerning urban security, resilience, critical infrastructure management and helicopter services that will be a key 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 aim of strengthening its local service capabilities and, therefore, improving support for Leonardo's helicopter fleet operating in the territories of the Sub-Saharan Africa region (in particular South Africa), which has approximately 120 aircraft. The closing of the transaction took place on 30 April 2020 and entailed an outlay of around €mil. 2;
- **Increased investment in Avio with further consolidation of its position in the Space Sector.** On 15 June 2020, Leonardo announced the completion of the transactions aimed at acquiring 988,475 shares of Avio. Following these transactions, which were concluded on 29 May 2020 with an outlay of €mil. 14, Leonardo's investment increased by 3.75%, and is now equal to 29.63% of the company's share capital.

In addition to these industrial transactions, there are numerous joint venture and partnership agreements, in line with the principles of the "Be Tomorrow - Leonardo 2030" Strategic Plan.

Financial transactions

During the 2020 financial year Leonardo completed major capital market transactions. In particular:

- on 29 January 2020 Leonardo took out a loan with Cassa Depositi e Prestiti (CDP) for an amount of €mil. 100, which was drawn down in full in the following February, to support investment in research, development and innovation. The loan, with a term of 6 years and a rate equal to 6-month Euribor + 118 bps with zero floor on the final rate, is aimed at co-financing some investment projects included in the Industrial Plan that have been already 50% financed by the European Investment Bank (EIB);
- In May 2020, in view of the COVID-19 health emergency and the consequent need to strengthen its liquidity position, Leonardo entered into two new credit facility agreements with a pool of international banks for a total of €mil. 2,000 with maturities of up to 24 months. These facilities,

which do not provide for financial covenants, were taken out according to different technical procedures: the first is a Revolving Credit Facility (for €mil. 1,250), while the second is a Term Loan (for €mil. 750). The latter facility agreement provided, among other things, for the obligation to cancel the loan if Leonardo issued bonds during the term of the facility, for an amount equal to the proceeds derived from the new issues;

- On 1 July 2020, Leonardo placed on the Euromarket new bonds listed on the Luxembourg Stock Exchange with a 5.5 year maturity for a nominal amount of €mil. 500, with an annual coupon of 2.375%. The transaction, which was carried out under the EMTN program renewed in May 2020, is part of the financial strategy of the Company that decided to take advantage of the favourable market conditions to meet its refinancing requirements, lengthen the average life of the debt and reduce its average cost. The issue was reserved for Italian and international institutional investors only. The finalisation of the transaction led to a reduction in the amount of the abovementioned Term Loan from €mil. 750 to approximately €mil. 250;
- In December 2020, Leonardo took out an additional loan of €mil. 200 with the EIB, aimed at supporting the investment projects envisaged in the Group's Industrial Plan, while ensuring, in a general context of emergency caused by Covid-19, more support on the part of the EIB for the investments included in the draft loan agreement entered into on 29 November 2018, thus increasing the financed amount from €mil. 300 to €mil. 500. The amortising loan, with a term of 12 years and a grace period of 4 years, had been entirely unused at 31 December 2020

As mentioned earlier, at the end of December 2020, Leonardo requested - and obtained with effect from 18 January 2021 - the cancellation of the remaining amount of the abovementioned Term Loan (equal to about €mil. 250). In addition, the remaining portion (€mil. 739) of the bond issue launched for an initial amount of €mil. 950 in January 2015, which had reached its natural maturity, was repaid in January 2021.

In addition to being the issuer of all the bonds in Euros placed on the market under the EMTN programme, Leonardo acts as a guarantor for the bond issues launched by Leonardo US Holding Inc. on the US market. The Group's issues are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets that do not require any undertaking with regard to compliance with specific financial parameters (financial covenants) but they do require negative pledge and cross-default clauses. Based on negative pledge clauses, Group issuers, Leonardo and their "Material Subsidiaries" (companies in which Leonardo owns more than 50% of the share capital and the gross revenues and total assets of which represent at least 10% of consolidated gross revenues and total assets) are expressly prohibited from pledging collateral security or other obligations to secure their debt in the form of bonds or listed financial instruments or financial instruments that qualify for listing, unless these guarantees are extended to all bondholders. Exceptions to this prohibition are securitisation and, as from July 2006, the establishment of assets for the use indicated in Article 2447-bis et seq. of the Italian Civil Code. On the contrary, the cross-default clauses give the bondholders the right to request early redemption of the bonds in their possession in the event of default by the Group issuers and/or Leonardo and/or any "Material Subsidiary" that results in a failure to make payment beyond pre-set limits.

On the other hand, it should be noted that financial covenants are included in the Revolving Credit Facility of €mil. 1,800 and require Leonardo to comply with two Financial ratios (the ratio of Group net debt - excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities)/EBITDA, including depreciation of the right of use assets, must be no higher than 3.75 and the ratio of EBITDA, including depreciation of the right of use assets, to net interest must be no lower than 3.25, tested annually based on annual consolidated data. These covenants are also included

in the loan agreement with CDP, which is described above, and in the Term Loan of €mil. 500; 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. 393 at 31 December 2020), as well as to certain loans granted in past years to Leonardo DRS by US banks.

Outstanding bond issues are given a medium/long-term financial credit rating by the international rating agencies: Moody's Investors Service (Moody's), Standard and Poor's and Fitch. In view of the possibility that Leonardo's financial position and performance may be put under pressure as a result of the COVID-19 pandemic, Standard&Poor's revised Leonardo's outlook from positive to stable in April 2020; subsequently, Fitch also revised the outlook from stable to negative in May 2020. On the reporting date, 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

With regard to the impact of positive or negative changes in Leonardo's credit ratings, there are no default clauses linked to the credit ratings. The only possible effects deriving from further changes, if any, to the credit ratings refer to higher or lower finance costs on certain payables of the Group, especially with reference to the Revolving Credit Facility and to the Term Loan as provided for in the related agreements. Finally, for the sake of completeness, it should be noted that the Funding Agreement between MBDA and its shareholders provides, inter alia, that any downgrade of the rating assigned to the shareholders will result in a gradual increase in interest rates. Additionally, under a pre-set rating limit (for at least two out of three rating agencies: BB- from Standards & Poor's, BB- from Fitch and Ba3 from Moody's) MBDA is entitled to determine the applicable margin each time. Finally, the agreement provides for rating limits the achievement of which allows MBDA to request the issue of a bank guarantee from its shareholders.

With reference to the agreement with Fincantieri to provide surveillance and protection systems for the Italian Navy's new submarines (already disclosed to the market with press release dated February 26th), it is specified that Fincantieri is a related party to Leonardo, pursuant to the relevant current regulation, in so far as company controlled by the Italian Minister of Economy and Finance.

The mentioned transaction (of "lesser importance") benefited of the exemption from the application of the Procedure for "Related Parties Transactions" provided for the transactions to be concluded under market-equivalent or standard-terms adopted by the Board of Directors of Leonardo, in accordance with article 13, subsection 3, letter c) of Consob Regulations no. 17211 of 12 March 2010 (and subsequent amendments and additions) and pursuant to article 11.2, letter c) of the above mentioned Procedure. The economic conditions applied to the transaction are in fact defined following the application of company procedures / directives: they present, in fact, economic-financial values in line with the Group's policies and satisfy the specific criterion given by the methodology for calculating the VAE - Economic Added Value.

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.

Shareholders' Meeting and new Board of Statutory Auditors appointment

The Board of Directors established the dates of the Ordinary Shareholders' Meeting, also called to resolve on the appointment of the Board of Statutory Auditors, for 10 and 19 May 2021 (in first and second call respectively); the Board will resolve about the convocation at a next meeting.

At today's meeting the Board of Directors also approved the Report on Corporate Governance and Shareholder Structure, to be published together with the Integrated Report.

CONSOLIDATED INCOME STATEMENT

€mln.	2019	2020	Var. YoY	4Q 2019	4Q 2020	Var. YoY
Revenues	13,784	13,410	(374)	4.650	4,385	(265)
Purchases and personnel expense	(12,104)	(11,973)	131	(3,995)	(3,838)	157
Other net operating income/(expense)	(23)	(2)	21	(4)	(16)	(12)
Equity-accounted strategic JVs	160	23	(137)	102	61	(41)
Amortisation and depreciation	(566)	(520)	46	(188)	(151)	37
EBITA	1,251	938	(313)	565	441	(124)
ROS	9.1%	7.0%	(2,1) p.p.	12.2%	10.1%	(2.1) p.p.
Non recurring income (expense)	(43)	(333)	(290)	(36)	(273)	(237)
Restructuring costs	(28)	(61)	(33)	(17)	(40)	(23)
Amortisation of intangible assets acquired as part of Business combinations	(27)	(27)	-	(7)	(6)	1
EBIT	1,153	517	(636)	505	122	(383)
EBIT Margin	8.4%	3.9%	(4,5) p.p.	10.9%	2.8%	(8.1) p.p.
Net financial income/ (expense)	(284)	(264)	20	(96)	(57)	39
Income taxes	(147)	(12)	135	(54)	41	95
Net result before extraordinary transactions	722	241	(481)	355	106	(249)
Net result related to discontinued operations and extraordinary transactions	100	2	(98)	2	-	(2)
Net result	822	243	(579)	357	106	(251)
attributable to the owners of the parent	821	241	(580)	356	105	(251)
attributable to non-controlling interests	1	2	1	1	1	-
Earning per share (Euro)						
Basic e diluted	1.428	0.419	(1,009)	0.619	0.182	(0.437)
Earning per share of continuing operation (Euro)						
Basic e diluted	1.254	0.416	(0,838)	0.616	0.183	(0.433)
Earning per share of discontinuing operation (Euro)						
Basic e diluted	0.174	0.003	(0,171)	0.003	(0.001)	(0.004)

CONSOLIDATED BALANCE SHEET

<i>€mln.</i>	31.12.2019	31.12.2020
Non-current assets	12,336	11,883
Non-current liabilities	(2,243)	(1,996)
Capital assets	10,093	9,887
Inventories	947	1,164
Trade receivables	2,995	3,033
Trade payables	(3,791)	(3,619)
Working capital	151	578
Provisions for short-term risks and charges	(1,164)	(1,318)
Other net current assets (liabilities)	(968)	(598)
Net working capital	(1,981)	(1,338)
Net invested capital	8,112	8,549
Equity attributable to the Owners of the Parent	5,323	5,267
Equity attributable to non-controlling interests	11	11
Equity	5,334	5,278
Group Net Debt	2,847	3,318
Net (assets)/liabilities held for sale	(69)	(47)

CONSOLIDATED CASH FLOW STATEMENT

<i>€mln.</i>	2019	2020
Cash flows used in operating activities	773	275
Dividends received	174	58
Cash flow from ordinary investing activities	(706)	(293)
Free operating cash flow (FOCF)	241	40
Strategic investments	(44)	(200)
Change in other investing activities	(18)	(3)
Net change in loans and borrowings	(181)	541
Dividends paid	(81)	(81)
Net increase/(decrease) in cash and cash equivalents	(83)	297
Cash and cash equivalents at 1 January	2,049	1,962
Exchange rate gain/losses and other movements	2	(46)
Net increase in cash and cash equivalents - discontinued operation	(6)	-
Cash and cash equivalents at 31 December	1,962	2,213

CONSOLIDATED FINANCIAL POSITION

<i>€mln.</i>	31.12.2019	31.12.2020
Bonds	2,741	3,220
Bank debt	983	896
Cash and cash equivalents	(1,962)	(2,213)
Net bank debt and bonds	1,762	1,903
Current loans and receivables from related parties	(161)	(149)
Other current loans and receivables	(36)	(18)
Current loans and receivables and securities	(197)	(167)
Non current financial receivables from Superjet	0	0
Hedging derivatives in respect of debt items	0	(6)
Other related-party loans and borrowings	727	30
Leasing liabilities	415	881
Related-party leasing liabilities	36	525
Other loans and borrowings	104	152
Group net debt	2,847	3,318

EARNINGS PER SHARE

	2019	2020	Var. YoY
Average shares outstanding during the reporting period (in thousands)	574,914	574,914	-
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	821	241	(580)
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	721	239	(482)
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	100	2	(98)
BASIC AND DILUTED EPS (EUR)	1.428	0.419	(1.009)
BASIC AND DILUTED EPS from continuing operations	1.254	0.416	(0.838)
BASIC AND DILUTED EPS from discontinuing operations	0.174	0.003	(0.171)

2019 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	4,641	7,022	2,788	-	234	(580)	14,105
Order backlog 31.12.2019	12,551	12,848	11,640	-	372	(898)	36,513
Revenues	4,025	6,701	3,390	-	463	(795)	13,784
EBITA	431	613	362	39	(194)	-	1,251
<i>EBITA margin</i>	10.7%	9.1%	10.7%	n.a.	(41.9%)	n.a.	9.1%
EBIT	406	563	342	39	(197)	-	1,153
Amortisation	90	152	159	-	69	(7)	463
Investments	231	167	146	-	107	-	651
Workforce (no.) 31.12.2019	12,331	23,736	11,215	-	2,248	-	49,530

2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	4,494	7,374	2,552	-	103	(769)	13,754
Order backlog	12,377	13,449	10,696	-	87	(1,093)	35,516
Revenues	3,972	6,525	3,393	-	407	(887)	13,410
EBITA	383	537	200	23	(205)	-	938
<i>EBITA margin</i>	9.6%	8.2%	5.9%	n.a.	(50.4%)	n.a.	7.0%
EBIT	347	448	(90)	23	(211)	-	517
Amortisation	81	152	126	-	74	-	433
Investments	176	219	(23)	-	93	-	465
Workforce (no.)	12,326	24,504	11,278	-	1,774	-	49,882

4Q 2019 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	2,407	2,379	776	-	88	(124)	5,526
Revenues	1,289	2,364	1,086	-	137	(226)	4,650
EBITA	161	271	197	16	(80)	-	565
<i>EBITA margin</i>	12.5%	11.5%	18.1%	n.a.	(58.4%)	n.a.	12.2%
EBIT	143	249	177	16	(80)	-	505
Amortisation and depreciation	24	42	43	-	18	(6)	121
Investments	92	37	61	-	50	-	241

4Q 2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,340	2,875	1,380	-	14	(365)	5,244
Revenues	1,330	2,107	1,108	-	110	(270)	4,385
EBITA	164	220	105	24	(72)	-	441
<i>EBITA margin</i>	12.3%	10.4%	9.5%	n.a.	(65.5%)	n.a.	10.1%
EBIT	155	189	(174)	24	(72)	-	122
Amortisation and depreciation	22	52	27	-	20	-	121
Investments	84	87	(93)	-	53	-	131