Half-Year Financial Report at 30 June 2020

Disclaimer

This Half-Year Financial Report for 2020 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document

LEONARDO

TABLE OF CONTENTS

Boards and Committees

BOARD OF DIRECTORS *
(for the three-year period 2020 - 2022)

LUCIANO CARTA
Chairman

ALESSANDRO PROFUMO
Chief Executive Officer

CARMINE AMERICA
Director (c, d)

PIERFRANCESCO BARLETTA
Director (a, c)

ELENA COMPARATO
Director (b, c)

DARIO FRIGERIO
Director (a, c)

PATRIZIA MICHELA GIANGUALANO
Director (b, d)

PAOLA GIANNETAKIS
Director (a, d)

FEDERICA GUIDI
Director (b, c)

MAURIZIO PINNARO'
Director (a, c)

FERRUCCIO RESTA
Director (b, d)

MARINA RUBINI
Director (a, b)

BOARD OF STATUTORY AUDITORS **
(for the three-year period 2018 - 2020)

Regular Statutory Auditors

LUCA ROSSI ***
Chairman

SARA FORNASIERO

FRANCESCO PERRINI

LEONARDO QUAGLIATA

DANIELA SAVI

Alternate Statutory Auditors
MARINA MONASSI

GIUSEPPE CERATI ****

INDEPENDENT LEGAL AUDITORS
KPMG S.p.A.
(for the period 2012 - 2020)

****
LUCIANO ACCIARI
Secretary of the Board of Directors

* The Board of Directors that previously held office and the term of which expired at the Shareholders' Meeting held on 20 May 2020 was composed as follows: Giovanni De Gennaro (Chairman), Alessandro Profumo (Chief Executive Officer), Guido Alpa, Luca Bader, Marina Elvira Calderone, Paolo Cantarella, Marta Dassù, Dario Frigerio, Fabrizio Landi, Silvia Merlo, Marina Rubini e Antonio Turicchi.

** The Shareholders' Meeting held on 16 May 2019 made additions to the Board of Statutory Auditors, following the resignation of Riccardo Raul Bauer as Regular Auditor and Chairman of the control body – which occurred on 8 November 2018 – and the appointment of the Alternate Auditor Luca Rossi to the abovementioned positions on the same date, pursuant to law and to the By-Laws and until the abovementioned Shareholders' Meeting.

*** The Shareholders' Meeting held on 16 May 2019 appointed Luca Rossi as Regular Auditor and Chairman of the Board of Statutory Auditors (upon the proposal submitted by a group of asset management companies and institutional investors, which hold an overall stake of about 1.06% of the share capital).

**** The Shareholders' Meeting held on 16 May 2019 appointed Giuseppe Cerati as Alternate Auditor (upon the proposal submitted by a group of asset management companies and institutional investors, which hold an overall stake of about 1.06% of the share capital).

a. Member of the Control and Risks Committee
b. Member of the Remuneration Committee
c. Member of the Nomination and Governance Committee
d. Member of the Sustainability and Innovation Committee

Report on operations at 30 June 2020

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 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.

Group results and financial position

Key Performance Indicator ("KPI")

	June 2019	June 2020	*Change*	2019
New orders	6,145	6,104	*(0.7%)*	14,105
Order backlog	36,321	35,920	*(1.1%)*	36,513
Revenue	5,962	5,878	*(1.4%)*	13,784
EBITDA	755	543	*(28.1%)*	1,817
EBITA	487	292	*(40.0%)*	1,251
ROS	8.2%	5.0%	*(3.2) p.p.*	9.1%
EBIT	462	227	*(50.9%)*	1,153
EBIT Margin	7.7%	3.9%	*(3.8) p.p.*	8.4%
Net Result before extraordinary transactions	252	59	*(76.6%)*	722
Net result	349	60	*(82.8%)*	822
Group Net Debt	4,098	5,074	*23.8%*	2,847
FOCF	(1,050)	(1,889)	*(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	48,755	49,733	*2.0%*	49,530

Please refer to the paragraph "Non-GAAP performance indicators" for definitions.

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

	30 June 2019				
	New orders	**Order backlog at 31 Dec. 2019**	**Revenue**	**EBITA**	**ROS**
Helicopters	1,707	12,551	1,895	200	10.6%
Defense 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%)
Eliminations	*(387)*	*(898)*	*(393)*	-	*n.a.*
Total	**6,145**	**36,513**	**5,962**	**487**	**8.2%**

	30 June 2020				
	New orders	**Order backlog**	**Revenue**	**EBITA**	**ROS**
Helicopters	2,526	12,892	1,693	139	8.2%
Defense 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%)
Eliminations	*(323)*	*(941)*	*(420)*	-	*n.a.*
Total	**6,104**	**35,920**	**5,878**	**292**	**5.0%**

	Change %				
	New orders	**Order backlog**	**Revenue**	**EBITA**	**ROS**
Helicopters	48.0%	2.7%	(10.7%)	(30.5%)	(2.4) p.p.
Defense 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.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(0.7%)**	**(1.6%)**	**(1.4%)**	**(40.0%)**	**(3.2) p.p.**

Commercial performance

New orders, equal to €bil. 6.1, 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.

The book to bill ratio is equal to about 1. The order backlog ensures a coverage in terms of equivalent production equal to about 2.5 years.

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Business performance

		For the six months ended 30 June		*Change*	*% Change*
(€ millions)	*Note*	*2019*	*2020*		
Revenue		5,962	5,878	(84)	(1.4%)
Purchases and personnel expenses	*(*)*	(5,213)	(5,337)		
Other net operating income/(expenses)	*(**)*	(28)	26		
Equity-accounted strategic JVs		34	(24)		
Amortisation, depreciation and write-offs	*(***)*	(268)	(251)		
EBITA		**487**	**292**	**(195)**	**(40.0%)**
ROS		*8.2%*	*5.0%*	*(3.2) p.p.*	
Non-recurring income/(expenses)		(4)	(45)		
Restructuring costs		(7)	(6)		
Amortisation of intangible assets acquired as part of business combinations		(14)	(14)		
EBIT		**462**	**227**	**(235)**	**(50.9%)**
EBIT Margin		*7.7%*	*3.9%*	*(3.8) p.p.*	
Net financial income/(expenses)	*(****)*	(124)	(139)		
Income taxes		(86)	(29)		
Net Result before extraordinary transactions		**252**	**59**	**(193)**	**(76.6%)**
Net result related to discontinued operations and extraordinary transactions	*(*****)*	97	1		
Net result		**349**	**60**	**(289)**	**(82.8%)**

Notes to the reconciliation between the reclassified income statement and the statutory income statement:

(*) *Includes "Purchases and Personnel expense" (excluding restructuring costs and non-recurring income and costs) and accruals/reversal for onerous contracts (final losses);*

(**) *Includes "other operating income/(expenses)", excluding restructuring costs, non-recurring income/(costs) and accruals/reversals for onerous contracts (final losses);*

(***) *Includes "Amortisation, depreciation and impairment losses and value adjustments to financial assets", excluding amortisation referable to intangible assets acquired as part of business combinations, impairment of goodwill and write-downs considered as "non-recurring";*

(****) *Includes "Financial income/(expense)" (excluding capital gains and losses relating to extraordinary operations) and "Share of profits (losses) of equity-accounted investees" (excluding results of strategic JVs);*

(*****) Includes "Profit (loss) from discontinued operations", as well as capital gains (losses) and costs relating to extraordinary transactions (major acquisitions and disposals).

Revenues remained in line with the first half of 2019 (€bil. 5.9), 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, equal to €mil. 292 (with a ROS of 5.0%) showed a decrease of €mil. 195 compared to the first half of 2019, which was mainly due to the abovementioned effects of the COVID-19 pandemic.

EBIT equal to €mil. 227, showed, compared to the first half of 2019 (€mil. 462), a reduction of €mil. 235 (-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 for the impossibility of stopping the performance of some specific services.

The **Net result before extraordinary transactions** (€mil. 59) was affected by a deterioration of EBITA, as well as by the higher impact of financial cost, associated with exchange rate hedging.

The **Net Result** (€mil. 60) included the effects of the space business of Vitrociset, classified among Discontinued Operations.

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Financial performance

(€ millions)	*Note*	*For the six months ended 30 June* 2019	2020	*Change*	*% Change*
Cash flows used in operating activities	*(*)*	(832)	(1,878)		
Dividends received		129	53		
Cash flows from ordinary investing activities	*(**)*	(347)	(64)		
Free Operating Cash Flow (FOCF)		**(1,050)**	**(1,889)**	**(839)**	**(79.9%)**
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 differences and other changes		4	1		
Net increase in cash and cash equivalents of discontinued operations		(6)	-		
Cash and cash equivalents at 30 June		**1,179**	**429**		

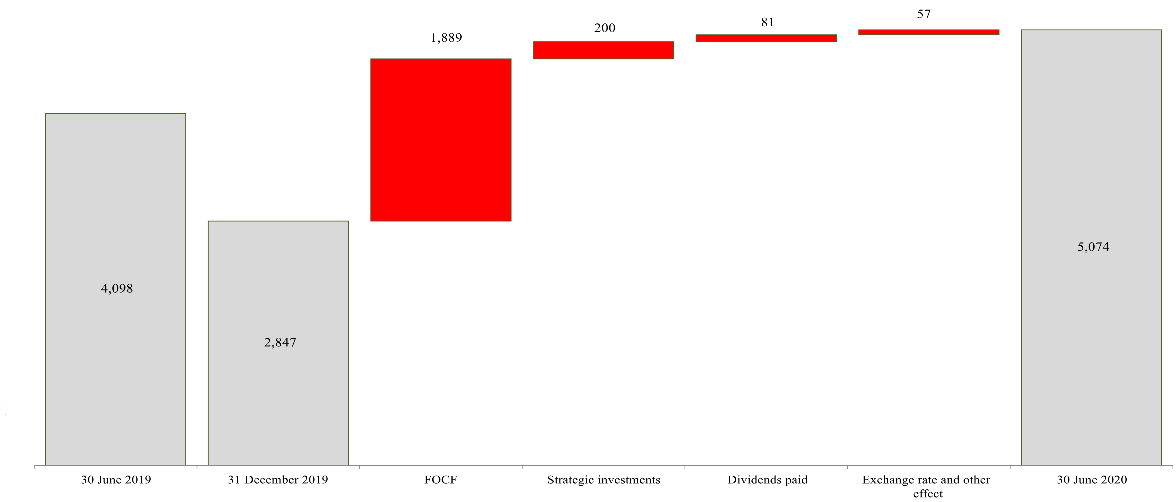
Notes to the reconciliation between the reclassified cash flow and the statutory cash flow:
(*) Includes "Cash flows from operating activities", excluding debt payments pursuant to Law 808/1985;
(**) Includes "Cash flow generated from (used in) investing activities", including debt payments pursuant to Law 808/1985 and excluding dividends collected;
(***) Includes the portion of "Other investing activities" classified as "Strategic investments";
(****) Includes "Other investing activities", excluding dividends collected and the operations classified as "Strategic transactions".

FOCF in the first half was negative for €mil. 1,889 (against a negative value of €mil. 1,050 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 some critical 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.

The **Group Net Debt**, equal to €mil. 5,074, showed an increase compared to 31 December 2019 (€mil. 2,847), 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 €mil. 198 on the Net financial position);
- Acquisition of an additional amount of Avio shares in June for €mil. 14;
- Payment of a dividend of €mil. 81 in May;
- Increase in new leases for €mil. 54.

Changes in the Group Net Debt are shown below:



Net invested capital showed a significant increase, compared to 31 December 2019, which was essentially attributable to the trends in **working capital** affected by the deferral of the billing milestone with the consequences discussed earlier.

(€ millions)	Note	30 June 2019	31 December 2019	30 June 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)**

Notes to the reconciliation between the reclassified balance sheet and the statutory balance sheet:
(*) Includes all non-current assets and all non-current liabilities, excluding "Non-current loans and borrowings" and main non-current financial receivables.
(**) Includes "Inventories", in addition to contract assets and liabilities.
(***) Includes trade receivables classified among "Trade receivables, including contract assets".
(****) Includes trade payables classified among "Trade payables, including contract liabilities".
(*****) Includes "Other current assets" and "Other current liabilities" (excluding "Hedging derivatives in respect of debt items") and "Income tax payables".
(******) Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale".

The Group Net Debt breaks down as follows:

(€ millions)	30 June 2019	*of which current*	31 December 2019	*of which current*	30 June 2020	*of which current*
Bonds	3,110	358	2,741	94	2,696	781
Bank debt	1,112	160	983	85	1,699	810
Cash and cash equivalents	(1,179)	(1,179)	(1,962)	(1,962)	(429)	(429)
Net bank debt and bonds	**3,043**		**1,762**		**3,966**	
Current loans and receivables from related parties	(140)	(140)	(161)	(161)	(156)	(156)
Other current loans and receivables	(44)	(44)	(36)	(36)	(31)	(31)
Current loans and receivables and securities	**(184)**		**(197)**		**(187)**	
Non current financial receivables from Superjet	(13)	-	-	-	-	-
Hedging derivatives in respect of debt items	7	7	-	-	12	12
Related party lease liabilities	32	-	36	3	32	3
Other related party loans and borrowings	698	698	727	727	713	613
Lease liabilities	444	60	415	61	439	66
Other loans and borrowings	71	48	104	61	99	39
Group Net Debt	**4,098**		**2,847**		**5,074**	

The reconciliation with the net financial position required by Consob Communication no. DEM/6064293 of 28 July 2006 is provided in Note 16.

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Below are the key performance indicators by sector:

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.

Defense 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.

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

30 June 2019	**New orders**	**Revenue**	**EBITA**	**ROS**
DES Europe	2,008	1,871	172	9.2%
Leonardo DRS	1,396	999	56	5.6%
Eliminations	*(8)*	*(10)*	-	*n.a.*
Total	**3,396**	**2,860**	**228**	**8.0%**

30 June 2020	**New orders**	**Revenue**	**EBITA**	**ROS**
DES Europe	1,420	1,812	102	5.6%
Leonardo DRS	1,445	1,107	64	5.7%
Eliminations	*(7)*	*(22)*	-	*n.a.*
Total	**2,858**	**2,897**	**166**	**5.7%**

Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
DES Europe	(29.3%)	(3.2%)	(40.7%)	(3.6) p.p.
Leonardo DRS	3.5%	10.8%	14.3%	0.1 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(15.8%)**	**1.3%**	**(27.2%)**	**(2.3) p.p.**

Average €/USD exchange rate: 1.1014 (1st half of 2020) and 1.1298 (1st half of 2019)

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, 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, thus confirming in general 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, 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. 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 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.

The key performance indicators of Leonardo DRS are provided below in US dollars:

	New orders	Revenue	EBITA	ROS
DRS ($mil.) June 2019	1,577	1,129	63	5.6%
DRS ($mil.) June 2020	1,592	1,219	70	5.7%

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.

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

30 June 2019	New orders	Revenue	EBITA	ROS
Aircrafts	987	861	130	15.1%
Aerostructures	373	557	(8)	(1.4%)
GIE ATR	-	-	*(1)*	*n.a.*
Eliminations	*(29)*	*(29)*	-	*n.a.*
Total	**1,331**	**1,389**	**121**	**8.7%**
30 June 2020	**New orders**	**Revenue**	**EBITA**	**ROS**
Aircrafts	669	1,074	122	11.4%
Aerostructures	343	473	(12)	(2.5%)
GIE ATR	-	-	(34)	*n.a.*
Eliminations	*(34)*	*(34)*	-	*n.a.*
Total	**978**	**1,513**	**76**	**5.0%**
Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
Aircrafts	(32.2%)	24.7%	(6.2%)	(3.7) p.p.
Aerostructures	(8.0%)	(15.1%)	(50.0%)	(1.1) p.p.
GIE ATR	*n.a.*	*n.a.*	(3300.0%)	*n.a.*
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(26.5%)**	**8.9%**	**(37.2%)**	**(3.7) p.p.**

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 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 on the part of 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.

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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.

The estimates for the year 2020 - assuming no COVID-19 resurgence and no further lockdowns - are summarized below:

	FY 2019	***Outlook* 2020** (*)
Orders (€bln.)	14.105	12.5 – 13.5
Revenues (€bln.)	13.784	13.2 – 14.0
EBITA (€mln.)	1,251	900 - 950
FOCF (€mln.)	241	*Heading to neutral*
Group Net Debt (€bln.)	2.847	ca. 3.3 (**)

(*) Assuming a € / USD exchange rate of 1.15 and € / GBP of 0.88.

(**) Includes an additional IFRS 16 effect (approximately €0.1bn), the acquisition of Kopter (approximately €0.2bn) and dividend payment

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Industrial and financial transactions

***Industrial transactions**:* below are the main transactions occurred during the first half of 2020:

- ***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 center within the Leonardo Helicopters Division working in close coordination with it. The transaction was completed on 8 April 2020 and entailed an outlay of €mil. 185 (with an impact on the net financial position equal to €mil. 198). 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 about €mil. 2;
- ***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 €mil. 14, 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 market during the first half of 2020.

Specifically, on 29 January 2020 Leonardo signed a loan agreement with Cassa Depositi e Prestiti (CDP) amounting to €mil. 100, which was entirely used in February, to support investments in R&D and innovation. The 6-year loan 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 €mil. 2,000with 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 €mil. 1,250), while the second one was a Term Loan (for €mil. 750). 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 €mil. 500, 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 June 2020 Leonardo relied, to meet the financing needs for ordinary Group activities, on credit facilities totalling €mil. 4,425, which were made up as follows: a Revolving Credit Facility for €mil. 1,800 (used for €mil. 600 at 30 June), new credit lines totalling €mil. 2,000 (entirely unused at 30 June) and additional unconfirmed short-term cash lines of credit for €mil. 625 (used for €mil. 79 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 €mil. 250 (used for €mil. 80 at 30 June). Finally, Leonardo had unconfirmed unsecured lines of credit for approximately €mil. 10,875, of which an amount of €mil. 3,650 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 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 €mil. 1,800, 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 €mil. 432, as well as to the Term Loan of €mil. 500 and to some loans granted by US banks in favour of 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 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

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Information pursuant to Articles 70 and 71 of the Consob Issuers' Regulation

By resolution of the Board of Directors on 23 January 2013, the Company adopted the simplification regime under Articles 70/8 and 71/1-*bis* of the Issuers' Regulations, adopted with CONSOB Resolution 11971/1999, as subsequently amended and supplemented. By this resolution, the Company chose the option to make exceptions to the obligation to issue the documents required by the law when transactions of greater importance (such as mergers, spin-offs, capital increases by means of the contribution of assets in kind, acquisitions or disposals) occur.

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Related party transactions

It should be noted that in 2010 Leonardo adopted a specific "Procedure for Related Parties Transactions" (hereinafter referred to as the "Procedure"), which was mostly recently updated in December 2019, pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as amended and supplemented, containing provisions on "related party transactions" (hereinafter referred to as the "Regulation"), as well as in implementation of Article 2391-*bis* of the Italian Civil Code. The abovementioned Procedure is available on the Company's website (www.leonardocompany.com, under *Corporate Governance* section, "Related Parties" area).

Pursuant to Article 5.8 of the Regulation, it should be noted that no transactions of greater importance (as defined by Article 4.1.a) and identified by the abovementioned Procedure pursuant to Annex 3 attached to the Regulation were carried out during the first half of 2020, nor were other related-party transactions, which would affect, in a significant manner, the consolidated financial position or the Leonardo Group's results for the reporting period. Finally, it should be noted that no changes or developments took place in relation to the related party transactions described in the 2019 Report on Operations.

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Main risks for the remaining months of the financial year: the main risks to which the Group is exposed in the following six months of the financial year are unchanged from those described in fuller detail in the Consolidated Financial Statements at 31 December 2019 in the section "*Leonardo and risk management*". More specifically, as already reported during the preparation of the annual financial statements at 31 December 2019, the main identified risks linked to the ongoing COVID-19 pandemic are as of today confirmed.

Any updates relating to specific risk positions are illustrated in Note 17 to the condensed consolidated half-year financial statements at 30 June 2020.

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"Non-GAAP" performance indicators

Leonardo’s Management assesses the Group’s performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs. Specifically, EBITA is used as the primary indicator of profitability, since it allows us to analyse the Group’s marginality by eliminating the impacts of the volatility associated with non-recurring items or items unrelated to ordinary operations.

As required by CESR/05-178b Recommendation, below is a description of the components of each of these indicators:

- **New orders:** this includes sales contracts signed with customers during the period, which provide for the counterparties’ obligation to comply therewith.
- **Order backlog:** this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.
- **EBITDA:** this is given by EBITA, as defined below, before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among “non-recurring costs”).
- **EBITA:** it is arrived at by eliminating from EBIT, as defined below, the following items:
    - any impairment in goodwill;
    - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
    - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
    - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

    EBITA is then used to calculate return on sales (ROS) and return on investment (ROI).

    A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below:

(€ millions)	For the six months ended 30 June	
	2019	*2020*
Income before tax and financial expenses	428	251
Equity-accounted strategic JVs	34	(24)
EBIT	**462**	**227**
Amortisation of intangible assets acquired as part of business combinations	14	14
Restructuring costs	7	6
Non-recurring (income) expense	4	45
EBITA	**487**	**292**

As reported above, non-recurring costs for the half-year included costs incurred to comply with the Government's guidelines on COVID-19 and to support the Governmental bodies in managing the emergency, as well as external costs incurred for the impossibility of stopping the performance of some specific services.

- **Return on Sales (ROS**): this is calculated as the ratio of EBITA to revenue.
- **EBIT**: this is obtained by adding to EBIT (defined as earnings before "financial income and expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of the strategic Joint Ventures of the Group (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".
- **Net result before extraordinary transactions**: this is the Net Result before the result from discontinued operations and effects of the extraordinary transactions (acquisitions and disposals).
- **Group Net Debt**: this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items, as well as the main non-current receivables. The reconciliation with the net financial position required by the CONSOB communication no. DEM/6064293 of 28 July 2006 is provided in Note 16;
- **Free Operating Cash-Flow (FOCF**)*:* this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments") and dividends received. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section "Group results and financial position".
- **Return on Investments (ROI)*:*** this is calculated as the ratio of EBITA to the average net capital invested in the two comparative periods.

- **Return on Equity (ROE)*:*** this is calculated as the ratio of the Net Result before extraordinary transactions for the financial period to the average value of equity in the two comparative periods.
- **Workforce:** the number of employees recorded in the register on the last day of the period.

Below are the statements of reconciliation of the items in the reclassified schedules provided in the Report on Operations and the schedules of Income Statement, Balance Sheet and Cash Flow Statement:

	Scheme	PPA amortis.	Restruct. and non recurring costs	strategic JVs	Onereous contracts (losses at completion)	**Reclassified scheme**
Revenue	5,878					5,878
Purchase and personnel expenses	(5,379)		40		2	(5,337)
Other net operating income/(expenses)	17		11		(2)	26
Equity-accounted strategic JVs				(24)		(24)
Amortisation, depreciation and financial assets value adjustments	(265)	14	-			(251)
EBITA						**292**
Non-recurring income/(expenses)			(45)			(45)
Restructuring costs			(6)			(6)
Amortisation of intangible assets acquired as part of business combinations		(14)				(14)
EBIT						**227**
Financial income/(expenses)	(136)					
Share of profits/(losses) of equity-accounted investees	(27)					
Net financial income/(expenses)	(163)			24		(139)
Income taxes	(29)					(29)
Net Result before extraordinary transactions						**59**
Net result related to discontinued operations and extraordinary transactions	1					1
Net result	**60**	-	-	- -	-	**60**

	Scheme	**Financial receivables and cash**	**Financial payables**	**Hedging derivatives on debt items**	**Reclassified scheme**
Non-current assets	12,120	-			12,120
Non-current liabilities	(5,603)		3,366		(2,237)
Capital assets					**9,883**
Current assets	13,681	(616)		12	13,077
Current liabilities	(15,312)		2,312		(13,000)
Net working capital					**77**
Equity attributable to the owners of the parent	4,930				4,930
Equity attributable to non-controlling interests	11				11
Total equity	**4,941**				**4,941**
Group Net Debt		(616)	5,678	12	**5,074**
Net (assets)/liabilities held for sale	**(55)**				**(55)**

	Scheme	dividends	Cash out from Law no. 808/85 payables	Strategic investments	Reclassified scheme
Gross cash flows from operating activities	657				
Change in other operating assets and liabilities and provisions for risks and charges	(306)				
Interests paid	(187)				
Income taxes paid	(61)				
Change in working capital	(1,981)				
Cash flows used in operating activities	(1,878)		-		(1,878)
Dividends received		53			53
Investments in property, plant and equipment and intangible assets	(73)				
Sales of property, plant and equipment and intangible assets	9				
Cash flows from ordinary investing activities	(64)		-		(64)
Free Operating Cash Flow (FOCF)					**(1,889)**
Strategic investments				(200)	(200)
Other investing activities	(142)	(53)		200	5
Cash flows used in investing activities					
Dividends paid	(81)				(81)
Net change in loans and borrowings	631				631
Net increase (decrease) in cash and cash equivalents	**(1,534)**				**(1,534)**
Cash and cash equivalents at 1 January	1,962				1,962
Exchange rate differences and other changes	1				1
Cash and cash equivalents at 30 June	**429**	-	-		**429**

Condensed consolidated financial statements at 30 June 2020

Condensed consolidated separate income statement

		For the six months ended 30 June			
(€ millions)	*Note*	*2019*	*of which with related parties*	*2020*	*of which with related parties*
Revenue	*21*	5,962	*803*	5,878	*705*
Purchase and personnel expenses	*23*	(5,263)	*(143)*	(5,379)	*(500)*
Amortisation, depreciation and financial assets value adjustments	*24*	(286)		(265)	
Other net operating income/(expenses)	*22*	15	*2*	17	*2*
Income before tax and financial expenses		**428**		**251**	
Financial income/(expenses)	*25*	(129)	-	(136)	*(1)*
Share of profits/(losses) of equity-accounted investees	*26*	39		(27)	
Operating profit (loss) before income taxes and discontinued operations		**338**		**88**	
Income taxes		(86)		(29)	
Profit (loss) from discontinued operations		97		1	
Net profit/(loss) for the period attributable to:		**349**		**60**	
- owners of the parent		*349*		*59*	
- non-controlling interests		-		*1*	
Earnings/(losses) per share	*28*	*0.607*		*0,103*	
- basic and diluted from continuing operations		*0.438*		*0.101*	
- basic and diluted from discontinued operations		*0.169*		*0.002*	

Consolidated statement of comprehensive income

(€ millions)	*Note*	*For the six months ended 30 June* *2019*		*2020*	
Profit (loss) for the period			**349**		**60**
Other comprehensive income (expenses):					
Comprehensive income/expenses which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	*15*		(49)		(151)
- revaluation		(49)		(149)	
- exchange rate gains (losses)		-		(2)	
- Tax effect	*15*		6		26
			(43)		(125)
Comprehensive income/expenses which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	*15*		(34)		(55)
- change generated in the period		(37)		(48)	
- transferred to the profit (loss) for the period		2		(7)	
- exchange rate gains (losses)		1		-	
- Translation differences	*15*		10		(157)
- change generated in the period		10		(157)	
- transferred to the profit (loss) for the period		-		-	
- Tax effect	*15*		8		11
			(16)		(201)
Current portion of "Other comprehensive income (expense)", equity-accounted investees			(5)		(52)
Total other comprehensive income (expenses), net of tax:			**(64)**		**(378)**
Total comprehensive income (expenses), attributable to:			**285**		**(318)**
- *Owners of the parent*			285		(319)
- *Non-controlling interests*			-		1
Total comprehensive income (expenses), attributable to Owners of the parent			**285**		**(319)**
- from continuing operations			188		(320)
- from discontinued operations			97		1

Condensed consolidated statement of financial position

(€ millions)	*Note*	*31 December 2019*	*of which with related parties*	*30 June 2020*	*of which with related parties*
Intangible assets	*8*	6,764		6,902	
Property, plant and equipment and investment properties	*9*	2,280		2,228	
Rights of use	*10*	431		442	
Deferred tax assets		1,096		1,127	
Other non-current assets	*11*	1,765	*8*	1,421	*8*
Non-current assets		**12,336**		**12,120**	
Inventories		5,823		6,469	
Trade receivables, including contract assets	*13*	5,923	*537*	5,898	*529*
Loans and receivables		197	*161*	187	*156*
Other current assets	*14*	560	*6*	698	*141*
Cash and cash equivalents		1,962		429	
Current assets		**14,465**		**13,681**	
Non-current assets held for sale		92		80	
Total assets		**26,893**		**25,881**	
Share capital	*15*	2,496		2,496	
Other reserves		2,827		2,434	
Equity attributable to the owners of the parent		5,323		4,930	
Equity attributable to non-controlling interests		11		11	
Total equity		**5,334**		**4,941**	
Loans and borrowings (non-current)	*16*	3,975	*33*	3,366	*129*
Employee benefits	*18*	509		569	
Provisions for risks and charges	*17*	675		608	
Deferred tax liabilities		245		218	
Other non-current liabilities	*19*	814	-	842	-
Non-current liabilities		**6,218**		**5,603**	
Trade payables, including contract liabilities and provision for onerous contracts	*20*	11,595	*350*	10,304	*235*
Loans and borrowings (current)	*16*	1,031	*730*	2,312	*616*
Income tax payables		43		30	
Provisions for short-term risks and charges	*17*	1,164		1,192	
Other current liabilities	*19*	1,485	*63*	1,474	*13*
Current liabilities		**15,318**		**15,312**	
Liabilities associated with assets held for sale	*27*	23		25	
Total liabilities		**21,559**		**20,940**	
Total liabilities and equity		**26,893**		**25,881**	

Consolidated statement of cash flows

(€ millions)	*Note*	*For the six months ended 30 June* **2019**	*of which with related parties*	**2020**	*of which with related parties*
Gross cash flows from operating activities	*29*	759		657	
Change in working capital	*29*	(1,285)	*(85)*	(1,981)	*(110)*
Change in other operating assets and liabilities and provisions for risks and charges		(233)	*(193)*	(306)	*(183)*
Interests paid		(138)	*(1)*	(187)	*(1)*
Income taxes paid		(35)	-	(61)	-
Cash flows used in operating activities		**(932)**		**(1,878)**	
Investments in property, plant and equipment and intangible assets		(254)		(73)	
Sales of property, plant and equipment and intangible assets		6		9	
Other investing activities		67	-	(142)	-
Cash flows used in investing activities		**(181)**		**(206)**	
Dividends paid		(81)		(81)	
Net change in other loans and borrowings		326	*17*	631	*175*
Cash flows generated from financing activities		**245**		**550**	
Cash and cash equivalents at 1 January		2,049		1,962	
Net increase (decrease) in cash and cash equivalents		(868)		(1,534)	
Exchange rate differences and other changes		4		1	
Net increase (decrease) in cash of discontinued operations		(6)		-	
Cash and cash equivalents at 30 June		**1,179**		**429**	

Consolidated statement of changes in equity

(€ millions)	Share capital	Retained earnings and other reserves	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 January 2019	**2,495**	**2,685**	**(104)**	**(168)**	**(409)**	**4,499**	**11**	**4,510**
Profit (loss) for the period		349				349	-	349
Other comprehensive income (expenses)			(27)	(47)	10	(64)		(64)
Total comprehensive income (expenses)	-	349	(27)	(47)	10	285	-	285
Dividends resolved		(80)				(80)	(1)	(81)
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	-	(80)	-	-	-	(80)	(1)	(81)
Other changes		1		(4)	5	2	1	3
30 June 2019	**2,495**	**2,955**	**(131)**	**(219)**	**(394)**	**4,706**	**11**	**4,717**
1 January 2020	**2,496**	**3,427**	**(70)**	**(274)**	**(256)**	**5,323**	**11**	**5,334**
Profit (loss) for the period		59				59	1	60
Other comprehensive income (expenses)			(44)	(169)	(165)	(378)	-	(378)
Total comprehensive income (expenses)	-	59	(44)	(169)	(165)	(319)	1	(318)
Dividends resolved		(80)				(80)	(1)	(81)
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	-	(80)	-	-	-	(80)	(1)	(81)
Other changes		6				6		6
30 June 2020	**2,496**	**3,412**	**(114)**	**(443)**	**(421)**	**4,930**	**11**	**4,941**

Explanatory notes

1. GENERAL INFORMATION

Leonardo S.p.A. is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB). The Group is a major Italian high technology organization operating in the *Helicopters, Defense Electronics & Security, Aeronautics* and *Space* sectors.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The half-year financial report of the Group at 30 June 2020 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. The condensed consolidated half-year financial statements at 30 June 2020, included in the half-year financial report, were prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and comprise the condensed consolidated separate income statement, consolidated statement of comprehensive income, condensed consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the related explanatory notes.

In accordance with IAS 34, these notes are presented in condensed form and do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the Group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. This half-year financial report should, therefore, be read in conjunction with the 2019 annual consolidated financial statements. The statement of financial position and income statement are likewise presented in a condensed format compared to the annual financial statements. The related explanatory notes include a reconciliation with year-end schedules for items aggregated in condensed schedules.

This half-year financial report has been prepared by using the same accounting policies, recognition and measurement criteria, as well as consolidation methods as used to prepare the consolidated financial statements at 31 December 2019 and the half-year financial report at 30 June 2019, except for those specifically applicable to interim financial reports and for what is reported below (Note 5).

It is pointed out that the Group adopts a six-month period as the interim reporting period for the purposes of IAS 34 and for the definition of interim financial statements therein reported.

The exchange rates for the major currencies used in preparing this half-year financial report are shown below.

	30 June 2020		31 December 2019	30 June 2019	
	average	final	final	average	final
US dollar	1.1014	1.1198	1.1234	1.1298	1.1380
Pound sterling	0.8743	0.9124	0.8508	0.8736	0.8966

The Leonardo Group's condensed consolidated half-year report at 30 June 2020 was approved by the Board of Directors' meeting held on 30 July 2020 and was published on the same date.

Amounts are shown in millions of euros unless stated otherwise.

These condensed consolidated half-year financial statements have been subjected to a review on the part of KPMG S.p.A.

3. SIGNIFICANT ISSUES AND CRITICAL ESTIMATES BY MANAGEMENT

During the first half of 2020, the world scenario was strongly impacted by the effects of the COVID-19 pandemic on global economy. The Report on Operations provides a management analysis of the main events that affected the business.

The Group reacted promptly to the new scenario by implementing a series of measures primarily aimed at guaranteeing the full protection of the workers' health and safety, while preserving the continuity of its production relating to those business sectors considered strategic in the main countries in which the Group operates. In this context, monitoring and action plans have been developed to assess the impacts of COVID-19 on the various business areas and to limit its effects.

From an operational point of view, the initiatives include actions aimed at recovering adequate productivity levels through the gradual increase of the workers' presence in the sites in safe conditions, the greater efficiency of remote processing with further investments in digital means and infrastructures, the review of work calendars to support the recovery of the delays accrued, in agreement with the trade unions, in the second half of the year. In parallel, the Group is carrying out a profound review of its cost base and investment level, reducing or delaying all initiatives and expenses not strictly necessary or strategic, saving controllable costs (travel and business trips, consultancy, exhibitions and fairs, etc...) and reviewing the assumptions related to the workforce organisation and other actions aimed at curbing labour costs, in order to mitigate the effects of COVID-19 on the results for the year. These actions are continuing to be implemented according to the plan and are generating the planned positive effects.

As a whole during the half-year, the effects of COVID-19 entailed a reduction in the Group's revenues - compared to the forecasts without COVID-19 outbreak – equal to about €mil. 800, with a consequent impact in terms of EBITA, net of cost reduction measures, equal to about €mil. 220, as reported below:

- A slowdown in production activities, with a 13% decrease in production hours compared to expectations, which was more marked in the Aerostructures, Helicopters and Aircraft Divisions showing the business areas with a greater incidence of manufacturing activities, with a resulting reduction in the absorption of fixed costs, had an adverse impact on the Group’s EBITDA for about €mil. 80;
- Less progress in programmes following the above-mentioned slowdown, restrictions on the movement of resources and the impossibility of accessing our customers’ sites, as well as the initial lower efficiency due to the reorganisation of some activities in smart working mode, entailed an impact on the Group’s Revenues equal to about €mil. 550 and consequently lower profit margins for about €mil. 90;
- The decline in demand in the civil market, together with the postponement of deliveries due to the impossibility of carrying out final acceptance tests of the machines, entailed an overall impact equal to about €mil. 250 on the Group’s Revenues, with a consequent impact on EBITA equal to about €mil. 50.

In preparing this half-yearly financial report, the management was called upon to carry out in-depth analyses regarding the reporting of particularly significant issues that are such as to require critical estimates. More specifically, as explained in Note 8, the Company’s management updated certain assumptions used for the purposes of the impairment tests at 31 December 2019 concerning goodwill, non-recurring charges and development costs, in order to verify whether the assets recognised in the changed business scenario of reference could be recovered, even by further stressing sensitivity scenarios. With regard to non-recurring charges and development costs, the Company’s management analysed the main business plans once again, without highlighting any impairment indicators.

Moreover, as reported in Note 24, the financial assets recognised were measured by updating the creditworthiness of the counterparties, which reflected the changed business scenario.

Finally, the Company’s management examined in detail the normal considerations on the recoverability of the Group's inventories, based on the estimated deferrals linked to their use in production activities.

With regard to financial risks, the Group's limited exposure to interest rate risk minimizes any possible volatility effect resulting from significant market fluctuations. Although this risk is likely to arise during a pandemic period, it has not yet significantly occurred to date, as interest rates have shown a trend characterised by low volatility.

In order to better cope with any possible liquidity risk, in May 2020 Leonardo entered into agreements with a pool of banks for credit facilities totalling €bil. 2 with a term of up to 24 months. Moreover, in

July 2020, in seizing favourable market opportunities, a new issue was completed on the Euromarket, under the EMTN programme, for a nominal amount of €mil. 500. As expected upon the execution of the credit facility agreements, this issue entailed a decrease in the aforesaid credit lines.

The considerations reported above, together with the evaluations made when preparing the Annual Financial Report and described in Note 4 to the 2019 consolidated financial statements, to which reference should be made, have led the Company's management to believe that there are no risks associated with the Group's ability to continue to operate as a going concern.

4. BUSINESS SEASONALITY

Cash flows relating to operations

The Group's key business segments usually feature a high concentration of cash receipts from customers in the last few months of the year. This has an impact, which was particularly marked during the period as a result of the world economy scenario, on interim cash flows and the variability of the Group's debt over the various interim periods, which improves substantially in the last few months of the calendar year.

5. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

With effect from 1 January 2020 (First Time Adoption) the Group adopted the provisions governing hedge accounting laid down in IFRS 9 – Financial Instruments. The main change resulting from the Group's first-time adoption of the new standard consists of accounting for the forward element of forward contracts (award credits).

Specifically, the fair value change in award credits, previously recognised immediately through the profit (or loss) for the period, is now recognised under other comprehensive income and accumulated in a reserve for hedging costs as an equity component. The reserve is reclassified to profit/(loss) for the period when the hedged item affects profit or loss.

All hedging relationships designated in accordance with IAS 39 at 31 December 2019 met the hedge accounting requirements of IFRS 9 at 1 January 2020 and, therefore, constitute continuous hedging relationships.

Upon first-time adoption, the Group adopted the prospective approach, without restating comparative values. Consequently, at 1 January 2020 no adjustment had been made to values at 31 December 2019.

Moreover, as from 1 January 2020 amendments to IFRS 3 "Business combinations" became effective in relation to the definition of a business, identified as an integrated set of activities and assets which must include at a minimum an input and a substantive process that together significantly contribute to the ability to create output, without including all of the inputs and processes needed to create outputs. Such amendments did not have a significant impact on the condensed consolidated interim financial statements of the Group as at 30 June 2020.

6. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

No significant events are reported which occurred after the end of the period and until the date of approval of this document. As described above, we note that on 1 July 2020 Leonardo placed on the Euromarket new bonds listed on the Luxembourg Stock Exchange for a nominal amount of €mil. 500.

7. SEGMENT REPORTING

The Divisions and the companies through which the Group operates are combined together, for the purposes of the internal and external reporting, into the relevant four business sectors: Helicopters, Defence and Security Electronics, Aeronautics and Space. The Other activities segment includes the corporate activities and the residual ones.

The Group assesses the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITA, an operational indicator that is obtained by deducting, from the result before tax and financial costs, the following items: i) goodwill impairment, ii) amortisation and impairment of the amount of the purchase price allocated to intangible assets within the business combinations, iii) restructuring costs and iv) other income or costs attributable to particularly significant events not attributable to the normal operations of the relevant businesses. The indicator also includes the Group’s portion of the results of the strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio).

For the purpose of a correct interpretation of the information provided we note that the results of the equity-accounted strategic Joint Ventures have been included within the EBITA of the sectors to which these JVs belong; however, these sectors do not reflect the relevant share of Revenues.

The results for each sector at 30 June 2020, as compared with those of the same period of the previous year are as follows:

For the six months ended 30 June 2019	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Elimin-ations	Total
Revenue	1,895	2,860	1,389	-	211	(393)	**5,962**
Inter-segment revenue (*)	(7)	(246)	(2)	-	(138)	393	-
Third party revenue	**1,888**	**2,614**	**1,387**	**-**	**73**	**-**	**5,962**
EBITA	200	228	121	13	(75)	-	**487**
Investments	90	89	55	-	33	-	**267**
For the six months ended 30 June 2020	**Helicopters**	**Defense Electronics & Security**	**Aeronautics**	**Space**	**Other Activities**	**Elimin-ations**	**Total**
Revenue	1,693	2,897	1,513	-	195	(420)	**5,878**
Inter-segment revenue (*)	(3)	(263)	(1)	-	(153)	420	-
Third party revenue	**1,690**	**2,634**	**1,512**	**-**	**42**	**-**	**5,878**
EBITA	139	166	76	(10)	(79)	-	**292**
Investments	34	87	55	-	27	-	**203**

(*) Inter-segment revenue includes revenue among Divisions and the consolidated undertakings of the Group belonging to various business sectors

Below is the breakdown of revenue by geographical area and sector.

For the six months ended 30 June 2019	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Elimin-ations	Total
Italy	313	682	105	-	158	(265)	**993**
United Kingdom	254	642	-	-	-	(75)	**821**
Rest of Europe	691	262	455	-	2	(1)	**1,409**
North America	174	1,041	497	-	-	(2)	**1,710**
Rest of world	463	233	332	-	51	(50)	**1,029**
Revenue	**1,895**	**2,860**	**1,389**	**-**	**211**	**(393)**	**5,962**
Inter-segment revenue (*)	(7)	(246)	(2)	-	(138)	393	-
Third party revenue	**1,888**	**2,614**	**1,387**	**-**	**73**	**-**	**5,962**
For the six months ended 30 June 2020	**Helicopters**	**Defense Electronics & Security**	**Aeronautics**	**Space**	**Other Activities**	**Elimin-ations**	**Total**
Italy	373	660	93	-	138	(286)	**978**
United Kingdom	348	567	-	-	-	(28)	**887**
Rest of Europe	494	290	400	-	3	(1)	**1,186**
North America	156	1,102	422	-	-	(1)	**1,679**
Rest of world	322	278	598	-	54	(104)	**1,148**
Revenue	**1,693**	**2,897**	**1,513**	**-**	**195**	**(420)**	**5,878**
Inter-segment revenue (*)	(3)	(263)	(1)	-	(153)	420	-
Third party revenue	**1,690**	**2,634**	**1,512**	**-**	**42**	**-**	**5,878**

(*) Inter-segment revenue includes revenue among Divisions and the consolidated undertakings of the Group belonging to various business sectors

The reconciliation between EBITA and Profit before taxes and interest for the periods compared is as follows:

For the six months ended 30 June 2019	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Total
EBITA	**200**	**228**	**121**	**13**	**(75)**	**487**
Amortisation of intangible assets acquired as part of business combinations	(5)	(9)	-	-	-	**(14)**
Restructuring costs	(1)	(7)	-	-	1	**(7)**
Non-recurring income/expense	-	(4)	-	-	-	**(4)**
EBIT	**194**	**208**	**121**	**13**	**(74)**	**462**
Equity-accounted strategic JVs	-	(22)	1	(13)	-	**(34)**
Income before tax and financial expenses	**194**	**186**	**122**	**-**	**(74)**	**428**

For the six months ended 30 June 2020	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Total
EBITA	**139**	**166**	**76**	**(10)**	**(79)**	**292**
Amortisation of intangible assets acquired as part of business combinations	(5)	(9)	-	-	-	**(14)**
Restructuring costs	(1)	(4)	-	-	(1)	**(6)**
Non-recurring income/expense	(6)	(30)	(6)	-	(3)	**(45)**
EBIT	**127**	**123**	**70**	**(10)**	**(83)**	**227**
Equity-accounted strategic JVs	-	(20)	34	10	-	**24**
Income before tax and financial expenses	**127**	**103**	**104**	**-**	**(83)**	**251**

8. INTANGIBLE ASSETS

Below is the breakdown of the item and investments for the period:

	31 December 2019	30 June 2020	Investments for the six months at	
			30 June 2019	30 June 2020
Goodwill	3,825	3,744	-	-
Development costs	503	722	30	39
Non-recurring costs	1,805	1,830	125	51
Concessions, licences and trademarks	219	221	1	3
Acquired through business combinations	305	282	-	-
Other intangible assets	107	103	11	13
	6,764	**6,902**	**167**	**106**

Goodwill decreased due to the differences deriving from the conversion of the foreign currency assets, mainly referable to amounts in GBP.

The impairment tests carried out at 31 December 2019 showed significant positive margins (headroom) for all the Cash Generating Units (CGUs) to which the Group's goodwill is allocated. The largely positive margins were also confirmed by the sensitivity analyses carried out on the main assumptions underlying the tests. In considering the impact that the COVID-19 pandemic was having on the Group's performance, in addition to the normal analysis of trigger events, at 30 June 2020 some assumptions were updated, which were used for the purposes of the impairment tests at 31 December 2019 and sensitivity analyses were carried out on them, which involved worst-case scenarios with respect to those carried out when preparing the financial statements at 31 December 2019. The results of these analyses did not reveal any impairment indicator that could require a revision of these tests.

The increase in development costs reflects the entry into the scope of consolidation of the Kopter Group. This transaction is largely described in Note 12.

It should be noted that the aforesaid worst-case scenario analyses were also carried out with reference to development costs and non-recurring charges, concerning the impairment tests conducted upon the preparation of the 2019 Financial Statements, which also entailed a review of the sustainability of the main product business plans, without reporting any significant case of impairment.

Commitments are in place for the purchase of intangible assets for €mil. 13 (€mil. 8 at 31 December 2019).

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	31 December 2019	*30 June 2020*	*Investments for the six months at*	
			30 June 2019	*30 June 2020*
Land and buildings	929	922	1	3
Plant and machinery	363	357	5	4
Equipment	510	480	17	15
Other tangible assets	478	469	77	75
	2,280	**2,228**	**100**	**97**

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 69 (€mil. 78 at 31 December 2019).

10. RIGHT OF USE

	31 December 2019	*30 June 2020*	*Investments for the six months at*	
			30 June 2019	*30 June 2020*
Right of use of land and buildings	393	411	36	51
Right of use of plant and machinery	4	6	-	2
Right of use of equipment	-	2	2	-
Right of use of other tangible assets	34	23	2	1
	431	**442**	**40**	**54**

11. OTHER NON-CURRENT ASSETS

	31 December 2019	*30 June 2020*
Financing to third parties	10	9
Deferred grants under Law no. 808/85	61	24
Defined benefit plan assets, net	289	203
Related party receivables (Note 30)	8	8
Other non-current receivables	68	69
Non-current receivables	**436**	**313**
Prepayments - non-current portion	5	4
Equity investments	1,173	1,045
Non-recurring costs pending under Law no. 808/1985	151	59
Non-current assets	**1,329**	**1,108**
	1,765	**1,421**

The decrease in the item of equity investments was mainly due to the collection of dividends (€mil. 58) and to the result recorded by the strategic JVs valued at equity.

This item is also affected by the negative result in other comprehensive income recognised in the period by the strategic JVs and associates, which was partially offset by the increase in the investment held in Avio.

12. BUSINESS COMBINATION

On 8 April 2020 there was the closing of the transaction which involved the acquisition by Leonardo S.p.a. of 100% of the Swiss helicopter company Kopter Group AG (Kopter) from Lynwood (Schweiz) AG. The acquisition of Kopter has allowed Leonardo to further strengthen its world leadership and its position in the helicopter sector, in line with the objectives of the Business Plan towards strengthening operations regarded as core businesses.

The purchase price includes a fixed component worth $mil. 185 on a cash free/debt free basis, in addition to an earn-out mechanism linked to specific objectives to be achieved during the term of the program, starting from 2022 (in particular, the earn-out mechanism is calculated on the basis of the date of obtainment of the certifications linked to the helicopter developed by Kopter and the achievement of certain targets of the same). The agreements also provide for Leonardo to take over the additional credit line granted by Lynwood to Kopter in 2020, amounting to €mil. 23.

At the closing date, the total outlay for Leonardo was €mil. 185, of which €mil. 123 to Lynwood and €mil. 62 to the Russian bank National Bank Trust to take over a loan previously granted to Kopter. The agreements provided for Leonardo to take over all of Lynwood's accounts receivable from Kopter upon the closing (amounting to €mil. 122).

Therefore, the cash out of the transaction consisted almost entirely of Leonardo taking over the debt positions of the acquired company Kopter.

With reference to the values being acquired, it should be noted that the process of determining the fair value of the assets and liabilities acquired (Purchase Price Allocations), as permitted by IFRS 3, has not yet been completed. Therefore, the fair value of each asset or liability could be different at the end of the allocation process, which is expected to be completed by 31 December 2020.

Leonardo has provisionally determined the fair value of the net assets acquired as reported below:

	values	*Fair value ADJ*	*Fair value*
Non curent assets	221	-	221
Current assets	10	-	10
Cash and cash equivalent	1	-	1
	232	**-**	**232**
Non curent liabilities	(18)	-	(18)
Curent liabilities	(196)	-	(196)
Net assets acquired	**18**	**-**	**18**
NFP vs LDO for shareholders Loan			122
NFP for bank debt			62
			202
Cash out			185
Preliminary FV of earn out			17
Total			**202**
Goodwill			**-**

In this half-year financial report, Kopter's contribution - for the three months following the date of acquisition – has been negative by €mil. 9 in terms of EBITA (zero in terms of revenues in consideration of the development phase in which the company finds itself). If the Kopter group had been consolidated for the entire half year, its contribution in terms of EBITA would have been negative for €mil. 18.

Furthermore, in May 2020 the Group completed the acquisition of 100% of the share capital of the South African company Precision Aviation Services PTY LTD, operating in the helicopter sector, for a consideration equal to about €mil. 1.6.

During the first half of 2019 there was the closing of the acquisition of 98.54% of the shares of Vitrociset S.p.A. and of 4 properties for a consideration equal to €mil. 46, of which €mil. 27 for the acquisition of Vitrociset shares and €mil. 19 for the acquisition of the assets. The provisional Purchase Price Allocation process on the acquired values did not led to recognising any goodwill at 30 June 2019. On the contrary, the subsequent completion of the Purchase Price Allocation process led to recognising goodwill of €mil. 1 in the financial statements at 31 December 2019.

13. TRADE RECEIVABLES, INCLUDING CONTRACT ASSETS

	31 December 2019	*30 June 2020*
Trade receivables	2,458	2,274
Related party trade receivables (Note 30)	537	529
	2,995	**2,803**
Contract assets	2,928	3,095
	5,923	**5,898**

For the primary credit risks related to the Group's business, reference is made to Note 37 to the consolidated financial statements at 31 December 2019.

14. OTHER CURRENT ASSETS

	31 December 2019		*30 June 2020*	
Income tax receivables		71		79
Derivatives		100		113
Other current assets:		389		506
Prepaid expenses - current portion	*79*		*92*	
Receivables for grants	*60*		*53*	
Receivables from employees and social security	*46*		*46*	
Indirect tax receivables	*44*		*28*	
Deferred receivables under Law no. 808/85	*14*		*10*	
Other related party receivables (Note 30)	*6*		*141*	
Other assets	*140*		*136*	
		560		**698**

The table below shows the fair value hierarchy for the financial assets and liabilities of the Group measured at fair value. The fair value of derivatives (classified under other current assets and liabilities) is determined on the basis of measurement techniques which consider directly observable market inputs (the so-called "Level 2"), while the payable to Bell Helicopter (classified under other non-current liabilities) is determined on the basis of measurement techniques which do not consider directly observable market inputs (the so-called "Level 3"). The fair value of the payable to Bell Helicopter was determined by discounting back the estimate of the variable amounts payable on the basis of the commercial performance of the programme.

	31 December 2019			*30 June 2020*		
	Level 2	*Level 3*	*Total*	*Level 2*	*Level 3*	*Total*
Non-current assets	-	-	-	-	-	-
Current assets	100	-	**100**	113		**113**
Non-current liabilities	-	221	**221**	-	215	215
Current liabilities	169	-	**169**	232	-	**232**

15. EQUITY

Share capital	Number of ordinary shares	Par value	Treasury shares	Costs incurred (net of tax effect)	Total
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,142,497)	-	(29)	-	(29)
31 December 2019	**575,007,898**	**2,544**	**(29)**	**(19)**	**2,496**
Repurchase of treasury shares less shares sold	-	-	-	-	-
30 June 2020	**575,007,898**	**2,544**	**(29)**	**(19)**	**2,496**
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,142,497)	-	(29)	-	(29)

At 30 June 2020, the Ministry of Economy and Finance owned 30.204% of the share capital. Furthermore, in application of the strengthened disclosure obligations, during the period the Company received communication from BlackRock Inc., which has stated that it holds, through various asset management companies it controls, 5.108% of the shares (of which 2.445% with voting rights), from Norges Bank and Bank of Italy, which have stated they hold respectively 1.792% and 1.013% of the shares. No other communications have been received in relation to the 1% ownership threshold of the share capital being exceeded.

Dividends were paid for an amount of € 0.14 per share during the half-year.

The statement of changes in equity attributable to the owners of the parent and to non-controlling interests is presented in the accounting statements section. Below is a breakdown of the tax effects on the gain and loss items recognised in equity of the Group, as well as the other comprehensive income/expense relating to investments valued at equity and the related tax effects:

	Group - consolidated entities			Group - equity accounted investments		
	Amount before taxes	**Tax effect**	**Net amount**	**Amount before taxes**	**Tax effect**	**Net amount**
For the six months ended 30 June 2019						
Revaluation of defined-benefit plans	(49)	6	(43)	(5)	1	(4)
Changes in cash-flow hedges	(34)	8	(26)	3	(4)	(1)
Foreign currency translation difference	10	-	10	-	-	-
Total	**(73)**	**14**	**(59)**	**(2)**	**(3)**	**(5)**
For the six months ended 30 June 2020						
Revaluation of defined-benefit plans	(151)	26	(125)	(58)	14	(44)
Changes in cash-flow hedges	(55)	11	(44)	(1)	1	-
Foreign currency translation difference	(157)		(157)	(8)		(8)
Total	**(363)**	**37**	**(326)**	**(67)**	**15**	**(52)**

Changes in the Cost of Hedge reserve and the related tax effects are recognised in the changes in cash-flow hedge.

16. LOANS AND BORROWINGS

	31 December 2019		30 June 2020	
	Non-current	Current	Non-current	Current
Bonds	2,647	94	1,915	781
Bank loans and borrowings	898	85	889	810
Lease liabilities	354	61	373	66
Related party lease liabilities	33	3	29	3
Other related party loans and borrowings (Note 30)	-	727	100	613
Other loans and borrowings	43	61	60	39
	3,975	**1,031**	**3,366**	**2,312**

The increase in bank debt was attributable to the use of the Revolving Credit Facility of €mil. 600 on the part of Leonardo S.p.a. and a short-term credit line of USDmil. 90 on the part of Leonardo US Holding Inc..

The increase in non-current payables to related parties entirely related to the loan of €mil. 100 taken out with Cassa Depositi e Prestiti (CDP), in support of investments in research, development and innovation, during the first quarter.

Other non-current loans and borrowings include the fair value of the earn-out related to the Kopter acquisition (€mil. 17), a transaction described in detail in Note 12 to which reference is made.

During this half-year receivables were assigned without recourse for a total value of about €mil. 1,164 (€mil. 1,007 in the first half of 2019).

Some credit lines and debt positions of the Group imply the compliance with financial covenants, linked to two Financial ratios: the ratio of Group Net Debt (excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities) to EBITDA (including amortisation of rights of use) must not be higher than 3.75 and the ratio of EBITDA (including amortisation of rights of use) to Net interest must not be less than 3.25. These covenants are tested annually based on consolidated year-end data and the probability of default is not regarded as significant by the Management. As reported in the Annual Financial Report as at 31 December 2019, the tests on the data of the 2019 financial statements highlighted values largely within the ratios described above.

Below is the detail of the bonds at 30 June 2020 date which shows the bonds issued by Leonardo ("LDO") and by Leonardo US Holding, Inc ("LH").

Issuer		Year of issue	Maturity	Currency	Outstanding nominal amount (mil.)(*)	Annual coupon	Type of offer
LDO	(**)	2005	2025	€	500	4.875%	European Institutional
LDO (originally Fin Fin)	(**)	2009	2022	€	556	5.250%	European Institutional
LH	(***)	2009	2039	USD	124	7.375%	American Institutional Rule 144A/Reg. S
LH	(***)	2009	2040	USD	182	6.250%	American Institutional Rule 144A/Reg. S
LDO	(**)	2017	2024	€	600	1.500%	European Institutional
LDO (originally Fin Fin)	(**)	2013	2021	€	739	4.500%	European Institutional

(*) Residual nominal amounts for the bond issues subject to buy-back.

(**) Bonds listed on the Luxembourg Stock Exchange and issued as part of the EMTN programme for a maximum of €bil. 4. The transaction was authorised pursuant to Art. 129 of Legislative Decree 385/93.

(***) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue were entirely used by Leonardo US Holding, Inc to finance the purchase of Leonardo DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Leonardo's purchase of Leonardo DRS. As a result, these issues were not hedged against exchange rate risk.

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

	31 December 2019	*of which with related parties*	*30 June 2020*	*of which with related parties*
Liquidity	**(1,962)**		**(429)**	
Current loans and receivables	**(197)**	*(161)*	**(187)**	*(156)*
Current bank loans and borrowings	85		810	
Current portion of non-current loans and borrowings	94		781	
Other current loans and borrowings	852	*730*	721	*616*
Current financial debt	**1,031**		**2,312**	
Net current financial debt (funds)	**(1,128)**		**1,696**	
Non-current bank loans and borrowings	898		889	
Bonds issued	2,647		1,915	
Other non-current loans and borrowings	430	*33*	562	*129*
Non-current financial debt	**3,975**		**3,366**	
Net financial debt	**2,847**		**5,062**	

The reconciliation between Net financial debt and Group Net Debt, used as KPI, is as follows:

	31 December 2019	*30 June 2020*
Net financial debt com. CONSOB no. DEM/6064293	2,847	5,062
Hedging derivatives in respect of debt items	-	12
Group net debt (KPI)	**2,847**	**5,074**

17. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

	31 December 2019		*30 June 2020*	
	Non-current	*Current*	*Non-current*	*Current*
Guarantees given	10	32	10	31
Restructuring	82	81	67	45
Tax	20	74	17	73
Product guarantees	95	125	89	126
Onereous contracts (losses at completion)	-	385	-	403
Other provisions	468	467	425	514
	675	**1,164**	**608**	**1,192**

"Other provisions for risks and charges" mainly include the provisions for litigation with employees and former employees and for litigation underway with third parties, in addition to provisions related to critical issues on contracts, especially in the Aeronautics and Helicopters sectors.

With regard to the provisions for civil, tax and administrative disputes, it should be noted that the Leonardo Group companies' operations regard industries and markets where many disputes, which are brought as both plaintiff and defendant, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the accounting standards, provisions have only been made for risks that are probable and for which the amount can be determined. Furthermore, it should be noted that, given their complexity, their cutting-edge technological content and the nature of the customers, the Group’s long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account possible developments in the relevant disputes.

With respect to what was already described during the preparation of the 2019 consolidated financial statements, to which reference is made, it should be noted that, within the proceedings brought before the Court of Rome by Selex Service Management S.p.A. against the Ministry for the Environment, Land and Sea in relation to the performance of the Sistri contract, the hearing for specifying the conclusions, which had been already scheduled on 16 July 2020, has been postponed to 10 September 2020.

* * * * * * * *

Furthermore, it should be noted that the Explanatory Notes to the consolidated financial statements at 31 December 2019 provide information on criminal proceedings that involve Group companies for various reasons. With respect to the information reported in the abovementioned financial statements, to which the reader is referred for more details, no updates are highlighted with reference to criminal proceedings pending against some Group companies or Leonardo and some former directors, as well as executives for facts committed in the performance of their duties at Group companies or at Leonardo.

* * * * * * * *

With regard to contracts in progress affected by uncertainties and issues under discussion with customers, no significant updates are reported with respect to what was already described during the preparation of the 2019 consolidated financial statements, except for the abovementioned postponement of the hearing for specifying conclusions relating to the Sistri contract.

18. EMPLOYEE BENEFITS

	31 December 2019			*30 June 2020*		
	Liabilities	*Assets*	*Net*	*Liabilities*	*Assets*	*Net*
Severance pay provision	290	-	290	274	-	274
Defined-benefit plans	191	289	(98)	266	203	63
Defined contribution plans	28	-	28	29	-	29
	509	**289**	**220**	**569**	**203**	**366**

The change in net Defined-benefit plans was affected by a decrease in the discount rates, in particular in the UK region, which gave rise to a significant increase in liabilities, only partly offset by the good return expected from assets serving the plan.

19. OTHER CURRENT AND NON-CURRENT LIABILITIES

	31 December 2019		*30 June 2020*	
	Non-current	*Current*	*Non-current*	*Current*
Employee obligations	51	389	51	459
Deferred income	87	102	84	122
Amounts due to social security institutions	-	181	-	161
Payables to MED (Law no. 808/85)	155	-	157	-
Payables to MED for royalties (Law no. 808/85)	180	12	188	13
Indirect tax liabilities	-	117	-	86
Derivatives	-	169	-	232
Other liabilities	341	452	362	388
Other payables to related parties (Note 30)	-	63	-	13
	814	**1,485**	**842**	**1,474**

Other non-current liabilities include, in particular, the payable due to Bell Helicopter of €mil. 215 (€mil. 221 at 31 December 2019), deriving from the acquisition of 100% of the AW609 programme.

20. TRADE PAYABLES, INCLUDING CONTRACT LIABILITIES AND PROVISION FOR ONEROUS CONTRACTS

	31 December 2019	*30 June 2020*
Suppliers	3,441	2,909
Trade payables to related parties (Note 30)	350	235
Trade payables	**3,791**	**3,144**
Contract liabilities	7,804	7,160
	11,595	**10,304**

21. REVENUE

	For the six months ended 30 June	
	2019	*2020*
Revenue from contract with customers	4,859	4,126
Change in contract assets	300	1,047
Revenue from related parties (Note 30)	803	705
	5,962	**5,878**

The break down by geographical area and business sector is reported in Note 7.

22. OTHER OPERATING INCOME (EXPENSES)

	For the six months ended 30 June					
	2019			*2020*		
	Income	*Expenses*	*Net*	*Income*	*Expenses*	*Net*
Grants for research and development costs	22	-	22	17	-	17
Exchange rate differences on operating items	41	(42)	(1)	64	(66)	(2)
Indirect taxes	-	(16)	(16)	-	(16)	(16)
Restructuring costs	-	(4)	(4)	-	-	-
Reversal of (accruals to) provisions for risks	115	(97)	18	141	(180)	(39)
Other income (expenses)	8	(14)	(6)	80	(25)	55
Other from/to related parties (Note 30)	2	-	2	2	-	2
	188	**(173)**	**15**	**304**	**(287)**	**17**

23. PURCHASES AND PERSONNEL EXPENSES

	For the six months ended 30 June	
	2019	*2020*
Purchases	2,152	1,850
Services	1,661	1,642
Costs to related parties (Note 30)	143	500
Personnel expenses	1,711	1,769
Wages, salaries and contributions	*1,581*	*1,589*
Defined-benefit plans costs	*6*	*38*
Defined contribution plans costs	*57*	*63*
Net restructuring costs	*2*	*6*
Other personnel expenses	*65*	*73*
Change in finished goods, work in progress and semi-finished products	(273)	(253)
Work performed by the Group and capitalised	(131)	(129)
	5,263	**5,379**

The Group recorded short-term lease rentals for €mil. 23 and lease rentals for low-value assets for €mil. 7 during the half-year.

The average workforce at 30 June 2020 (49,270 people) showed an increase compared to 30 June 2019 (47,774), as a result of the inclusion of the Kopter group in the consolidation area (+314) and an increase in the number of staff members at Leonardo DRS (+311) and in the Aeronautics Divisions (+294).

The breakdown of the total workforce is as follows:

	31 December 2019	*30 June 2020*	*Change*
Senior managers (*)	1,241	1,232	(9)
Middle managers	6,004	6,005	1
Clerical employees	28,428	28,757	329
Manual labourers (**)	13,857	13,739	(118)
	49,530	**49,733**	**203**

(*) *include pilots*
(**) *include senior manual labourers*

The breakdown of the total workforce by sector is as follows:

	31 December 2019	30 June 2020	Change
Helicopters	12,331	12,539	208
Defense Electronics & Security	23,736	24,315	579
Aeronautics	11,215	11,149	(66)
Other	2,248	1,730	(518)
	49,530	**49,733**	**203**

24. AMORTISATION, DEPRECIATION AND FINANCIAL ASSETS VALUE ADJUSTMENTS

	For the six months ended 30 June			
	2019		2020	
Amortisation of intangible assets		86		62
Development costs	*23*		*11*	
Non-recurring costs	*28*		*16*	
Acquired through business combinations	*14*		*14*	
Concessions, licences and trademarks	*7*		*7*	
Other intangible assets	*14*		*14*	
Depreciation of property, plant and equipment and investment properties		156		149
Depreciation of right of use		35		38
Impairment of other assets		2		2
financial assets value adjustments		7		14
operating receivables	*10*		*10*	
contract assets and liabilities	*(6)*		*13*	
other financial assets	*3*		*(9)*	
		286		**265**

In preparing this Half-year Financial Report, the evaluations as to whether the financial assets may be recovered were updated as required by IAS 34. The analyses were carried out by also taking account of the impact of the world business scenario on credit rating and the probability of default of the main Group's counterparties.

25. FINANCIAL INCOME AND EXPENSES

	For the six months ended 30 June					
	2019			2020		
	Income	Expenses	Net	Income	Expenses	Net
Interest	3	(85)	(82)	1	(74)	(73)
Interest on lease liabilities	-	(8)	(8)	-	(8)	(8)
Loan fees	-	(3)	(3)	-	(6)	(6)
Other commissions	-	(4)	(4)	-	(3)	(3)
Fair value gains (losses) through profit or loss	22	(29)	(7)	19	(15)	4
Premiums (paid) received on forwards	20	(30)	(10)	33	(66)	(33)
Exchange rate differences	23	(21)	2	25	(25)	-
Net interest cost on defined-benefit plans	-	-	-	-	(1)	(1)
Financial income (expenses) - related parties (Note 30)	2	(2)	-	1	(2)	(1)
Other financial income and expenses	4	(21)	(17)	2	(17)	(15)
	74	**(203)**	**(129)**	**81**	**(217)**	**(136)**

Net financial expenses were substantially in line with the figure for the first half of 2019.

The slight increase in net charges compared to the previous period was attributable to the higher premiums paid on forwards, which were only partially offset by lower interest arising from the redemption of the bond issue in GBP and by the buy-back transactions that took place during the second half of 2019 and by lower charges arising from the measurement of derivatives at fair value.

26. SHARE OF PROFITS (LOSSES) OF EQUITY-ACCOUNTED INVESTEES

	For the six months ended 30 June	
	2019	***2020***
Space Alliance	13	(10)
MBDA	22	20
GIE ATR	(1)	(34)
Strategic Joint Ventures	**34**	**(24)**
Other	5	(3)
	39	**(27)**

The decrease in the share of profits of equity-accounted investees is mainly attributable to the trend in the profitability of the GIE ATR, which was adversely affected by lower sales, and of the manufacturing segment of the Space Alliance.

27. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As detailed in Notes 12 and 33 of the Annual Financial Report at 31 December 2019, to which reference is made, the space business unit of Vitrociset S.p.A. and that of its investees (Vitrociset Belgium S.p.r.l. and Vitrociset France S.a.r.l.) will be subject to a carve-out in favour of the Space Alliance. Accordingly, the assets and liabilities held by the business unit were reclassified, as early as from the initial recognition after the acquisition, as a group of assets held for sale for a net value of €mil. 45 (€mil 51 at 31 December 2019).
Assets held for sale also include the value of assets owned by Leonardo Global Solutions that are held for sale for €mil. 10 (€mil. 18 at 31 December 2019).

	31 December 2019	***30 June 2020***
Non-current assets	45	37
Current assets	47	43
Assets held for sale	**92**	**80**
Non-current liabilities	4	4
Current liabilities	19	21
Liabilities associated with assets held for sale	**23**	**25**
	69	**55**

The space business unit of Vitrociset constitutes a group of assets acquired for the purposes of a subsequent sale and, therefore, the related results of operations are also classified among "Discontinued Operations" (a net result of €mil. 1 at 30 June 2020 and 30 June 2019).

With reference to the comparative period, during the first half of 2019, Ansaldobreda S.p.A., Leonardo S.p.a., Hitachi Ltd. and Hitachi Rail signed a proposal concerning the settlement of the positions arising from the disposal of the transport business unit of Ansaldobreda, which took place in 2015. The comparative figure of Discontinued Operations includes the related effects through profit or loss (€mil. 96), as well as the abovementioned result posted by the space business unit of the Vitrociset group.

	For the six months ended 30 June	
	2019	***2020***
Operating income	124	29
Operating expenses	(30)	(28)
Income before tax and financial expenses	**94**	**1**
Financial income/(expenses)	-	-
Income taxes	3	-
Profit (loss) for the period	**97**	**1**

28. EARNINGS PER SHARE

	For the six months ended 30 June	
	2019	***2020***
Average shares outstanding during the reporting period (in thousands)	574,845	575,008
Earnings for the period (excluding non-controlling interests) (€ millions)	349	59
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	252	58
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	97	1
Basic and Diluted EPS (€)	**0.607**	**0.103**
Basic and Diluted EPS from continuing operations (€)	0.438	0.101
Basic and Diluted EPS from discontinued operations (€)	0.169	0.002

Basic earnings per share at 30 June 2020, as well as those relating to the comparative period, were equal to diluted earnings per share, since there were no dilutive elements.

29. CASH FLOW FROM OPERATING ACTIVITIES AND CHANGE IN WORKING CAPITAL

	For the six months ended 30 June	
	2019	***2020***
Net result	349	60
Amortisation, depreciation and write-offs	286	265
Share of profits/(losses) of equity-accounted investees	(39)	27
Income taxes	86	29
Costs for defined-benefit plans	6	38
Net financial expenses/(income)	129	136
Net allocations to the provisions for risks and inventory write-downs	25	90
Profit from discontinued operations	(97)	(1)
Other non-monetary items	14	13
	759	**657**

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and foreign currency translation differences, are as follows:

	For the six months ended 30 June	
	2019	**2020**
Inventories	(550)	(650)
contract assets and liabilities	(242)	(819)
Trade receivables and payables	(493)	(512)
	(1,285)	**(1,981)**

30. RELATED PARTY TRANSACTIONS

Related party transactions are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. The relevant financial statements amounts are shown below. The statement of cash flows presents the impact of related party transactions on cash flows.

RECEIVABLES at 31 December 2019	**Non-current loans and receivables**	**Other non-current receivables**	**Current loans and receivables**	**Trade receivables**	**Other current receivables**	**Total**
Associates						
NH Industries SAS				114		114
Eurofighter Jagdflugzeug GmbH				105		105
AgustaWestland Aviation Services LLC				17		17
Macchi Hurel Dubois SAS				15		15
Iveco - Oto Melara Scarl						-
Other with unit amount lower than €mil. 10	1		1	34	2	38
Joint Ventures						
GIE ATR				44		44
Joint Stock Company Helivert				42		42
Thales Alenia Space SAS			156	18	1	175
MBDA SAS				16		16
Telespazio S.p.A.						-
Other with unit amount lower than €mil. 10	7		1	13	3	24
Consortia (*)						
Other with unit amount lower than €mil. 10			3	12		15
Companies subject to the control or considerable influence of the MEF						-
Fintecna S.p.A.				63		63
Ferrovie dello Stato Italiane				17		17
Other with unit amount lower than €mil. 10				27		27
Total	**8**	**-**	**161**	**537**	**6**	**712**
% against total for the period	***44.4%***	***-***	***81.7%***	***17.9%***	***3.5%***	

RECEIVABLES at 30 June 2020	**Non-current loans and receivables**	**Other non-current receivables**	**Current loans and receivables**	**Trade receivables**	**Other current receivables**	**Total**
Associates						
Eurofighter Jagdflugzeug GmbH				103		103
NH Industries SAS				91		91
Orizzonte - Sistemi Navali SpA				24		24
AgustaWestland Aviation Services LLC				23		23
Iveco - Oto Melara Scarl				10		10
Other with unit amount lower than €mil. 10	1		1	25	1	28
Joint Ventures						
Joint Stock Company Helivert				47		47
GIE ATR				30	137	167
MBDA SAS				18		18
Thales Alenia Space SAS			151	9	1	161
Other with unit amount lower than €mil. 10	7		1	14	2	24
Consortia (*)						
Other with unit amount lower than €mil. 10			2	6		8
Companies subject to the control or considerable influence of the MEF						
Fintecna S.p.A.				77		77
Ferrovie dello Stato Italiane				23		23
Other with unit amount lower than €mil. 10			1	29		30
Total	**8**	**-**	**156**	**529**	**141**	**834**
% against total for the period	***47.1%***	***-***	***83.4%***	***18.9%***	***50.7%***	

PAYABLES at 31 December 2019	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total
Associates						
Gulf System Logistic Services Company W.L.L				133		133
Leonardo Helicopteres Algerie			20			20
Eurofighter Jagdflugzeug GmbH			16	45		61
Elettronica S.p.A.				11		11
Other with unit amount lower than €mil. 10			3	21	6	30
Joint Ventures						
MBDA SAS			651	50		701
GIE ATR				38	48	86
Rotorsim Srl				21		21
Telespazio S.p.A.			36	3	3	42
Other with unit amount lower than €mil. 10				9		9
Consortia (*)						
Other with unit amount lower than €mil. 10				3		3
Companies subject to the control or considerable influence of the MEF			1	16	6	23
Other with unit amount lower than €mil. 10						-
Total	**-**	**-**	**727**	**350**	**63**	**1,140**
% against total for the period	***-***	***-***	***70.5%***	***9.2%***	***5.2%***	

PAYABLES at 30 June 2020	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total
Associates						
Gulf System Logistic Services Company W.L.L				40		40
Eurofighter Jagdflugzeug GmbH			23	13		36
Leonardo Helicopteres Algerie			20			20
NH Industries SAS						-
Other with unit amount lower than €mil. 10			4	25	9	38
Joint Ventures						
MBDA SAS			540	68		608
GIE ATR				41		41
Rotorsim Srl				17		17
Telespazio SpA			26	1	2	29
Other with unit amount lower than €mil. 10				9		9
Consortia (*)						
Other with unit amount lower than €mil. 10				3		3
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SpA	100					100
Other with unit amount lower than €mil. 10				18	2	20
Total	**100**	**-**	**613**	**235**	**13**	**961**
% against total for the period	***3.0%***	***-***	***26.5%***	***7.5%***	***1.2%***	

(*) Consortia over which the Group exercises considerable influence or which are subject to joint control

Trade receivables are commented on later, along with revenue from related parties. Loans and receivables mainly refer to receivables from joint ventures. Related-party loans and borrowings include in particular the amount of €mil. 540 (€mil. 651 at 31 December 2019) due by Group companies to the joint venture MBDA and payables for €mil. 23 (€mil. 16 at 31 December 2019) to Eurofighter, as well as payables of €mil. 20 to Leonardo Helicopteres Algerie for capital to be called up. The financial debt to Cassa Depositi e Prestiti (€mil. 100) relates to the loan raised at the beginning of the year in support of investments in research, development and innovation envisaged in the Industrial Plan.

For the six months ended 30 June 2019	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Associates						
Eurofighter Jagdflugzeug GmbH	226		38			
NH Industries SAS	125					
Orizzonte - Sistemi Navali SpA	77					
Macchi Hurel Dubois SAS	33					
Iveco-Oto Melara Scarl	20		1			
Gulf System Logistic Services Company W.L.L			56			
Other with unit amount lower than €mil. 10	19		5			
Joint Ventures						
GIE ATR	139		2			
Thales Alenia Space SAS	41		1			
MBDA SAS	24		9			2
Rotorsim Srl		1	10			
Other with unit amount lower than €mil. 10	10	1	5			
Consortia (*)						
Other with unit amount lower than €mil. 10	10					
Companies subject to the control or considerable influence of the MEF						
Fintecna S.p.A.	35					
Ferrovie dello Stato Italiane	14					
Other with unit amount lower than €mil. 10	30		16		2	
Total	**803**	**2**	**143**	**-**	**2**	**2**
% against total for the period	***13.5%***	***1.1%***	***2.7%***	***-***	***2.7%***	***1.0%***

For the six months ended 30 June 2020	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Associates						
Eurofighter Jagdflugzeug GmbH	182		363			
NH Industries SAS	136					
Gulf System Logistic Services Company W.L.L			52			
Orizzonte - Sistemi Navali SpA	48		1			
Iveco-Oto Melara Scarl	31		1			
Macchi Hurel Dubois SAS	21					
AgustaWestland Aviation Services LLC	10		1			
Other with unit amount lower than €mil. 10	17		11			1
Joint Ventures						
GIE ATR	73		4			
MBDA SAS	29		39			1
Thales Alenia Space SAS	14		1			
Joint Stock Company Helivert	14	1				
Other with unit amount lower than €mil. 10	2	1	7			
Consortia (*)						
Other with unit amount lower than €mil. 10	10					
Companies subject to the control or considerable influence of the MEF						
Fintecna S.p.A.	63					
Ferrovie dello Stato Italiane	20					
Other with unit amount lower than €mil. 10	35		20		1	
Total	**705**	**2**	**500**	**-**	**1**	**2**
% against total for the period	***12.0%***	***0.7%***	***9.3%***	***-***	***1.2%***	***0.9%***

(*) Consortia over which the Group exercises considerable influence or which are subject to joint control

The most significant trade receivables and revenues, in addition to those from joint ventures, are related to the following companies:

- Eurofighter in the scope of the EFA aeronautical programme;
- NHIndustries in the scope of the NH90 helicopter programme;
- Orizzonte - Sistemi Navali for the FREMM programme;
- Macchi Hurel Dubois for the commercialisation of nacelles.

Costs, in addition to those from joint ventures, are mainly related to:

- Eurofighter and Gulf System for operations in the scope of the EFA/Kuwait aeronautical programme; in particular, the considerable increase in costs to Eurofighter is justified by a significant increase in the deliveries of fuselages expected in 2020;
- Subsidiaries or entities subject to significant influence on the part of the Ministry of Economy and Finance.

For the Board of Directors
The Chairman
Luciano Carta

Annex: scope of consolidation

List of companies consolidated on a line-by-line basis (amounts in foreign currency)

Company name	*Registered office*	*Partecipating company*	*Currency*	*Share capital*	*% Group ownership*		*% Group shareholding*
					Direct	*Indirect*	
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)	ENGINEERED SUPPORT SYSTEMS INC	CAD	-		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	LEONARDO SPA	GBP	1	100		100
AGUSTAWESTLAND INDIA PRIVATE LTD (IN LIQ.)	New Delhi (India)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	INR	11,519,450		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	GBP	511,000		100	100
AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1,520,304		100	100
AGUSTAWESTLAND PHILADELPHIA CO	Wilmington, Delaware (USA)	LEONARDO SPA	USD	20,000,000	100		100
AGUSTAWESTLAND SPA	Rome	SOGEPA SPA	EUR	120,000		100	100
ALENIA AERMACCHI SPA	Rome	SOGEPA SPA	EUR	120,000		100	100
ANSALDOBREDA SPA	Naples	LEONARDO SPA	EUR	10,000,000	100		100
BREDAMENARINIBUS SPA	Rome	SOGEPA SPA	EUR	1,300,000		100	100
DAYLIGHT DEFENCE LLC	Wilmington, Delaware (USA)	DAYLIGHT SOLUTIONS INC.	USD	1		100	100
DAYLIGHT SOLUTIONS INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS ADVANCED ISR LLC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	-		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	2		100	100
DRS GLOBAL ENTERPRISE SOLUTIONS INC.	Baltimore, Maryland (USA)	DRS D.S. LLC	USD	50		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS NAVAL POWER SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS NETWORK & IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)	DRS C3 & AVIATION COMPANY	USD	-		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	10		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1,000		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Stuttgart (Germany)	DRS GLOBAL ENT. SOLUTIONS INC.	EUR	-		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)	DRS TECHNOLOGIES CANADA INC	CAD	100		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)	LEONARDO DRS INC	SAR	2,000,000		49	100
DRS TECHNOLOGIES UK LIMITED	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Stuttgart (Germany)	DRS GLOBAL ENT. SOLUTIONS INC.	EUR	25,000		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee, Florida (USA)	DRS D.S. LLC	USD	510		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)	DRS GLOBAL ENT. SOLUTIONS INC.	USD	-		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)	DRS T. & C. SYSTEMS LLC	USD	1		100	100
ENGINEERED COIL COMPANY	Jefferson City, Missouri (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC	Jefferson City, Missouri (USA)	LEONARDO DRS INC	USD	1		100	100
ESSI RESOURCES LLC	Frankfort, Kentucky (USA)	DRS SUSTAINMENT SYSTEMS INC	USD	-		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)	LEONARDO GLOBAL SOLUTIONS SPA	EUR	100,000		100	100
GLOBAL NETWORK SERVICES LLC	Wilmington, Delaware (USA)	DRS GLOBAL ENT. SOLUTIONS INC.	USD	1		100	100
KOPTER DESIGN AG	Mollis, Glarona Nord (Svizzera)	KOPTER GROUP AG	CHF	200,000		100	100
KOPTER GERMANY GMBH	HÖHENKIRCHEN-Siegertsbrunn (Germania)	KOPTER GROUP AG	EUR	25,000		100	100
KOPTER GROUP AG	Mollis, Glarona Nord (Svizzera)	LEONARDO SPA	CHF	32,000,000	100		100
KOPTER NORTH AMERICA LLC	Wilmington, Delaware (USA)	KOPTER GROUP AG	USD	1,000		100	100
LARIMART SPA	Rome	LEONARDO SPA	EUR	2,500,000	60		60
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	DRS SYSTEMS MANAG. LLC DRS SIGNAL SOLUTIONS INC	USD	-		100	100
LEONARDO AUSTRALIA PTY LTD ex AGUSTAWESTLAND AUSTRALIA PTY LTD	Essendon, Victoria (Australia)	LEONARDO INTERNATIONAL SPA	AUD	7,916,301		100	100
LEONARDO BELGIUM S.A.	Grace Hollogne (Belgium)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL	EUR	500,000		100	100
LEONARDO DO BRASIL LTDA	Osasco (Brazil)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	BRL	48,241,788		100	100
LEONARDO DRS INC	Wilmington, Delaware (USA)	LEONARDO US HOLDING, INC	USD	1		100	100
LEONARDO ELECTRONICS US INC. ex SELEX GALILEO INC	Wilmington, Delaware (USA)	LEONARDO MW LTD	USD	32,750,000		100	100
LEONARDO GERMANY GMBH	Neuss (Germany)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	EUR	2,500,000		100	100
LEONARDO GLOBAL SOLUTIONS SPA	Rome	LEONARDO SPA	EUR	51,000,000	100		100
LEONARDO HISPANIA S.A.U.	Loriguilla, Valencia (Spain)	LEONARDO INTERNATIONAL SPA	EUR	5,189,019		100	100
LEONARDO INTERNATIONAL SPA	Rome	LEONARDO SPA	EUR	1,000,000	100		100
LEONARDO MALAYSIA SDN BHD ex AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	2,500,000		100	100
LEONARDO MW LTD	Neuss (Germania)	LEONARDO SPA	GBP	314,500,100	100		100
LEONARDO PORTUGAL S.A.	Lisbon (Portugal)	LEONARDO INTERNATIONAL SPA	EUR	100,000		100	100
LEONARDO ROMANIA AEROSPACE, DEFENCE & SECURITY S.A.	Ploiesti (Romania)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	RON	10,847,960		100	100
LEONARDO TECHNOLOGIES & SERVICES LTD	Basildon, Essex (UK)	LEONARDO INTERNATIONAL SPA	KES	109,600,000		100	100
LEONARDO TURKEI HAVACILIK SAVUNMA VE GUVENLIK SISTEMLERI A.S.	Ankara (Turkey)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	TRY	79,557,009		100	100
LEONARDO US AIRCRAFT, INC.	Wilmington, Delaware (USA)	LEONARDO US HOLDING, INC	USD	44		100	100
LEONARDO US HOLDING, INC	Wilmington, Delaware (USA)	LEONARDO SPA	USD	10	100		100
OTO MELARA NORTH AMERICA LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	100
PARTECH SYSTEMS PTY LTD	Yerriyong (Australia)	SELEX ES AUSTRALIA PTY LTD	AUD	330,00		60	60
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	3083683 NOVA SCOTIA LIMITED	CAD	-		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Swidnik (Poland)	PZL-SWIDNIK S. A.	PLN	7,072,000		73.8829	73.3114
SELEX ELSAG LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	25,800,100		100	100
SELEX ES AUSTRALIA PTY LTD	Melbourne (Australia)	LEONARDO INTERNATIONAL SPA	AUD	500,000		100	100
SELEX ES INC	Wilmington, Delaware (USA)	LEONARDO INTERNATIONAL SPA	USD	1		100	100
SELEX ES INDIA PRIVATE LTD (IN LIQ.)	New Delhi (India)	LEONARDO MW LTD SELEX ES (PROJECTS) LTD	INR	30,100,000		100	100
SELEX ES INTERNATIONAL LTD	Basildon, Essex (UK)	LEONARDO SPA	GBP	100	100		100
SELEX ES LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	1		100	100
SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	500,000		100	100
SELEX ES SPA (IN LIQ.)	Rome	SOGEPA SPA	EUR	120,000		100	100
SELEX ES SAUDI ARABIA LTD	Riyadh (Saudi Arabia)	LEONARDO MW LTD SELEX ES (PROJECTS) LTD	SAR	500,000		100	100
SELEX SERVICE MANAGEMENT SPA (IN LIQ.)	Rome	SELEX ES SPA	EUR	3,600,000		100	100
SO.GE.PA. - SOCIETA` GENERALE DI PARTECIPAZIONI SPA	Rome	LEONARDO SPA	EUR	1,000,000	100		100
T - S HOLDING CORPORATION	Austin, Texas (USA)	TECH-SYM LLC	USD	280,000		100	100
TECH-SYM LLC	Reno, Nevada (USA)	LEONARDO DRS INC	USD	10		100	100
TTI TACTICAL TECHNOLOGIES INC	Ottawa, Ontario (Canada)	LEONARDO MW LTD	CAD	2,500,001		100	100
UTM SYSTEMS & SERVICES SRL	Rome	LEONARDO SPA TELESPAZIO SPA	EUR	6,620,000	66.67	33.33	89.0011
VEGA CONSULTING SERVICES LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	1		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	SELEX ES SPA	EUR	25,700		100	100
VITROCISET S.P.A.	Rome	LEONARDO S.P.A.	EUR	24,500,000	100		100

VITROCISET BELGIUM S.P.R.L.	Transinne (Belgio)	VITROCISET SPA VITROCISET FRANCE S.A.R.L.	EUR	1,282,750		100	100
VITROCISET FRANCE S.A.R.L.	KOUROU (Guyana Francese)	VITROCISET SPA	EUR	7,625		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)	AGUSTAWESTLAND LTD	GBP	5,000		100	100
WORLD'S WING SA	Geneva (Switzerland)	LEONARDO SPA	CHF	811,876	100		100
WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Swidnik (Poland)	LEONARDO SPA	PLN	137,401,350	99.2265		99.2265

List of companies consolidated using the equity method (amounts in foreign currency)

Company name	*Registered office*	*Partecipating company*	*Currency*	*Share capital*	*% Group ownership*		*% Group shareholding*
					Direct	*Indirect*	
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	-		51.0	51.0
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Shah Alam (Malaysia)	SELEX ES INTERNATIONAL LTD	MYR	10,000,000		30.0	30.0
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	LEONARDO SPA	AED	58,010,000	30.0		30.0
AIRBUS TELESPAZIO CAPACITY OPERATOR SAS	Issy Les Moulineaux (Francia)	TELESPAZIO FRANCE	EUR	11,000,000		49.0	32.8
AMSH BV	Rotterdam (the Netherlands)	LEONARDO SPA	EUR	36,296,316	50.0		50.0
AVIO SPA	Rome	LEONARDO SPA	EUR	90,964,213	29.6		29.6
C-27J AVIATION SERVICES INC.	Ottawa, Ontario (Canada)	LEONARDO CANADA CO	CAD	10,000		30.0	30.0
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	1		100	100
CONSORZIO ATR GIE	Toulouse (France)	LEONARDO SPA	USD	-	50.0		50.0
D-FLIGHT S.P.A.	Rome	UTM SYSTEMS & SERVICES S.R.L.	EUR	83,333		40.0	35.6
E - GEOS SPA	Matera	TELESPAZIO SPA	EUR	5,000,000		80.0	53.6
ELETTRONICA SPA	Rome	LEONARDO SPA	EUR	9,000,000	31.3		31.3
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH (IN LIQ.)	Hallbergmoos (Germany)	LEONARDO SPA	EUR	127,823	21.0		21.0
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	LEONARDO SPA	EUR	2,556,459	21.0		21.0
EUROFIGHTER SIMULATION SYSTEMS GMBH	Hallbergmoos (Germany)	LEONARDO SPA	EUR	260,000	24.0		24.0
EUROMIDS SAS	Paris (France)	LEONARDO SPA	EUR	40,500	25.0		25.0
GAF AG	Munich (Germany)	E - GEOS SPA	EUR	256,000		100	53.6
GULF SYSTEMS LOGISTICS SERVICES COMPANY WLL	Kuwait City (Kuwait)	ALENIA AERMACCHI SPA	KWD	75,000		40.0	40.0
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Venice	LEONARDO SPA	EUR	208,000	25.0		25.0
ICARUS SCPA (IN LIQ.)	Turin	LEONARDO GLOBAL SOLUTIONS SPA	EUR	3,192,724		53.1	53.1
INDUSTRIA ITALIANA AUTOBUS S.P.A	Rome	LEONARDO SPA	EUR	21,050,000	28.7		28.7
INMOVE ITALIA SRL	Naples	ANSALDOBREDA SPA	EUR	14,441		100	100
IVECO - OTO MELARA SC A RL	Rome	LEONARDO SPA	EUR	40,000	50		50
JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)	LEONARDO SPA	CNY	6,000,000	40		40
JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	LEONARDO SPA	RUB	325,010,000	50		50
LEONARDO ADVANCED JET TRAINING S.R.L.	Villasor (Ca)	LEONARDO SPA	EUR	100,000	100		100
LEONARDO AEROSPACE DEFENSE & SECURITY INDIA PRIVATE LTD	New Delhi (India)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	INR	30,000,000		100	100
LEONARDO CANADA CO.	Halifax, Nova Scotia (Canada)	LEONARDO INTERNATIONAL SPA	CAD	298,421		100	100
LEONARDO (CHINA) CO. LTD ex SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO. LTD	Beijing (China)	LEONARDO INTERNATIONAL SPA	USD	800,000		100	100
LEONARDO ELECTRONICS PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	100		100	100
LEONARDO FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES WLL	Kuwait City (Kuwait)	LEONARDO INTERNATIONAL S.P.A.	KWD	303,000		93	93
LEONARDO FUTUREPLANNER (TRUSTEE) LIMITED	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
LEONARDO HELICOPTERES ALGERIE S.P.A.	Bir Mourad Rais (DZ) (Algeria)	LEONARDO SPA LEONARDO INTERNATIONAL SPA	EUR	55,000,000	39	10	49
LEONARDO HELICOPTERS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
LEONARDO LIMITED ex FINMECCANICA UK LTD	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
LEONARDO POLAND SP. Z O.O.	Varsavia (Polonia)	LEONARDO INTERNATIONAL SPA	PLN	850,000		100	100
LEONARDO SINGAPORE PTE. LTD.	Singapore (Singapore)	LEONARDO INTERNATIONAL SPA	USD	150,000		100	100
LEONARDO TECHNOLOGY PAKISTAN (SMC-PRIVATE) LIMITED	Islamabad (Pakistan)	LEONARDO INTERNATIONAL SPA	PKR	30,000,000		100	100
LEONARDO & CODEMAR S.A.	Maricà (Brasile)	LEONARDO INTERNATIONAL SPA	BRL	2,010,000		51	51
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	AGUSTAWESTLAND SPA LEONARDO SPA	EUR	8,000,000	25	25	50
MACCHI HUREL DUBOIS SAS	Versailles (France)	LEONARDO SPA	EUR	100,000	50		50
MBDA SAS	Paris (France)	AMSH BV	EUR	53,824,000		50	25
NHINDUSTRIES (SAS)	Aix en Provence (France)	LEONARDO SPA	EUR	306,000	32		32
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	LEONARDO SPA	EUR	20,000,000	49		49
RARTEL SA	Bucharest (Romania)	TELESPAZIO SPA	RON	468,500		61.06	40.91
ROTORSIM SRL	Sesto Calende (Varese)	LEONARDO SPA	EUR	9,800,000	50		50
ROTORSIM USA LLC	Wilmington, Delaware (USA)	AGUSTAWESTLAND PHILADELPHIA CO	USD	12.607.452		50	50
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	100		100	100
SPACEOPAL GMBH	Munich (Germany)	TELESPAZIO SPA	EUR	500,000		50	33.5
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	TELESPAZIO SPA TELESPAZIO BRASIL SA	ARS	9,950,000		100	66.96
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	TELESPAZIO LATIN AMERICA LTDA	BRL	58,724,000		98.77	66.18
TELESPAZIO FRANCE SAS	Toulouse (France)	TELESPAZIO SPA	EUR	33,670,000		100	67
TELESPAZIO IBERICA SL	Madrid (Spain)	TELESPAZIO SPA	EUR	2,230,262		100	67
TELESPAZIO LATIN AMERICA LTDA	Rio de Janeiro (Brazil)	TELESPAZIO SPA TELESPAZIO VEGA UK LTD	BRL	56,444,390		100	67
TELESPAZIO SPA	Rome	LEONARDO SPA	EUR	50,000,000	67		67
TELESPAZIO VEGA DEUTSCHLAND GMBH	Darmstadt (Germany)	TELESPAZIO SPA TELESPAZIO FRANCE SAS	EUR	44,150		100	67
TELESPAZIO VEGA UK LTD	Luton (UK)	TELESPAZIO SPA	GBP	14,400,048		100	67
TELESPAZIO VEGA UK SL	Madrid (Spain)	TELESPAZIO VEGA UK LTD	EUR	3,100		100	67
THALES ALENIA SPACE SAS	Cannes (France)	LEONARDO SPA	EUR	918,037,500	33		33
TORPEDO SOUTH AFRICA (PTY) LTD	Gauteng (South Africa)	LEONARDO SPA	ZAR	-	49		49
VITROCISET JADWALEAN LTD	Riyadh (Saudi Arabia)	VITROCISET S.P.A.	SAR	2,000,000		45	45
WIN BLUEWATER SERVICES PRIVATE LIMITED (IN LIQ.)	New Delhi (India)	LEONARDO SPA SELEX ES INTERNATIONAL LTD	INR	8,534,800	99.9999	0.0001	100

List of subsidiaries and associates valued at cost (amounts in foreign currency)

Company name	*Registered office*	*Partecipating company*	*Currency*	*Share capital*	*% Group ownership Direct*	*Indirect*	*% Group shareholding*
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	LEONARDO SPA	AED	200,000	49		49
CCRT SISTEMI SPA (IN FALL)	Milan	SOGEPA SPA	EUR	697,217		30.34	30.34
CHONGQING CHUANYI ANSALDOBREDA RAILWAY TRANSPORT. EQUIP.CO.LTD	Chongqing (China)	ANSALDOBREDA SPA	CNY	50,000,000		50	50
EARTHLAB LUXEMBOURG S.A.	Luxembourg (Luxembourg)	TELESPAZIO FRANCE SAS E - GEOS SPA	EUR	4,875,000		54.4	34.17
ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	SOGEPA SPA	UAH	7,945,000		49	49
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMM.STR.)	Genoa	LEONARDO SPA	EUR	103,567	30.98		30.98
LEONARDO INTERNATIONAL LTD	Grantham, Lincolnshire (UK)	LEONARDO MW LTD	GBP	1		100	100
PRECISION AVIATION SERVICES PTY LTD	Lynwood (Sud Africa)	LEONARDO INTERNATIONAL SPA	ZAR	500		100	100
PRECISION AVIATION TRAINING ACADEMY PTY LTD	Wonderboom (Sud Africa)	PRECISION AVIATION SERVICES PTY LTD	ZAR	1,000		100	100
PRECISION AVIATION PROPERTY PTY LTD	Wonderboom (Sud Africa)	PRECISION AVIATION SERVICES PTY LTD	ZAR	100		100	100

Below are the changes in the scope of consolidation at 30 June 2020 in comparison with 30 June 2019:

COMPANY	**EVENT**	**MONTH**
<u>Companies which entered the scope of consolidation:</u>		
Airbus Telespazio Capacity Operator S.A.A.	newly-established	July 2019
LEONARDO & Codemar S.A.	newly-established	January 2020
Kopter Group AG	acquired	April 2020
Kopter Design AG	acquired	April 2020
Kopter Germany GmbH	acquired	April 2020
Kopter North America LLC	acquired	April 2020
Leonardo Advanced Jet training S.r.l.	newly-established	April 2020
Precision Aviation Services PTY Ltd	Acquired (*)	April 2020
Precision Aviation Trading Academy PTY Ltd	acquired (*)	April 2020
Precision Aviation Property PTY Ltd	acquired (*)	April 2020
<u>Companies which left the scope of consolidation:</u>		
Eurotech SpA	sold	August 2019
Ansaldobreda France S.A.S. (in liq.)	cancellation	November 2019
A4ESSOR S.A.S.	stock dilution	December 2019
Eurosysnav S.A.S. (in liq.)	cancellation	December 2019
Distretto Tecnologico Aerospaziale S.C. a R.L.	sold	March 2020

<u>Companies involved in merger transactions:</u>

Merged company	**Merging company**	**Month**
Sistemi Dinamici S.p,A.	LEONARDO S.p.a	January 2020
Lasertel Inc.	SELEX Galileo Inc.	January 2020
DRS Power Technology Inc.	DRS Naval Power Systems Inc.	January 2020

<u>Companies which changed their name:</u>

Old name	**New name**	**Month**
AugustaWestland Australia PTY LTD	LEONARDO Australia PTY LTD	July 2019
Saphire International Aviation ATC Engineering Co Ltd	LEONARDO (China) Co. Ltd	August 2019
AgustaWestland Malaysia SDN BHD	LEONARDO Malaysia SDN BHD	October 2019
Finmeccanica UK Ltd	LEONARDO Ltd	November 2019
SELEX Galileo Inc.	LEONARDO Electronics US Inc.	January 2020

(*): companies valued at cost

Statement on the condensed consolidated half-year financial statements at 30 June 2020 pursuant to Art. 154 bis, paragraph 5, of Legislative Decree no. 58/98 as amended and supplemented

1. The undersigned Alessandro Profumo as Chief Executive Officer and Alessandra Genco as the Officer in charge of financial reporting for Leonardo Società per azioni, certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the condensed consolidated half-year financial statements at 30 June 2020.
2. In this respect it is noted that no significant matters arose.
3. It is also certified that:

   3.1 The condensed consolidated half-year financial statements:
   - were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the entries in the books and accounting records;
   - were prepared in accordance with Article 154-ter of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

   3.2 The directors' interim report on operations accompanying the condensed consolidated half-year financial statements provides a reliable analysis of the important events taking place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the key risks and uncertainties for the remaining six months of the year. The directors' report on operations also includes a reliable analysis of significant transactions with related parties.

This statement is also made pursuant to and for the purposes of Art. 154-bis, paragraph 2, of Legislative Decree 58 of 24 February 1998.

Rome, 30 July 2020

Chief Executive Officer (Alessandro Profumo)	Officer in charge of financial reporting (Alessandra Genco)

Independent Auditor's Report on the review of the condensed consolidated half-year financial statements at 30 June 2020

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed consolidated half-year financial statements

To the Shareholders of
Leonardo S.p.a.

Introduction

We have reviewed the accompanying condensed consolidated half-year financial statements of the Leonardo Group comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2020. The parent's directors are responsible for the preparation of these condensed consolidated half-year financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed consolidated half-year financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of the Leonardo Group as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Rome, 31 July 2020

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit