

Half-Year Financial Report at 30 June 2021

Disclaimer

This Half-Year Financial Report for 2021 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.



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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 2021 - 2023)

Regular Statutory Auditors

LUCA ROSSI
Chairman

SARA FORNASIERO

ANNA RITA DE MAURO

LEONARDO QUAGLIATA

AMEDEO SACRESTANO

Alternate Statutory Auditors

EUGENIO PINTO

GIUSEPPE CERATI

INDEPENDENT LEGAL AUDITORS

EY S.p.A.
(for the period 2021 - 2029)

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 19 May 2021, was composed as follows: Luca Rossi (Chairman), Sara Fornasiero, Leonardo Quagliata, Francesco Perrini, Daniela Savi (Regular Statutory Auditors), Giuseppe Cerati and Marina Monassi (Alternate Statutory Auditors).

-
- 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 2021

The results recorded in the first half of 2021 confirm the forecasts of recovery in growth and an increase in profitability reported in the Financial Statements at 31 December 2020, showing a marked improvement in the Group's industrial performance; in the first half of 2020 this indicator was in fact affected by the outbreak of the COVID-19 pandemic, which then gradually stabilised over the subsequent months, including as a result of the measures put in place in order to ensure that the business could continue in full operation. The volume of new orders is at excellent levels, confirming the good competitive positioning of the Group's products and solutions, with revenues growing in all the main business areas and a Book to Bill higher than 1.

The difficulties that have been reported in the civil sector in recent months have been confirmed in a scenario that is still characterised by the pandemic: in particular, the Aerostructures Division was affected by the fall in volumes and the consequent failure of the industrial assets to operate at full capacity, which led to a further decline in results compared to the first half of 2020.

The cash flows, although affected by the usual interim performance characterised by significant outflows in the first part of the year, are clearly improving.

GROUP RESULTS AND FINANCIAL POSITION

Key Performance Indicators ("KPIs")

	June 2020	June 2021	Change	2020
New orders	6,104	6,682	9.5%	13,754
Order backlog	35,920	35,883	(0.1%)	35,516
Revenue	5,878	6,345	7.9%	13,410
EBITDA	543	607	11.8%	1,458
EBITA	292	400	37.0%	938
ROS	5.0%	6.3%	1.3 p.p.	7.0%
EBIT	227	347	52.9%	517
EBIT Margin	3.9%	5.5%	1.6 p.p.	3.9%
Net Result before extraordinary transactions	59	177	200.0%	241
Net result	60	177	195.0%	243
Group Net Debt	5,074	4,613	(9.1%)	3,318
FOCF	(1,889)	(1,380)	26.9%	40
ROI	6.5%	8.4%	1.9 p.p.	11.3%
Workforce	49,733	49,980	0.5%	49,882

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.

Half-year financial report at 30 June 2021

	30 June 2020				
	New orders	Order backlog at 31 Dec. 2020	Revenue	EBITA	ROS
Helicopters	2,526	12,377	1,693	139	8.2%
Defense Electronics & Security	2,858	13,449	2,897	166	5.7%
Aeronautics	978	10,696	1,513	76	5.0%
Space	-	-	-	(10)	n.a.
Other activities	65	87	195	(79)	(40.5%)
<i>Eliminations</i>	<i>(323)</i>	<i>(1,093)</i>	<i>(420)</i>	-	<i>n.a.</i>
Total	6,104	35,516	5,878	292	5.0%

	30 June 2021				
	New orders	Order backlog	Revenue	EBITA	ROS
Helicopters	2,009	12,393	1,890	148	7.8%
Defense Electronics & Security	3,618	14,021	3,200	297	9.3%
Aeronautics	1,340	10,543	1,511	47	3.1%
Space	-	-	-	23	n.a.
Other activities	83	96	195	(115)	(59.0%)
<i>Eliminations</i>	<i>(368)</i>	<i>(1,170)</i>	<i>(451)</i>	-	<i>n.a.</i>
Total	6,682	35,883	6,345	400	6.3%

	Change %				
	New orders	Order backlog	Revenue	EBITA	ROS
Helicopters	(20.5%)	0.1%	11.6%	6.5%	(0.4) p.p.
Defense Electronics & Security	26.6%	4.3%	10.5%	78.9%	3.6 p.p.
Aeronautics	37.0%	(1.4%)	(0.1%)	(38.2%)	(1.9) p.p.
Space	n.a.	n.a.	n.a.	330.0%	n.a.
Other activities	27.7%	10.3%	0.0%	(45.6%)	(18.5) p.p.
<i>Eliminations</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total	9.5%	1.0%	7.9%	37.0%	1.3 p.p.

Below is an initial breakdown of the performances of the Aeronautics Divisions which are described in the specific section on the performances by sector:

	Revenue			EBITA			ROS		
	30 June 2020	30 June 2021	Change %	30 June 2020	30 June 2021	Change %	30 June 2020	30 June 2021	Change %
Aircrafts	1,074	1,234	14.9%	122	150	23.0%	11.4%	12.2%	0.8 p.p.
Aerostructures	473	305	(35.5%)	(12)	(82)	(583.3%)	(2.5%)	(26.9%)	(24.4) p.p.

Commercial performance

New orders came to €bil. 6.7, sharply increasing compared to the first six months of 2020.

The Defence Electronics and Security sector in the European component and the Aircraft division of the Aeronautics sector recorded an excellent performance in terms of sales. The Helicopters business segment showed a downturn, which was affected during the period under comparison by the acquisition of the IMOS order, while in the Aeronautics sector the decline in the civil component continues.

The book to bill ratio (the ratio of new Orders for the period to Revenues) is slightly higher than 1. The order backlog ensures a coverage in terms of equivalent production equal to more than 2.5 years.

Business performance.

Revenues (€bil. 6.3) showed during the first half of 2021 a significant increase, driven by the performance of the Defence Electronics and Security and Helicopters sectors, which was only partially offset by the expected reduction in volumes in the Aerostructures segment, which continued to be adversely affected by a decline in production rates on the B787 and ATR programmes.

EBITA, equal to €mil. 400 (ROS of 6.3%), recorded a significant total growth rate (37%) with a considerable increase in all business segments, except for Aerostructures, which was due to higher volumes of revenues and the improvement in profitability and which was also contributed to by a higher share provided by all the strategic Joint Ventures, with particular reference to the manufacturing sector of the Space Alliance.

EBIT, equal to €mil. 347 showed, compared to the first half of 2020 (€mil. 227), a substantial increase (53%) while continuing to record – albeit to a lesser extent – charges linked to the compliance with the Government’s instructions in the matter of COVID-19, including to protect the health of its workers.

The **Net result before extraordinary transactions** (€mil. 177), equal to the **Net Result**, benefitted from the EBIT performance, as well as from lower financial costs which, in the period under comparison, were strongly affected by the component related to the hedging activity to counter foreign exchange risk. The Net Result was also influenced by the tax benefits deriving from the adoption of the tax concessions provided for by Article 110 of Law Decree 104/2020 on the realignment between the tax and statutory values of goodwill.

Reclassified income statement

(€ millions)	Note	For the 6 months ended 30 June		Change	% Change
		2020	2021		
Revenue		5,878	6,345	467	7.9%
Purchases and personnel expenses	(*)	(5,337)	(5,749)		
Other net operating income/(expenses)	(**)	26	(18)		
Equity-accounted strategic JVs	(***)	(24)	29		
Amortisation, depreciation and write-offs	(****)	(251)	(207)		
EBITA		292	400	108	37.0%
ROS		5.0%	6.3%	1.3 p.p.	
Non-recurring income/(expenses)		(45)	(35)		
Restructuring costs		(6)	(7)		
Amortisation of intangible assets acquired as part of business combinations		(14)	(11)		
EBIT		227	347	120	52.9%
EBIT Margin		3.9%	5.5%	1.6 p.p.	
Net financial income/(expenses)	(*****)	(139)	(88)		
Income taxes		(29)	(82)		
Net Result before extraordinary transactions		59	177	118	200.0%
Net result related to discontinued operations and extraordinary transactions	(*****)	1	-		
Net result		60	177	117	195.0%

Notes to the reconciliation between the reclassified income statement and the statutory income statement (for more details, reference should be made to the Note on "Non-GAAP alternative performance indicators"):

(*) Includes "Purchases and Personnel expense" (excluding restructuring costs and non-recurring 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 Share of profits (losses) of equity-accounted strategic investments, classified under "Share of profits (losses) of equity-accounted investees";
(****)	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 costs";
(*****)	Includes "Financial income/(expense)" (excluding capital gains and losses relating to extraordinary transactions) 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) relating to extraordinary transactions (major acquisitions and disposals).

Reclassified cash flow statement

(€ millions)	Note	For the 6 months ended 30 June		Change	% Change
		2020	2021		
Cash flows used in operating activities	(*)	(1,878)	(1,146)		
Dividends received		53	26		
Cash flows from ordinary investing activities	(**)	(64)	(260)		
Free Operating Cash Flow (FOCF)		(1,889)	(1,380)	509	26.9%
Strategic investments	(***)	(200)	(6)		
Change in other investing activities	(****)	5	6		
Net change in loans and borrowings		631	(460)		
Dividends paid		(81)	-		
Net increase (decrease) in cash and cash equivalents		(1,534)	(1,840)		
Cash and cash equivalents at 1 January		1,962	2,213		
Exchange rate differences and other changes		1	14		
Cash and cash equivalents at 30 June		429	387		

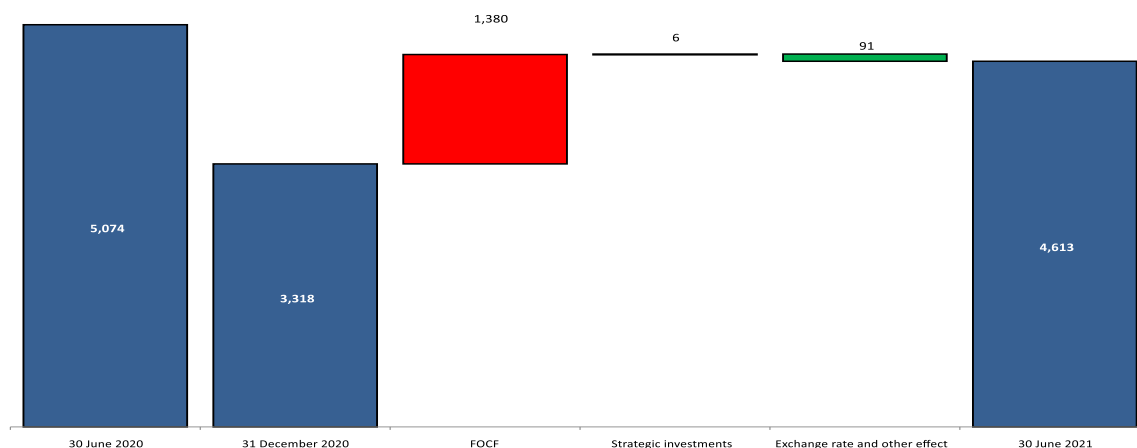
Notes to the reconciliation between the reclassified cash flow statement and the statutory cash flow statement:

(*)	Includes "Cash flows from operating activities", excluding debt payments pursuant to Law 808/1985;
(**)	Includes "Cash flows generated from (used in) investing activities", including debt payments pursuant to Law 808/1985 and excluding dividends collected;
(***)	Includes "Other investing activities" classified as "Strategic transactions";
(****)	Includes "Other investing activities", excluding dividends collected and the transactions classified as "Strategic transactions".

FOCF in the first half was negative for €mil. 1,380, improving significantly compared to the figure of 30 June 2020 (negative for €mil. 1,889). This result, although confirming the usual interim trend that is characterised by significant cash absorptions in the first part of the year, reflects the expected positive trend towards improvement.

The **Group Net Debt**, equal to €mil. 4,613, showed an increase compared to 31 December 2020 (€mil. 3,318), mainly as a result of the abovementioned FOCF performance.

Changes in the Group Net Debt are shown below:



Reclassified statement of financial position

(€ millions)	Note	30 June 2020	31 December 2020	30 June 2021
Non-current assets		12,120	11,883	12,313
Non-current liabilities		(2,237)	(1,996)	(2,001)
Capital assets	(*)	9,883	9,887	10,312
Inventories	(**)	2,404	1,164	1,888
Trade receivables	(***)	2,803	3,033	3,137
Trade payables	(****)	(3,144)	(3,619)	(2,998)
Working capital		2,063	578	2,027
Provisions for short-term risks and charges		(1,192)	(1,318)	(1,153)
Other net current assets (liabilities)	(*****)	(794)	(598)	(789)
Net working capital		77	(1,338)	85
Net invested capital		9,960	8,549	10,397
Equity attributable to the Owners of the Parent		4,930	5,267	5,775
Equity attributable to non-controlling interests		11	11	9
Equity		4,941	5,278	5,784
Group Net Debt		5,074	3,318	4,613
Net (assets)/liabilities held for sale	(*****)	(55)	(47)	-

Notes to the reconciliation between the reclassified and the statutory statements of financial position (for more details, reference should be made to the Note on "Non-GAAP alternative performance indicators":

(*) Includes all non-current assets and all non-current liabilities, excluding "Non-current loans and borrowings" and the main non-current financial receivables.

(**) Includes "Inventories", "Contract Assets" and "Contract 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:

<i>(€ millions)</i>	30 June 2020	<i>of which current</i>	31 December 2020	<i>of which current</i>	30 June 2021	<i>of which current</i>
Bonds	2,696	781	3,220	835	2,429	588
Bank debt	1,699	810	896	48	1,176	138
Cash and cash equivalents	(429)	(429)	(2,213)	(2,213)	(387)	(387)
Net bank debt and bonds	3,966		1,903		3,218	
Current loans and receivables from related parties	(156)	(156)	(149)	(149)	(83)	(83)
Other current loans and receivables	(31)	(31)	(18)	(18)	(27)	(27)
Current loans and receivables and securities	(187)		(167)		(110)	
Hedging derivatives in respect of debt items	12	12	(6)	(6)	(1)	(1)
Related parties lease liabilities	32	3	30	3	31	4
Other related parties loans and borrowings	713	613	881	781	851	751
Lease liabilities	439	66	525	72	521	71
Other loans and borrowings	99	39	152	85	103	37
Group Net Debt	5,074		3,318		4,613	

As detailed in the section on “Financial transactions”, to which reference should be made, “Bonds” showed a decrease as a result of the repayment of the remaining nominal amount of €mil. 739 of the bond issued, which had reached its natural expiry in January 2021.

As at 30 June 2021 Leonardo had credit facilities available for a total of about €mil. 3,699, to meet the financing needs of the Group’s recurring operations, broken down as follows: two Revolving Credit Facilities, the first taken out in 2018 for an amount of €mil. 1,800 and the second one contracted in May 2020 amounting to €mil. 1,250, both unused at that date, and additional unconfirmed short-term lines of credit of about €mil. 649, used for €mil. 88 at 30 June 2021. Furthermore, the subsidiary Leonardo US Holding has short-term revocable lines of credit in dollars, guaranteed by Leonardo Spa, for a total counter-value of €mil. 236, which were entirely unused at 30 June 2021. Finally, Leonardo has unconfirmed unsecured bank lines of credit for a total of €mil. 10,666, an amount of €mil. 3,885 of which was available at 30 June 2021.

KEY PERFORMANCE INDICATORS BY SECTOR

	30 June 2020	30 June 2021	Change	Change %	
1. Helicopters	New orders	2,526	2,009	(517)	(20.5%)
	Order backlog at 31 Dec. 2020	12,377	12,393	16	0.1%
	Revenue	1,693	1,890	197	11.6%
	EBITA	139	148	9	6.5%
	ROS	8.2%	7.8%		(0.4) p.p.
2. Defense Electronics & Security	New orders	2,858	3,618	760	26.6%
	Order backlog at 31 Dec. 2020	13,449	14,021	572	4.3%
	Revenue	2,897	3,200	303	10.5%
	EBITA	166	297	131	78.9%
	ROS	5.7%	9.3%		3.6 p.p.
3. Aeronautics	New orders	978	1,340	362	37.0%
	Order backlog at 31 Dec. 2020	10,696	10,543	(153)	(1.4%)
	Revenue	1,513	1,511	(2)	(0.1%)
	EBITA	76	47	(29)	(38.2%)
	ROS	5.0%	3.1%		(1.9) p.p.
4. Space	EBITA	(10)	23	33	330.0%

1. Helicopters

The performance in the first half of 2021 showed, compared to the first half of 2020, a good level of new orders and an increase in Revenues and EBITA, even in a context still characterized by the pandemic.

New orders. They showed a decrease due to the acquisition of the IMOS contract during the first half of 2020, partially offset by higher orders in the Commercial sphere. Among the new orders gained in the half-year note:

- the second contract for the supply of 36 TH-73A (AW119) helicopters for the US Navy;
- the second addendum to the contract for the completion of the development activities and the supply of no. 4 production helicopters relating to the NEES (New Exploration and Escort Helicopter - Nuovo Elicottero da Esplorazione e Scorta) programme for the Italian Army;
- the contracts concerning the supply of no. 9 AW139 helicopters for the Saudi Royal Court.

Revenues. They were on the rise compared to the first half of 2020 following the ramp-up of operations on the military and governmental programmes such as NH90 for Qatar and TH-73A per for the US Navy, in addition to higher revenues on AW189/AW149 and AW169 lines.

EBITA. It showed an increase mainly as a result of an improved manufacturing efficiency, which was adversely affected by the outbreak of the COVID-19 pandemic during the first half of 2020, while the effect of higher volumes is offset by a different mix of activities, with a consequent slight decline in ROS.

2. Defense Electronics & Security

The first half of 2021 was characterised by an excellent business performance, with revenues and profits on the rise in all the areas of operation in Europe and at Leonardo DRS, thus confirming the upward trend in profitability started in the first quarter.

Key Performance Indicators for the sector

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%
30 June 2021	New orders	Revenue	EBITA	ROS
DES Europe	2,433	2,092	201	9.6%
Leonardo DRS	1,190	1,111	96	8.7%
Eliminations	(5)	(3)	-	n.a.
Total	3,618	3,200	297	9.3%
Change %	New orders	Revenue	EBITA	ROS
DES Europe	71.3%	15.5%	97.1%	4.0 p.p.
Leonardo DRS	(17.6%)	0.4%	50.0%	3.0 p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	26.6%	10.5%	78.9%	3.6 p.p.

Average €/USD exchange rate: 1.2057 (first six months of 2021) and 1.1014 (first six months of 2020)

New Orders. They showed a significant increase compared to the first half of 2020. Among the major orders that characterised the excellent business performance of Electronics in Europe note the contract for the supply of equipment for two U212 Near Future Submarines (NFS), which will join the Italian Navy's fleet as from 2027 and, within the broadest programme Quadriga, the contract for the supply of radars of air protection systems that will equip 38 Typhoon aircraft intended to replace the Tranche 1 aircraft, which are currently used by the German Ministry of Defence. Furthermore, note, in the area of Cyber security, the contract for the Phase 4 of the SICOTE (Territory Control System - Sistema di Controllo del Territorio) programme focused on innovative solutions designed to support the institutional operations of the Carabinieri Corps Command and of the Defence General Staff.

As regards DRS note the additional orders for the production of hardware modular systems named Mounted Family of Computer Systems (MFoCS) to be installed on land combat vehicles for manoeuvrability and logistics support for the US Army and the IM-SHORAD (Initial-Manoeuvre-Short Range Air Defense) contract for the initial supply of a Mission Equipment Package, which is to be integrated into heavy striker-type vehicles and will enable the neutralization of low-altitude aerial threats, including remotely piloted vehicles (drones).

Revenues. These showed an increase compared to the first half of 2020 both in the European component of the business, which last year was affected by the application of the measures to contain COVID-19 infection, and at Leonardo DRS, despite a negative impact of the USD/Euro exchange rate.

EBITA. It showed an increase as a result of higher volumes and an improved profitability compared to the value posted in the first half of 2020 which had been adversely affected by the first effects of the measures put in place to contain the COVID-19 infection, with particular regard to the European

component. Leonardo DRS, whose result considerably increased despite the negative effect of the USD/Euro exchange rate, confirms the upward trend in profitability already highlighted in the first quarter.

Leonardo DRS data in USD

	New orders	Revenue	EBITA	ROS
DRS (\$mil.) June 2020	1,592	1,219	70	5.7%
DRS (\$mil.) June 2021	1,435	1,339	116	8.7%

3. Aeronautics

The first half of 2021 showed a good performance of the Aircraft Division and a performance in the civil aviation sector that was still heavily impacted by the effects of the pandemic, with production volumes showing a significant decline in the Aerostructures Division and still low delivery levels, although recovering compared to 2020, on the part of the GIE-ATR consortium.

From a production point of view:

- For military programmes of the Aircraft Division there was the delivery of 22 wings to Lockheed Martin for the F-35 programme (18 wings delivered in June 2020);
- For the Aerostructures Division 24 deliveries were made for fuselage sections and 17 stabilisers for the B787 programme (62 fuselages and 40 stabilisers delivered in 2020), and 7 fuselages for the ATR programme (16 in the first half of the last year).

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

30 June 2020	New orders	Revenue	EBITA	ROS
Aircrafts	669	1,074	122	11.4%
Aerostructures	343	473	(12)	(2.5%)
GIE ATR	-	-	(34)	<i>n.a.</i>
Eliminations	(34)	(34)	-	<i>n.a.</i>
Total	978	1,513	76	5.0%
30 June 2021	New orders	Revenue	EBITA	ROS
Aircrafts	1,235	1,234	150	12.2%
Aerostructures	133	305	(82)	(26.9%)
GIE ATR	-	-	(21)	<i>n.a.</i>
Eliminations	(28)	(28)	-	<i>n.a.</i>
Total	1,340	1,511	47	3.1%
Change %	New orders	Revenue	EBITA	ROS
Aircrafts	84.6%	14.9%	23.0%	0.8 p.p.
Aerostructures	(61.2%)	(35.5%)	(583.3%)	(24.4) p.p.
GIE ATR	<i>n.a.</i>	<i>n.a.</i>	38.2%	<i>n.a.</i>
Eliminations	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total	37.0%	(0.1%)	(38.2%)	(1.9) p.p.

New Orders: they showed an increase compared to the first half of 2020 as a result of important acquisitions of the Aircraft Division which more than offset the expected decline in the civil component and in particular:

- the *Aircraft* Division recorded orders that were higher than in the same period of 2020 thanks to the finalisation of a major contract for the export of M-346 aircraft;
- the *Aerostructures* Division was affected by lower requests on the part of all the main customers, specifically on the part of the GIE consortium for the ATR programme, the customers Boeing (especially the B787 programme) and Airbus (A220 and A321).

Revenues. These were in line with the same period of 2020, with the increase recorded in the Aircraft Division which offset the decline in the Aerostructures Division. Note in particular:

- higher production volumes achieved in the Aircraft Division, specifically on the line of M-346 trainers;
- a decline in the Aerostructures Division, which was affected by a reduction in the production rates of the B787 and ATR programmes.

EBITA. It showed a decline compared to the first half of 2020 due to the result of the Aerostructures Division. Specifically:

- The effect of higher volumes and an improved manufacturing efficiency compared to the first half of 2020 led to a considerable increase in profitability in the Aircraft Division;
- the expected reduction in business volumes and the consequent failure to run production sites at their full capacity led to a sharp decline in results compared to the first half of 2020 in the Aerostructures Division;
- the GIE-ATR consortium recorded results higher than those reported in 2020 thanks to the actions taken to reduce costs and the increase in deliveries (6 deliveries in 2021 compared to only one delivery in 2020).

4. Space

The first half of 2021 showed an increase in the result compared to the same period of the previous year as a result of higher production volumes and improved profitability in the manufacturing segment, the performance of which in the first six months of 2020 had been also affected by the first effects of the COVID-19 emergency.

The segment of satellite services confirmed a good performance as in the previous year and recorded results that were substantially in line with the corresponding period of 2020.

In addition to the good industrial performance, the half-year result was influenced by the significant economic benefit registered by the Italian component of the manufacturing business segment deriving from the effects of the realignment between the tax and statutory value of goodwill, in compliance with the tax concessions provided for by the Decree "Urgent measures to support and revive the economy".

GUIDANCE 2021

In consideration of the results achieved in the first half of 2021 and of the expectations for the quarters to follow, and on the basis of an expected improvement in the global health situation with consequent gradual normalization of operating and market conditions, we confirm 2021 Guidance disclosed in March 2021, summarized below:

	<i>FY 2020</i>	<i>FY 2021 Guidance</i>
New Orders (€bil.)	13.8	ca. 14
Revenues (€bil.)	13.4	13.8 – 14.3
EBITA (€mln.)	938	1,075 – 1,125
FOCF (€mln.)	40	ca. 100
Group Net Debt (€bil.)	3.3	ca. 3.2

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

INDUSTRIAL AND FINANCIAL TRANSACTIONS

Industrial transactions:

- **Acquisition of GEM Elettronica.** On 27 January Leonardo signed a contract with GEM Investment S.r.l. and two minority quotaholders in order to acquire 30% of GEM Elettronica S.r.l. ("GEM") for a consideration of €mil. 5. The company operates in the field of short- and medium-range sensors, navigation radar and coastal surveillance, which are a business that is highly complementary to the Group's products. Under a call / put option scheme, Leonardo will also be entitled to become the majority shareholder (from 65% to 100%) within 3 to 6 years. The closing of the transaction took place on 14 April 2021;
- **Acquisition of DPI S.r.l.** In February, Leonardo acquired a quota of 63% in DPI, a company specialising in the design, production and sale of personal and environmental protective equipment, through its subsidiary Larimart. As a result of this transaction, Leonardo's operations have been strengthened in the sector of technologies for personal protection and key infrastructure, thus reinforcing its footprint in the development of products and solutions for the security, emergency and Defence markets. In April 2021, Larimart acquired an additional quota of 15% and paid a total amount of €mil. 6;
- **Cooperation agreement with CAE.** On 29 March 2021 Leonardo and CAE established a company named "Leonardo CAE Advanced Jet Training", in order to provide support services to the operations of the International Flight Training School (IFTS), ranging from technical and logistics support to M-346 aircraft and Ground-Based Training Systems to the operation of IFTS infrastructures;
- **Acquisition of Hensoldt AG.** On 24 April 2021 Leonardo entered into an agreement with Square Lux Holding II S.à r.l., a company controlled by funds advised by Kohlberg Kravis & Roberts & Co. L.P., to purchase a 25.1% stake in HENSOLDT AG. The company is the leading German player in the field of sensor solutions for defence and security applications, as confirmed by the recent important contracts acquired (e.g. EFA, Pegasus), and it already had a consolidated collaboration relationship with Leonardo in significant programmes such as EFA, MALE, IFF. The completion of the transaction is subject to the usual approvals by the relevant authorities and is expected in the second half of 2021. It will entail an outlay of about €mil. 606 or €23 per share;
- **Acquisition of Alea.** On 8 June 2021 Leonardo signed a preliminary agreement for the acquisition of 70% of the share capital of Alea, a company specializing in mission critical communication software for multimedia solutions compliant with international standards on LTE/5G broadband networks. Leonardo, thanks to this transaction, strengthens its offering portfolio in professional communications, in order to guarantee new features and advanced performances in support of emergency management, public safety, companies, critical infrastructures and transports.

On 24 March 2021 Leonardo US Holding, Inc. postponed the initial public offering ("IPO") of a minority shareholding of Leonardo DRS, since, notwithstanding investor interest within the price range during the course of the roadshow, adverse market conditions did not allow an adequate valuation of the company. DRS remains a core part of Leonardo's business portfolio and the IPO will potentially be revisited when market conditions are more favourable and a successful IPO at an appropriate valuation for this strategic business can be achieved.

Financial transactions. No new transaction was carried out on the financial markets during the first half of 2021. However, in January 2021 Leonardo proceeded with:

- The use of an amount of € mil. 200 of the loan taken out with the European Investment Bank (EIB) in December 2020, aimed at supporting certain investment projects envisaged in the Group's Industrial Plan;
- The early cancellation, requested at the end of December 2020, concerning the remaining amount of about €mil. 250 of the Term Loan taken out in May 2020 with a pool of international banks due to the COVID-19 emergency;
- The repayment of the remaining amount (€mil. 739) of the bond issue launched for an initial amount of €mil. 950 in January 2015, which had reached its natural expiry.

Moreover, in June the EMTN (Euro Medium Term Note) programme was renewed for further 12 months, which regulates possible bond issues on the European market for a maximum nominal value of €bil. 4. At the date of this report, the Programme is used for a total of €bil. 2.2.

Leonardo is the issuer of all the bonds in Euro placed on the market within the mentioned 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 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 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 2020. These covenants are also included in the loan agreement with CDP for €mil. 100 and in the term-loan of €mil. 500, furthermore, in accordance with contract provisions providing for this option, these covenants were also extended to all the EIB loans in place (used for a total amount of €mil. 583 as at 30 June 2021), and to some loans granted by US banks in favour of Leonardo DRS in previous years.

Outstanding bond issues are given a medium/long-term financial credit rating by the international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. 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

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

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.

Main Risks for the remaining months of the financial years

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 Integrated Annual Report at 31 December 2020 in the section "Risk management".

Any updates related to specific risk positions are described in Note 17 to the condensed consolidated half-year financial statements as of 30 June 2021.

RELATED PARTIES 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 recently updated on 17 June 2021, effective from 1 July 2021, pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as amended and supplemented, containing provisions on “related parties 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 2021, 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 parties transactions described in the 2020 Report on Operations.

"NON-GAAP" PERFORMANCE INDICATORS

Leonardo 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 impact of the volatility associated with non-recurring/extraordinary items or items unrelated to ordinary operations.

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

- **New orders:** this includes sales contracts signed with customers in 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 and depreciation (excluding amortisation of intangible assets arising from business combinations) and impairment losses (net of those relating to goodwill or classified among “non-recurring costs”).
- **EBITA:** it is arrived at by eliminating from EBIT, as defined below, the following items:
 - any impairment in goodwill;
 - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
 - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
 - other non-recurring costs or income, i.e. connected to particularly significant and extraordinary events that are not related to the ordinary performance of the business. This item includes costs incurred in M&A transactions, as well as costs connected with businesses and/or products and systems held for disposal, and the recognition of losses on contracts that have become onerous as a result of events that are not connected with operations.

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:

<i>(€ millions)</i>	For the 6 months ended 30 June	
	2020	2021
Income before tax and financial expenses	251	318
Equity-accounted strategic JVs	(24)	29
EBIT	227	347
Amortisation of intangible assets acquired as part of business combinations	14	11
Restructuring costs	6	7
Non-recurring (income) expense	45	35
EBITA	292	400

Non-recurring charges for the period mainly relate to costs incurred to comply with the Government's instructions in the matter of COVID-19 in order to provide support to the Governmental authorities in managing the emergency.

- **Return on Sales (ROS):** this is calculated as the ratio of EBITA to revenue.
- **EBIT:** this is obtained by adding to the net result before income taxes and financial expenses (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 its strategic Joint Ventures (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 the effects of the extraordinary transactions (acquisitions and disposals).
- **Group Net Debt:** this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items, as well as the main non-current receivables.
- **Free Operating Cash-Flow (FOCF):** this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments") and dividends. The calculation of FOCF is presented in the reclassified cash flow statement 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.
- **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 statements provided in the Report on Operations and the Income Statement, the statement of financial positions and the statement of Cash Flow:

Half-year financial report at 30 June 2021

	Scheme	PPA amortis.	Restruct. and non recurring costs	strategic JVs	Onereous contracts (losses at completion)	Reclassified scheme
Revenue	6,345					6,345
Purchase and personnel expenses	(5,796)		15		32	(5,749)
Other net operating income/(expenses)	(13)		27		(32)	(18)
Equity-accounted strategic JVs				29		29
Amortisation, depreciation and financial assets value adjustments	(218)	11	-			(207)
EBITA						400
Non-recurring income/(expenses)			(35)			(35)
Restructuring costs			(7)			(7)
Amortisation of intangible assets acquired as part of business combinations		(11)				(11)
EBIT						347
Financial income/(expenses)	(94)					
Share of profits/(losses) of equity-accounted investees	35					
Net financial income/(expenses)	(59)			(29)		(88)
Income taxes	(82)					(82)
Net Result before extraordinary transactions						177
Net result related to discontinued operations and extraordinary transactions	-					-
Net result	177	-	-	-	-	177

	Scheme	Financial receivables and cash	Financial payables	Hedging derivatives on debt items	Reclassified scheme
Non-current assets	12,313	-			12,313
Non-current liabilities	(5,523)		3,522		(2,001)
Capital assets					10,312
Current assets	13,773	(497)		(1)	13,275
Current liabilities	(14,779)		1,589		(13,190)
Net working capital					85
Equity attributable to the owners of the parent	5,775				5,775
Equity attributable to non-controlling interests	9				9
Total equity	5,784				5,784
Group Net Debt		(497)	5,111	(1)	4,613
Net (assets)/liabilities held for sale	-				-

Half-year financial report at 30 June 2021

	Scheme	Dividends	Cash out from Law no. 808/85 payables	Strategic investments	Reclassified scheme
Cash flows used in operating activities	(1,146)				(1,146)
Dividends received		26			26
Investments in property, plant and equipment and intangible assets	(270)				
Sales of property, plant and equipment and intangible assets	10				
Cash flows from ordinary investing activities	(260)				(260)
Free Operating Cash Flow (FOCF)					(1,380)
Strategic investments				(6)	(6)
Other investing activities	26	(26)		6	6
Cash flows used in investing activities					
Net change in loans and borrowings	(460)				(460)
Net increase (decrease) in cash and cash equivalents	(1,840)				(1,840)
Cash and cash equivalents at 1 January	2,213				2,213
Exchange rate differences and other changes	14				14
Cash and cash equivalents at 30 June	387	-		-	387

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE
2021

CONDENSED CONSOLIDATED SEPARATE INCOME STATEMENT

(€ millions)	Note	For the 6 months ended 30 June			
		2020	<i>of which with related parties</i>	2021	<i>of which with related parties</i>
Revenue	21	5,878	705	6,345	740
Purchase and personnel expenses	23	(5,379)	(500)	(5,796)	(371)
Amortisation, depreciation and financial assets value adjustments	24	(265)		(218)	
Other net operating income/(expenses)	22	17	2	(13)	2
Income before tax and financial expenses		251		318	
Financial income/(expenses)	25	(136)	(1)	(94)	(2)
Share of profits/(losses) of equity-accounted investees	26	(27)		35	
Operating profit (loss) before income taxes and discontinued operations		88		259	
Income taxes	27	(29)		(82)	
Profit (loss) from discontinued operations		1		-	
Net profit/(loss) for the period attributable to:		60		177	
- owners of the parent		59		176	
- non-controlling interests		1		1	
Earnings/(losses) per share	29	0.103		0,306	
- basic and diluted from continuing operations		0.101		0.306	
- basic and diluted from discontinued operations		0.002		n.a	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Note	For the 6 months ended 30 June	
		2020	2021
Profit (loss) for the period		60	177
Other comprehensive income (expenses):			
<u>Comprehensive income/expenses which will not be subsequently reclassified within the profit (loss) for the period:</u>			
- Measurement of defined-benefit plans:	15	(151)	169
- revaluation		(149)	161
- exchange rate gains (losses)		(2)	8
- Tax effect	15	26	(55)
		(125)	114
<u>Comprehensive income/expenses which will or might be subsequently reclassified within the profit (loss) for the period:</u>			
- Changes in cash flow hedges:	15	(55)	(12)
- change generated in the period		(48)	(23)
- transferred to the profit (loss) for the period		(7)	10
- Translation differences	15	(157)	175
- change generated in the period		(157)	175
- transferred to the profit (loss) for the period		-	-
- Tax effect	15	11	2
		(201)	165
<u>Current portion of "Other comprehensive income (expense)", equity-accounted investees</u>		(52)	42
Total other comprehensive income (expenses), net of tax:		(378)	321
Total comprehensive income (expenses), attributable to:		(318)	498
- Owners of the parent		(319)	497
- Non-controlling interests		1	1
Total comprehensive income (expenses), attributable to Owners of the parent		(319)	497
- from continuing operations		(320)	497
- from discontinued operations		1	-

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	Note	31 December 2020	of which with related parties	30 June 2021	of which with related parties
Intangible assets	8	6,647		6,870	
Property, plant and equipment and investment properties	9	2,085		2,055	
Rights of use	10	527		522	
Deferred tax assets		1,093		1,011	
Other non-current assets	11	1,531	8	1,855	14
<i>Non-current assets</i>		11,883		12,313	
Inventories		5,882		5,921	
Trade receivables, including contract assets	13	6,092	663	6,711	673
Loans and receivables		167	149	110	83
Other current assets	14	764	75	644	58
Cash and cash equivalents		2,213		387	
<i>Current assets</i>		15,118		13,773	
Non-current assets held for sale		72		-	
Total assets		27,073		26,086	
Share capital	15	2,498		2,498	
Other reserves		2,769		3,277	
Equity attributable to the owners of the parent		5,267		5,775	
Equity attributable to non-controlling interests		11		9	
<i>Total equity</i>		5,278		5,784	
Loans and borrowings (non-current)	16	3,880	127	3,522	127
Employee benefits	18	400		370	
Provisions for risks and charges	17	584		581	
Deferred tax liabilities		233		240	
Other non-current liabilities	19	779	-	810	-
<i>Non-current liabilities</i>		5,876		5,523	
Trade payables, including contract liabilities	20	11,396	359	10,605	252
Loans and borrowings (current)	16	1,824	784	1,589	755
Income tax payables		37		24	
Provisions for short-term risks and charges	17	1,318		1,153	
Other current liabilities	19	1,319	12	1,408	12
<i>Current liabilities</i>		15,894		14,779	
<i>Liabilities associated with assets held for sale</i>	28	25		-	
Total liabilities		21,795		20,302	
Total liabilities and equity		27,073		26,086	

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(€ millions)</i>	<i>Note</i>	<i>For the 6 months ended 30 June</i>			
		2020	<i>of which with related parties</i>	2021	<i>of which with related parties</i>
Gross cash flows from operating activities	30	657		595	
Change in working capital	30	(1,981)	(110)	(1,510)	(117)
Change in other operating assets and liabilities and provisions for risks and charges		(306)	(183)	(51)	17
Interests paid		(187)	(1)	(152)	(2)
Income taxes paid		(61)	-	(28)	-
Cash flows used in operating activities		(1,878)		(1,146)	
Investments in property, plant and equipment and intangible assets		(73)		(270)	
Sales of property, plant and equipment and intangible assets		9		10	
Other investing activities		(142)	-	26	-
Cash flows used in investing activities		(206)		(234)	
Dividends paid		(81)		-	
Bond issue/repayment		-		(739)	
Net change in other loans and borrowings		631	175	279	28
Cash flows generated from financing activities		550		(460)	
Cash and cash equivalents at 1 January		1,962		2,213	
Net increase (decrease) in cash and cash equivalents		(1,534)		(1,840)	
Exchange rate differences and other changes		1		14	
Net increase (decrease) in cash of discontinued operations		-		-	
Cash and cash equivalents at 30 June		429		387	

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 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
1 January 2021	2,498	3,574	5	(212)	(598)	5,267	11	5,278
Profit (loss) for the period		176				176	1	177
Other comprehensive income (expenses)			(14)	153	182	321	-	321
Total comprehensive income (expenses)	-	176	(14)	153	182	497	1	498
Dividends resolved						-		-
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-	-	-	-
Other changes		11				11	(3)	8
30 June 2021	2,498	3,761	(9)	(59)	(416)	5,775	9	5,784

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, Defence Electronics & Security, Aeronautics and Space* sectors.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The half-year financial report of the Group at 30 June 2021 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended and supplemented. The condensed consolidated half-year financial statements at 30 June 2021, 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 2020 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 2020 and the half-year financial report at 30 June 2020.

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 2020	30 June 2021	
	average	final	final	average	final
US dollar	1.1014	1.1198	1.2271	1.2057	1.1884
Pound sterling	0.8743	0.9124	0.8990	0.8684	0.8581

The Leonardo Group's condensed consolidated half-year financial statements at 30 June 2021 were approved by the Board of Directors' meeting held on 29 July 2021 and were 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 EY S.p.A..

3. SIGNIFICANT ISSUES AND SIGNIFICANT ESTIMATES MADE BY MANAGEMENT

Significant issues and significant estimates made by management

There are no changes in the reporting of particularly significant issues that require critical estimates by management compared to what is described in Note 4 to the 2020 consolidated financial statements, to which reference should be made.

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 improve substantially in the last few months of the calendar year.

5. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

During the period there were no significant changes in the accounting standards applied by the Group.

6. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

As described in the 2020 Integrated Annual Report, to which reference should be made, taking into account the mid-term impacts of the pandemic on the civil sector and the changed perspectives of the commercial aviation market, Leonardo implemented the envisaged actions to mitigate the effects on the industrial performance of the Aerostructures Division. In this context, on 21 July 2021 trade union agreements were signed to make operational the instruments identified for the early retirement of employees on a voluntary basis. Such agreements will involve up to a maximum of 500 employees who will meet the criteria for early retirement in the three-year period 2021-2023, with a preliminarily estimated maximum cost of up to €mil. 125.

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 Electronics and Security*, *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 non-recurring income or costs attributable to particularly significant and exceptional 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 2021, as compared with those of the same period of the previous year are as follows:

For the 6 months ended 30 June 2020	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Eliminations	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

For the 6 months ended 30 June 2021	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Eliminations	Total
Revenue	1,890	3,200	1,511	-	195	(451)	6,345
Inter-segment revenue (*)	(5)	(285)	(2)	-	(159)	451	-
Third party revenue	1,885	2,915	1,509	-	36	-	6,345
EBITA	148	297	47	23	(115)	-	400
Investments	96	99	40	-	16	-	251

(*) 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:

Half-year financial report at 30 June 2021

For the 6 months ended 30 June 2020	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Eliminations	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
For the 6 months ended 30 June 2021	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Eliminations	Total
Italy	420	774	125	-	187	(357)	1,149
United Kingdom	240	462	-	-	-	(88)	614
Rest of Europe	563	429	345	-	2	-	1,339
North America	157	1,231	325	-	-	(4)	1,709
Rest of world	510	304	716	-	6	(2)	1,534
Revenue	1,890	3,200	1,511	-	195	(451)	6,345
Inter-segment revenue (*)	(5)	(285)	(2)	-	(159)	451	-
Third party revenue	1,885	2,915	1,509	-	36	-	6,345

(*) 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 6 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

For the 6 months ended 30 June 2021	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Total
EBITA	148	297	47	23	(115)	400
Amortisation of intangible assets acquired as part of business combinations	(3)	(8)	-	-	-	(11)
Restructuring costs	-	(4)	(2)	-	(1)	(7)
Non-recurring income/expense	(8)	(9)	(16)	-	(2)	(35)
EBIT	137	276	29	23	(118)	347
Equity-accounted strategic JVs	-	(27)	21	(23)	-	(29)
Income before tax and financial expenses	137	249	50	-	(118)	318

8. INTANGIBLE ASSETS

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

	31 December 2020	30 June 2021	Investments for the 6 months at 30 June 2020	30 June 2021
Goodwill	3,628	3,729	-	-
Development costs	713	795	39	92
Non-recurring costs	1,710	1,751	51	53
Concessions, licences and trademarks Acquired through business combinations	211	221	3	3
Other intangible assets	266	262	-	-
	119	112	13	13
	6,647	6,870	106	161

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

The impairment tests carried out at 31 December 2020 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. Considering the foregoing and the performance of the CGUs, as at 30 June 2021 there were no impairment indicators that could require a revision of these tests.

It should be noted that with reference to development costs and non-recurring charges no impairment indicator emerged compared to the valuations conducted during the preparation of the 2020 Financial Statements.

Commitments are in place for the purchase of intangible assets for €mil. 16 (€mil. 14 as at 31 December 2020).

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	31 December 2020	30 June 2021	Investments for the 6 months at	
			30 June 2020	30 June 2021
Land and buildings	907	906	3	2
Plant and machinery	359	361	4	6
Equipment	287	294	15	15
Other tangible assets	532	494	75	67
	2,085	2,055	97	90

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 151 (€mil. 86 al 31 December 2020).

10. RIGHT OF USE

	31 December 2020	30 June 2021	Investments for the 6 months at	
			30 June 2020	30 June 2021
Right of use of land and buildings	488	474	51	8
Right of use of plant and	7	9	2	2
Right of use of other tangible	32	39	1	14
	527	522	54	24

11. OTHER NON-CURRENT ASSETS

	31 December 2020	30 June 2021
Financing to third parties	8	7
Deferred grants under Law no. 808/85	31	30
Defined benefit plan assets, net	298	457
Related parties receivables (Note 31)	8	14
Other non-current receivables	67	68
Non-current receivables	412	576
Prepayments - non-current portion	17	15
Equity investments	1,087	1,233
Non-recurring costs pending under Law no. 808/1985	15	31
Non-current assets	1,119	1,279
	1,531	1,855

The increase in equity investments is influenced by the result recorded by the strategic JVs and acquisitions described in paragraph “Industrial and financial transactions” of the report on operations.

12. BUSINESS COMBINATION

During the first half of 2021 there were no business combinations.

During the first six months of 2020, and in particular 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 purchase price included 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, the fair value of which was estimated in €mil. 17. The agreements also provided for Leonardo to take over the additional credit line granted by Lynwood to Kopter in 2020, amounting to €mil. 23. At the date of closing, 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). The total of the Kopter debt positions to Leonardo was therefore equal to €mil. 184 at the date of the closing. Consequently, 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, the Purchase Price Allocation - subsequently completed during 2020 – led to the following results:

	Net assets acquired			Net Equity adjusted
	Book values	ADJ Fair value	Fair value	
Non-current assets	221		221	221
Current assets	10		10	10
Cash and cash equivalents	1		1	1
	232	-	232	232
Non-current liabilities	(18)		(18)	(18)
Current borrowings - Leonardo				(184)
Other current liabilities	(12)		(12)	(12)
	202	-	202	18
Cash-out			185	
FV of earn out			17	
			202	
Intangible assets from business combinations				
Goodwill			-	

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. The values acquired did not generate any goodwill deriving from the acquisition

13. TRADE RECEIVABLES, INCLUDING CONTRACT ASSETS

	31 December 2020	30 June 2021
Trade receivables	2,370	2,464
Related parties trade receivables (Note 31)	663	673
	3,033	3,137
Contract assets	3,059	3,574
	6,092	6,711

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 2020.

14. OTHER CURRENT ASSETS

	31 December 2020	30 June 2021
Income tax receivables	116	93
Derivatives	222	130
Other current assets:	426	421
<i>Prepaid expenses - current portion</i>	97	97
<i>Receivables for grants</i>	56	56
<i>Receivables from employees and social security</i>	41	48
<i>Indirect tax receivables</i>	28	28
<i>Deferred receivables under Law no. 808/85</i>	14	15
<i>Other related parties receivables (Note 31)</i>	75	58
<i>Other assets</i>	115	119
	764	644

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) and the earn-out linked to the acquisition of Kopter (classified under non-current loans and borrowings) are determined on the basis of measurement techniques which do not consider directly observable market inputs (the so-called "Level 3"). In particular, 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. The fair value of the earn-out linked to the acquisition of Kopter was determined by discounting back the estimate of the variable amounts which will be payable on the basis of estimated achievement of defined targets. The increase in non-current liabilities is entirely related to the component linked to the payable to Bell Helicopter.

	31 December 2020			30 June 2021		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Non-current assets	-	-	-	-	-	-
Current assets	222	-	222	130	-	130
Non-current liabilities	-	237	237	-	251	251
Current liabilities	172	-	172	124	-	124

The total fair value of the pension plan assets was equal to €mil. 3,688 (€mil. 3,560 at 31 December 2020), classified among non-current assets as a decrease in employee benefits.

15. EQUITY

	Number of ordinary shares	Par value	Treasury shares	Costs incurred (net of tax effect)	Total
Share capital					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(2,976,680)	-	(27)	-	(27)
31 December 2020	575,173,715	2,544	(27)	(19)	2,498
Repurchase of treasury shares less shares sold	-	-	-	-	-
30 June 2021	575,173,715	2,544	(27)	(19)	2,498
<i>broken down as follows:</i>					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(2,976,680)	-	(27)	-	(27)

At 30 June 2021, the Ministry of Economy and Finance owned 30.204% of the share capital.

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 6 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)
For the 6 months ended 30 June 2021						
Revaluation of defined-benefit plans	169	(55)	114	44	(5)	39
Changes in cash-flow hedges	(12)	2	(10)	(4)		(4)
Foreign currency translation difference	175		175	7		7
Total	332	(53)	279	47	(5)	42

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 2020		30 June 2021	
	Non-current	Current	Non-current	Current
Bonds	2,385	835	1,841	588
Bank loans and borrowings	848	48	1,038	138
Lease liabilities	453	72	450	71
Related parties lease liabilities	27	3	27	4
Other related parties loans and borrowings (Note 31)	100	781	100	751
Other loans and borrowings	67	85	66	37
	3,880	1,824	3,522	1,589

The decrease in bonds compared to 31 December 2020 is attributable to the repayment of the remaining nominal amount of €mil. 739 of the bond issued (original nominal amount of €mil. 950), which reached its natural expiry in January 2021.

The increase in bank loans and borrowings was due to the drawdown, in January 2021, of the €mil. 200 loan raised with the European Investment Bank (EIB) in December 2020, aimed at supporting certain investment projects envisaged in the Group's Industrial Plan.

During this half-year receivables were assigned without recourse for a total value of about €mil. 277 (€mil. 1,164 in the first half of 2020).

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 Integrated Annual Report as at 31 December 2020, the tests on the data of the 2020 financial statements highlighted values largely within the ratios described above.

Below is the detail of the bonds at 30 June 2021 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	(**)	2020	2026	€	500	2.375%	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 prepared in accordance with the scheme required under CONSOB communication DEM/6064293 of 28 July 2006 and updated in accordance with the ESMA guidelines 32-382-1138 of 4 March 2021 as implemented in the CONSOB warning notice no. 5/21 of 29 April 2021. Such scheme represents the preliminary representation of the Group, in light of the current available guidelines and interpretations

	31 December 2020	30 June 2021
A - Cash	(2,213)	(387)
C - Other current financial assets	(167)	(110)
D - Liquidity	(2,380)	(497)
E - Current financial debt (*)	989	1,001
F - Current portion of non-current financial debt	835	588
G - Current financial indebtedness	1,824	1,589
H - Net current financial indebtedness	(556)	1,092
I - Non-current financial debt (*)	3,880	3,522
J - Debt instruments (**)	(6)	(1)
L - Non-current financial indebtedness	3,874	3,521
M - Total financial indebtedness	3,318	4,613

(*) Includes payables for leases of €mil. 552, of which €mil. 75 current (€mil. 555 as at 31 December 2020, of which €mil. 75 current)

(**) Includes the fair value of hedging derivatives in respect of debt items

Based on the considerations reported, the above scheme could be subject to change in light of further clarifications on interpretations by the regulators.

17. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

	31 December 2020		30 June 2021	
	Non-current	Current	Non-current	Current
Guarantees given	10	35	10	35
Restructuring	34	63	32	39
Tax	17	77	17	77
Product guarantees	88	136	81	156
Onerous contracts (losses at completion)	-	456	-	412
Other provisions	435	551	441	434
	584	1,318	581	1,153

The item “other provisions” mainly includes provisions related to critical issues on contracts, especially in the Aeronautics, Helicopters and Defence Electronics and Security sectors.

In the Notes to the consolidated financial statements as of 31 December 2020, reference is made, in relation to risks, to criminal proceedings involving, for various reasons, Group companies. With respect to the information provided in such financial statements, to which reference should be made for a fuller description, the updates occurred in the first six months of 2021 are highlighted below, with reference to the criminal proceedings that are currently underway against a number of Group’s companies or Leonardo itself as well as certain former directors and executives, concerning acts committed during the performance of their duties at Group’s companies or at Leonardo itself.

- On 22 May 2019 the Supreme Court rejected the appeals submitted against the judgment whereby on 8 January 2018 the Milan Court of Appeal had acquitted the former Chairman and Chief Executive Officer of Leonardo and the former Chief Executive Officer of AgustaWestland SpA of the charges for the crimes under Articles 110, 112, paragraph 1, 318, 321 and 322-bis, paragraph 2(2) of the Italian Criminal Code and Article 2 of Legislative Decree 74/2000, within the proceedings brought in relation to the supply of twelve AW 101 VIP/VVIP helicopters to the Indian Government.

In respect of these companies, it is recalled that on 25 July 2014, pursuant to Article 58 of Legislative Decree 231/2001, the Public Prosecutor dismissed the proceedings against Leonardo, holding groundless, following the conclusion of investigations, the Company's involvement from both a factual and legal point of view. The Prosecutor also acknowledged that since 2003 the Company has adopted, actually implemented and regularly updated an Organisational, Management and Control Model that is conceptually suitable to prevent offences like the one in question and is also focused on compliance processes as to guarantee adequate standards of fairness and ethical conduct. In addition, on 28 August 2014 the Judge for Preliminary Investigations (GIP, Giudice delle Indagini Preliminari) of the Court of Busto Arsizio – in granting the motions put forth by the companies – imposed administrative penalties pursuant to Article 63 of Legislative Decree 231/2001 and Article 444 and ff. of the Italian Code of Criminal Procedure, amounting to €80,000 for AgustaWestland SpA and €300,000 for AgustaWestland Ltd, and ordered the confiscation of the equivalent of €mil. 7.5. In this regard, on 20 April 2021 the Court of Appeal of Brescia, following the requests by AgustaWestland SpA and AgustaWestland Ltd for the review of the abovementioned rulings, revoked the rulings challenged and acquitted the abovesaid companies; times for a possible appeal to the Supreme Court are pending.

As regards the investigations started by the Indian Judicial Authority (CBI) in February 2013 for the same facts referred to above, on 2 February 2018 a notice was served on AgustaWestland International Ltd., whereby the latter was invited to appear at the hearing to be held on 30 May 2018 before the Patiala House Court in New Delhi within the criminal proceedings brought therein against the aforesaid company and other entities and persons, including Leonardo Spa. On 13 April 2018 the Milan Public Prosecutor's Office served the abovementioned notice of invitation to appear at the hearing on 30 May 2018 on Leonardo Spa. The Company submitted an application for enforcement review before the Judge for Preliminary Investigations (GIP) of the Court of Milan, which was rejected on 22 May 2018, as well as an appeal before the Lazio Regional Administrative Court. The Company also took the same legal actions with respect to the service of the notice of invitation to appear in court at the hearing on 10 September 2018. By a judgment dated 3 July 2019, the Lazio Regional Administrative Court rejected the appeals submitted by Leonardo Spa.; the Company then filed an appeal against the abovementioned measures. By a judgment dated 7 May 2020 the Council of State granted the appeals submitted by Leonardo.

Leonardo Spa has brought the same lawsuits before the administrative Court and before the Judge for Preliminary Investigations of the Court of Milan, including with reference to the services of notice of invitation to appear at the hearings set on 18 September 2019 and 18 December 2019.

On the contrary AgustaWestland International Ltd appeared at the hearings set within the proceedings brought by the Central Bureau of Investigation; the proceedings are continuing before the Patiala House Court of New Delhi.

On 28 August 2019 the Public Prosecutor's Office of Milan served on Leonardo Spa a notice of invitation to appear at the hearing of 18 September 2019 within further proceedings brought by the Indian Judicial Authority (Directorate of Enforcement) in relation to the supply of 12 AW 101 VIP/VVIP helicopters to the Indian Government. The Company submitted an application for enforcement review before the Judge for Preliminary Investigations (GIP) of the Court of Milan, as well as an appeal with the Lazio Regional Administrative Court, even in relation to this notice.

Finally, it should be noted that on 11 February 2020 a notice was served on AgustaWestland International Ltd whereby it was invited to appear in court within the proceedings brought by the Indian Judicial Authority (Directorate of Enforcement);

- On 23 March 2021 the Court of Naples acquitted an employee of the then Eltag Datamat (now Selex ES SpA) of the crimes referred to in Articles 353 and 326 of the Italian Criminal Code, the former Chief Executive Officer and an employee of the then Eltag Datamat of the crime referred to in Articles 326, 353 and 416 of the Italian Criminal Code, as well as it acquitted Selex ES of the offence under Article 24-ter, para. 2, of Legislative Decree no. 231/2001, within the criminal proceedings concerning contracts awarded to the then Eltag Datamat and to another company for the development, respectively, of the integrated traffic monitoring system of the city of Naples and video-surveillance systems for a number of municipalities within the Province of Naples;
- On 26 May 2021 the Judge for Preliminary Investigations (GIP) of the Court of Benevento, following a request by the Public Prosecutor, ordered the dismissal of the criminal proceedings brought against the Manager responsible under Legislative Decree 152/06 for the Benevento Plant (Helicopters Division) as to the crime referred to in Article 452-quinquies of the Italian Criminal Code.

Based upon the information gathered and the results of the analysis carried out so far, the Directors of Leonardo did not allocate any specific provisions in relation to these cases. Any negative developments - which cannot be foreseen, nor determined to date - arising from any internal investigations or judicial investigations being conducted, will be subject to consistent assessment for the purposes of provisions (if any).

* * * * *

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

of the 2020 consolidated financial statements, to which reference should be made, note the following updates:

- the proceedings brought by Firema under extraordinary management before the Court of Naples against the directors and statutory and independent auditors of Firema Trasporti (R.G. 32257/13) in order to have them declared responsible for the financial collapse caused to the company, within which Leonardo and AnsaldoBreda have been summoned as parties concerned, have been finally postponed to the hearing scheduled on 21 October 2021, in order to discuss whether they must be joined to proceedings R.G. no. 16312/15 described below. It should be noted that, within these proceedings, two of the defendants and specifically the former directors Giorgio and Gianfranco Fiore summoned Leonardo and AnsaldoBreda in court, on the grounds of an alleged abusive exercise of management and coordination activities that, according to them, was perpetrated by the parties summoned to the detriment of Firema. On the basis of this assumption, Giorgio and Gianfranco Fiore therefore requested, primarily, that Leonardo and AnsaldoBreda be ordered to pay direct compensation to the plaintiff for any damages that should be ascertained, which they presumed to be €mil. 262 and which is equal to Firema's liabilities, and, alternatively, to be held harmless by the aforesaid companies.

As to the action brought by GMR against Leonardo and AnsaldoBreda before the Court of Naples (R.G. 16312/15), in the hearing of 24 June 2021, the court referred the case to the judge of the proceedings described above for the joinder of the cases.

It should be noted that, within these proceedings, the plaintiff company states that Firema Trasporti was allegedly subject, during the period in which Leonardo held an investment in it (from 1993 to 2005), to management and coordination activities that were carried out to its detriment and in the sole interest of the Leonardo Group and that, even after the sale of the aforesaid investment, Firema Trasporti was allegedly de facto subjected to an abuse of economic dependence from the abovementioned Leonardo Group in performing the various agreements existing with AnsaldoBreda.

In both proceedings Leonardo and AnsaldoBreda appeared before the court requesting that, on the merits, the claims submitted against them be dismissed as clearly groundless as of fact and as of right.

- The case involved in the action brought before the Court of Rome by Selex Service Management against the Ministry for the Environment, Land and Sea in relation to the performance of the Sistri contract, within which after the pretrial hearing of 8 July 2021 the judge adjourned the case and set the parties time limits for the exchange of closing arguments. It should be also noted that on 18 December 2020 the Ministry took steps to pay the company an additional sum of € 87,920,397 relating to the final payment of the fixed amount set out in the aforesaid contract.

It should be noted that the Sistri contract was signed between the Ministry for the Environment, Land and Sea and Selex Service Management in December 2009 in relation to the design, operation and maintenance of the System for Waste Tracking until 30 November 2014. The performance of the contract was affected by a number of legislative acts aimed at postponing the time at which it was to come into force, at a drastic reduction of the categories of persons under an obligation to adopt the system, at introducing simplification and/or

optimisation measures of the system and at indefinitely postponing the applicable penalties. Such legislative acts had a significant impact on the financial stability of the contract, which was further impaired by the non-payment of a large part of the amounts due to the company.

Following the refusal of jurisdiction of the arbitration panel served on the company on 19 February 2015 by the Government Lawyers, the Company brought a legal action against the said Ministry before the Court of Rome, in order to seek a declaration that the contract had expired on 30 November 2014 and obtain the payment of the agreed fees and compensation for damages.

Following the order dated 17 February 2016, which granted the claim submitted by Selex Service Management pursuant to Article 186-ter of the Italian Code of Civil Procedure, the Ministry paid the plaintiff company an amount of €mil. 17.

* * * * *

Moreover, given their complexity, their cutting-edge technological content and the nature of customers, the Group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account the possible developments in the relevant disputes. With regard to contracts in progress affected by uncertainties and issues under discussion with customers, no significant updates are reported with respect to what was already described during the preparation of the 2020 consolidated financial statements.

18. EMPLOYEE BENEFITS

	31 December 2020			30 June 2021		
	Liabilities	Assets	Net	Liabilities	Assets	Net
Severance pay provision	265	-	265	255	-	255
Defined-benefit plans	106	298	(192)	92	457	(365)
Defined contribution plans	29	-	29	23	-	23
	400	298	102	370	457	(87)

The change in net Defined-benefit plans was affected by the increase in the discount rates, above all in the UK region, which gave rise to a decrease in liabilities, while the financial return from assets serving the plan was lower than expected.

19. OTHER CURRENT AND NON-CURRENT LIABILITIES

	31 December 2020		30 June 2021	
	Non-current	Current	Non-current	Current
Employee obligations	50	343	50	506
Deferred income	82	118	81	116
Amounts due to social security institutions	-	176	-	179
Payables to MED (Law no. 808/85)	161	-	162	-
Payables to MED for royalties (Law no. 808/85)	196	7	199	7
Indirect tax liabilities	-	108	-	79
Derivatives	-	172	-	124
Other liabilities	290	383	318	385
Other payables to related parties (Note 31)	-	12	-	12
	779	1,319	810	1,408

Other non-current liabilities include, in particular, the payable due to Bell Helicopter of €mil. 236 (€mil. 221 at 31 December 2020), deriving from the acquisition of 100% of the AW609 programme.

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

	31 December 2020		30 June 2021	
Suppliers		3,260		2,746
Trade payables to related parties (Note 31)		359		252
Trade payables		3,619		2,998
Contract liabilities		7,777		7,607
		11,396		10,605

21. REVENUE

	For the 6 months ended 30 June	
	2020	2021
Revenue from contract with customers	4,126	5,039
Change in contract assets	1,047	566
Revenue from related parties (Note 31)	705	740
	5,878	6,345

The break down by recognition timing is reported below:

	For the 6 months ended 30 June	
	2020	2021
Revenue at point in time	1,166	1,039
Revenue over time	4,712	5,306
	5,878	6,345

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

22. OTHER OPERATING INCOME (EXPENSES)

	For the 6 months ended 30 June					
	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs	17	-	17	18	-	18
Exchange rate differences on operating items	64	(66)	(2)	65	(73)	(8)
Indirect taxes	-	(16)	(16)	-	(17)	(17)
Restructuring costs	-	-	-	-	(11)	(11)
Reversal of (accruals to) provisions for risks	141	(180)	(39)	110	(79)	31
Other income (expenses)	80	(25)	55	19	(47)	(28)
Other from/to related parties (Note 31)	2	-	2	2	-	2
	304	(287)	17	214	(227)	(13)

23. PURCHASES AND PERSONNEL EXPENSES

	For the 6 months ended 30 June	
	2020	2021
Purchases	1,850	2,128
Services	1,642	1,664
Costs to related parties (Note 31)	500	371
Personnel expenses	1,769	1,865
<i>Wages, salaries and contributions</i>	1,589	1,688
<i>Defined-benefit plans costs</i>	38	39
<i>Defined contribution plans costs</i>	63	65
<i>Net restructuring costs</i>	6	6
<i>Other personnel expenses</i>	73	67
Change in finished goods, work in progress and semi-finished products	(253)	(77)
Work performed by the Group and capitalised	(129)	(155)
	5,379	5,796

The Group recorded short-term lease rentals for €mil. 21 and lease rentals for low-value assets for €mil. 5 during the half-year.

The average workforce at 30 June 2021 (49,470 people) showed an increase compared to 30 June 2020 (49,270), above all due to the increase in the number of staff members at Leonardo DRS (+188) and in the Aeronautics Division (+97).

The breakdown of the total workforce is as follows:

	31 December 2020	30 June 2021	Change
Senior managers (*)	1,198	1,237	39
Middle managers	6,113	6,134	21
Clerical employees	28,806	28,961	155
Manual labourers (**)	13,765	13,648	(117)
	49,882	49,980	98

(*) include pilots

(**) include senior manual labourers

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

	31 December 2020	30 June 2021	Change
Helicopters	12,326	12,367	41
Defense Electronics & Security	24,504	24,642	138
Aeronautics	11,278	11,209	(69)
Other	1,774	1,762	(12)
	49,882	49,980	98

24. AMORTISATION, DEPRECIATION AND FINANCIAL ASSETS VALUE ADJUSTMENTS

	For the 6 months ended 30 June		
	2020	2021	
Amortisation of intangible assets		62	59
<i>Development costs</i>	11	9	
<i>Non-recurring costs</i>	16	16	
<i>Acquired through business combinations</i>	14	11	
<i>Concessions, licences and trademarks</i>	7	8	
<i>Other intangible assets</i>	14	15	
Depreciation of property, plant and equipment and investment properties		149	119
Depreciation of right of use		38	44
Impairment of other assets		2	-
financial assets value adjustments		14	(4)
<i>operating receivables</i>	10	(4)	
<i>contract assets and liabilities</i>	13	2	
<i>other financial assets</i>	(9)	(2)	
		265	218

The decrease in amortisation, depreciation and write-downs is mainly related to property, plant and equipment subject to impairment during 2020.

25. FINANCIAL INCOME AND EXPENSES

	For the 6 months ended 30 June					
	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Interest	1	(74)	(73)	1	(61)	(60)
Interest on lease liabilities	-	(8)	(8)	-	(10)	(10)
Loan fees	-	(6)	(6)	-	(8)	(8)
Other commissions	-	(3)	(3)	-	-	-
Fair value gains (losses) through profit or loss	19	(15)	4	21	(13)	8
Premiums (paid) received on forwards	33	(66)	(33)	17	(26)	(9)
Exchange rate differences	25	(25)	-	21	(20)	1
Net interest cost on defined-benefit plans	-	(1)	(1)	-	(1)	(1)
Financial income (expenses) - related parties (Note 31)	1	(2)	(1)	-	(2)	(2)
Other financial income and expenses	2	(17)	(15)	4	(17)	(13)
	81	(217)	(136)	64	(158)	(94)

The decrease in net expenses compared to the previous period was attributable to the lower premiums paid on forwards, lower interest arising from the redemption of the bond issue occurred in January 2021 and the results of the fair value measurement of derivatives.

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

	For the 6 months ended 30 June	
	2020	2021
Space Alliance	(10)	23
MBDA	20	27
GIE ATR	(34)	(21)
Strategic Joint Ventures	(24)	29
Other	(3)	6
	(27)	35

The higher contribution deriving from the equity-accounted investments is basically attributable to the manufacturing sector of the Space Alliance which was influenced by a good industrial performance as well as by the economic benefit registered by the Italian component deriving from the effects of the realignment between the tax and statutory value of goodwill, in compliance with the tax concessions provided for by the Decree “Urgent measures to support and revive the economy”.

There were also positive effects from the increase in deliveries and actions taken to reduce costs related to the GIE-ATR consortium.

27. INCOME TAXES

	For the 6 months ended 30 June	
	2020	2021
Current taxes	(38)	(45)
Tax related to previous periods	(7)	-
Deferred tax - net	16	(37)
	(29)	(82)

In this half-year financial report Leonardo S.p.A reflected the effects of the tax concession provided for by Article 110 of Law Decree 104/2020, since it intends to make use of the option to realign the tax values of goodwill with the higher book value. In June 2021 the Company paid the first of the 3 annual instalments of the substitute tax, totally amounting to about €mil. 19, calculated on the value to realign for tax purposes for €mil. 624. As a result of the realignment the goodwill book value acquires full tax relevance and becomes tax deductible over 18 years. The exercise of the realignment option requires to set aside a reserve subject to tax relief for tax purposes, equal to the amount of the realignment net of the substitute tax, which reserve can be released pursuant to paragraph 3 of Article 110 of Law Decree 104/2020. Considering the occurred realignment of the said values Leonardo recognised the deferred tax liabilities priorly recorded and recognized a benefit of €mil. 48 accordingly.

28. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Following the sale of the Vitrociset space business unit to Telespazio, as at 30 June 2021 there are no assets and liabilities that can be classified as held for sale.

As largely described in the Annual Financial Report as at 31 December 2020, to which reference is made, the space business unit of Vitrociset Spa and that of its investees (Vitrociset Belgium S.p.r.l.

and Vitrociset France S.a.r.l.) were intended for a sale transaction in favour of the Space Alliance (specifically Telespazio SpA).

Therefore, the value of the assets and liabilities held for sale included, as at 31 December 2020, the values of the abovementioned space business unit for a net amount of €mil. 38, plus the value of the fixed assets owned by Leonardo Global Solutions that were held for sale for €mil. 9.

	31 December 2020	30 June 2021
Non-current assets	35	-
Current assets	37	-
Assets held for sale	72	-
Non-current liabilities	4	-
Current liabilities	21	-
Liabilities associated with assets held for sale	25	-
	47	-

There was no impact on the income statement deriving from the discontinued operations during the first half of 2021.

With reference to 30 June 2020, the abovesaid space business unit represented a group of assets acquired for the purposes of a subsequent sale and, therefore, the related results of operations were also classified among “Discontinued Operations” (a net result of €mil.1).

	For the 6 months ended 30 June	
	2020	2021
Operating income	29	-
Operating expenses	(28)	-
Income before tax and financial expenses	1	-
Financial income/(expenses)	-	-
Income taxes	-	-
Profit (loss) for the period	1	-

29. EARNINGS PER SHARE

	For the 6 months ended 30 June	
	2020	2021
Average shares outstanding during the reporting period (in thousands)	575,008	575,174
Earnings for the period (excluding non-controlling interests) (€ millions)	59	176
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	58	176
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	1	-
Basic and Diluted EPS (€)	0.103	0.306
<i>Basic and Diluted EPS from continuing operations (€)</i>	<i>0.101</i>	<i>0.306</i>
<i>Basic and Diluted EPS from discontinued operations (€)</i>	<i>0.002</i>	<i>n.a.</i>

Basic earnings per share at 30 June 2021, as well as those relating to the comparative period, were equal to diluted earnings per share, since there were no dilutive elements.

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

	For the 6 months ended 30 June	
	2020	2021
Net result	60	177
Amortisation, depreciation and write-offs	265	218
Share of profits/(losses) of equity-accounted investees	27	(35)
Income taxes	29	82
Costs for defined-benefit plans	38	39
Net financial expenses/(income)	136	94
Net allocations to the provisions for risks and inventory write-downs	90	2
Profit from discontinued operations	(1)	-
Other non-monetary items	13	18
	657	595

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

	For the 6 months ended 30 June	
	2020	2021
Inventories	(650)	(107)
contract assets and liabilities	(819)	(623)
Trade receivables and payables	(512)	(780)
	(1,981)	(1,510)

31. RELATED PARTIES TRANSACTIONS

Related parties 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 parties transactions on cash flows.

RECEIVABLES at 31 December 2020	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
<u>Associates</u>						
NH Industries SAS				147		147
Eurofighter Jagdflugzeug GmbH				140		140
Iveco - Oto Melara Scarl				24		24
AgustaWestland Aviation Services LLC				20		20
Other with unit amount lower than €mil. 10	1	-	2	27		30
<u>Joint Ventures</u>						
Thales Alenia Space SAS			142	26		168
Joint Stock Company Helivert				39		39
Orizzonte - Sistemi Navali SpA				37		37
GIE ATR				22	71	93
MBDA SAS				20		20
Other with unit amount lower than €mil. 10	7	-	1	8	4	20
<u>Consortia (*)</u>						
Other with unit amount lower than €mil. 10			2	12		14
<u>Companies subject to the control or considerable influence of the MEF</u>						
Fintecna SpA				72		72
Ferrovie dello Stato Italiane SpA				41		41
ENAV SpA				15		15
Other with unit amount lower than €mil. 10			2	13		15
Total	8	-	149	663	75	895
<i>% against total for the period</i>	<i>50.0%</i>	<i>-</i>	<i>89.2%</i>	<i>21.9%</i>	<i>35.0%</i>	

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RECEIVABLES at 30 June 2021	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
<u>Associates</u>						
Eurofighter Jagdflugzeug GmbH				193		193
NH Industries SAS				148		148
AgustaWestland Aviation Services LLC				16		16
Iveco - Oto Melara Scarl				12		12
Advanced Air Traffic Systems SDH BHD				13		13
Other with unit amount lower than €mil. 10	1		3	15		19
<u>Joint Ventures</u>						
Joint Stock Company Helivert				40		40
MBDA SAS				29		29
GIE ATR				17	57	74
Orizzonte - Sistemi Navali SpA				13		13
Thales Alenia Space SAS			76	11		87
Telespazio SpA	13		2	5		20
Other with unit amount lower than €mil. 10				8	1	9
<u>Consortia (*)</u>						
Other with unit amount lower than €mil. 10			2	8		10
<u>Companies subject to the control or considerable influence of the MEF</u>						
Cassa Depositi e Prestiti SpA				81		81
Ferrovie dello Stato Italiane SpA				22		22
ENAV SpA				20		20
Other with unit amount lower than €mil. 10				22		22
Total	14	-	83	673	58	828
<i>% against total for the period</i>	<i>66.7%</i>	<i>-</i>	<i>75.5%</i>	<i>21.5%</i>	<i>28.3%</i>	

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	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total
PAYABLES at 31 December 2020						
<u>Associates</u>						
Gulf System Logistic Services Company WLL				82		82
Eurofighter Jagdflugzeug GmbH			45	55		100
NH Industries SAS				21		21
Elettronica SpA				15		15
Leonardo Helicopteres Algerie			20			20
Other with unit amount lower than €mil. 10			4	15	6	25
<u>Joint Ventures</u>						
MBDA SAS			663	67		730
GIE ATR				55		55
Rotorsim Srl				12		12
Telespazio SpA			49	2	2	53
Other with unit amount lower than €mil. 10				8	1	9
<u>Consortia (*)</u>						
Other with unit amount lower than €mil. 10				4		4
<u>Companies subject to the control or considerable influence of the MEF</u>						
Cassa Depositi e Prestiti SpA	100				3	103
Enel SpA				19		19
Other with unit amount lower than €mil. 10				4		4
Total	100	-	781	359	12	1,252
% against total for the period	2.6%	-	42.8%	9.9%	1.2%	
PAYABLES at 30 June 2021						
<u>Associates</u>						
Gulf System Logistic Services Company WLL				51		51
Eurofighter Jagdflugzeug GmbH			43	27		70
Elettronica SpA				15		15
Leonardo Helicopteres Algerie			20			20
Other with unit amount lower than €mil. 10			4	10	6	20
<u>Joint Ventures</u>						
MBDA SAS			682	40		722
GIE ATR				57		57
Rotorsim Srl				17		17
Other with unit amount lower than €mil. 10			2	12	3	17
<u>Consortia (*)</u>						
Other with unit amount lower than €mil. 10				2		2
<u>Companies subject to the control or considerable influence of the MEF</u>						
Cassa Depositi e Prestiti SpA	100				3	103
ENEL SpA				17		17
Other with unit amount lower than €mil. 10				4		4
Total	100	-	751	252	12	1,115
% against total for the period	2.8%	-	47.3%	8.4%	1.0%	

(*) 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. 682 (€mil. 663 at 31 December 2020) due by Group companies to the joint venture MBDA and payables for €mil. 43 (€mil. 45 at 31 December 2020) to Eurofighter, as well as payables of €mil. 20 to Leonardo Helicopteres Algeria 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 6 months ended 30 June 2020

	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
<u>Associates</u>						
Eurofighter Jagdflugzeug GmbH	182		363			
NH Industries SAS	136					
Gulf System Logistic Services Company WLL			52			
Iveco-Oto Melara Scarl	31		1			
Macchi Hurel Dubois SAS	21					
AgustaWestland Aviation Services LLC	10		1			
Altre di importo unitario inferiore a €Mil. 10	17		11			1
<u>Joint Ventures</u>						
GIE ATR	73		4			
Orizzonte - Sistemi Navali SpA	48		1			
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			
<u>Consortia (*)</u>						
Other with unit amount lower than €mil. 10	10					
<u>Companies subject to the control or considerable influence of the MEF</u>						
Fintecna SpA	63					
Ferrovie dello Stato Italiane SpA	20					
Other with unit amount lower than €mil. 10	35		20		1	
Total	705	2	500	-	1	2
<i>% against total for the period</i>	<i>12.0%</i>	<i>0.7%</i>	<i>9.3%</i>	<i>-</i>	<i>1.2%</i>	<i>0.9%</i>

For the 6 months ended 30 June 2021	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
<u>Associates</u>						
Eurofighter Jagdflugzeug GmbH	199		230			
NH Industries SAS	157					
Iveco-Oto Melara Scarl	28		1			
Macchi Hurel Dubois SAS	17					
Electronica SpA	1		20			
Gulf System Logistic Services Company WLL			16			
Other with unit amount lower than €mil. 10	20		4			1
<u>Joint Ventures</u>						
Orizzonte - Sistemi Navali SpA	55					
GIE ATR	35		3			
MBDA SAS	34		38			1
Thales Alenia Space SAS	23		1			
Other with unit amount lower than €mil. 10	11	2	11			
<u>Consortia (*)</u>						
Other with unit amount lower than €mil. 10	11		1			
<u>Companies subject to the control or considerable influence of the MEF</u>						
Cassa Depositi e Prestiti SpA	104					
Poste Italiane SpA	11					
ENAV SpA	10					
ENEL SpA	6		45			
Other with unit amount lower than €mil. 10	18		1			
Total	740	2	371	-	-	2
<i>% against total for the period</i>	<i>11.7%</i>	<i>0.9%</i>	<i>6.4%</i>	<i>-</i>	<i>-</i>	<i>1.3%</i>

(*) 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;
- NH Industries in the scope of the NH90 helicopter programme;
- Orizzonte - Sistemi Navali for the FREMM programme;
- Iveco-Otomelara Scarl for the commercialisation of VBM Freccia;
- Macchi Hurel Dubois for the commercialisation of nacelles.

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

- Eurofighter and Gulf System for operations in the scope of the EFA/Kuwait aeronautical programme; in particular the decrease in costs to Eurofighter is justified by lower deliveries compared to the period under comparison in which deliveries of major components concentrated, such as fuselages and wings, while that to Gulf reflects the completion of the infrastructures built in Kuwait;
- Subsidiaries or entities subject to significant influence on the part of the Ministry of Economy and Finance, in particular linked to the Qatar Emiri Naval Forces (QENF) – Corvette programme.

For the Board of Directors

The Chairman

Luciano Carta

ANNEX: SCOPE OF CONSOLIDATION

Half-year financial report at 30 June 2021

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

Company name	Registered office	Participating 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 UK LTD ex 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	SO.GE.PA. SPA	EUR	120,000		100	100
ALENIA AERMACCHI SPA	Rome	SO.GE.PA. SPA	EUR	120,000		100	100
ANSALDOBREDA SPA	Naples	LEONARDO SPA	EUR	10,000,000	100		100
DAYLIGHT DEFENCE LLC	Wilmington, Delaware (USA)	DAYLIGHT SOLUTIONS INC	USD	-		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 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 UK LTD ex 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 (Torino)	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 GERMANY GMBH	HÖHENKIRCHEN-Siegertsbrunn (Germany)	KOPTER GROUP AG	EUR	25,000		100	100
KOPTER GROUP AG	Mollis, North Glarus (Switzerland)	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 MANAGEMENT LLC DRS SIGNAL SOLUTIONS INC	USD	-		100	100
LEONARDO AUSTRALIA PTY LTD	Essendon, Victoria (Australia)	LEONARDO INTERNATIONAL SPA	AUD	7,916,301		100	100
LEONARDO BELGIUM SA	Grace Hollogne (Belgium)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	EUR	500,000		100	100
LEONARDO CAE ADVANCED JET TRAINING SRL	Villasor (Cagliari)	LEONARDO SPA	EUR	1,700,000	50		50
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	Wilmington, Delaware (USA)	LEONARDO UK LTD ex 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 HELICOPTERS USA, INC.	Wilmington, Delaware (USA)	AGUSTAWESTLAND PHILADELPHIA CO	USD	-		100	100

Half-year financial report at 30 June 2021

LEONARDO HISPANIA SAU	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	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	2,500,000		100	100
LEONARDO UK Ltd ex Leonardo MW Ltd	Basildon, Essex (UK)	LEONARDO SPA	GBP	314,500,100	100		100
LEONARDO PORTUGAL SA	Neuss (Germania)	LEONARDO INTERNATIONAL SPA	EUR	100,000		100	100
LEONARDO ROMANIA AEROSPACE, DEFENCE & SECURITY SA	Ploiesti (Romania)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	RON	10,847,960		100	100
LEONARDO SAUDI LTD	Riyadh (Saudi Arabia)	LEONARDO UK Ltd ex Leonardo MW Ltd SELEX ES (PROJECTS) LTD	SAR	500,000		100	100
LEONARDO SOUTH AFRICA (PTY) LTD	Basildon, Essex (UK)	LEONARDO INTERNATIONAL SPA	ZAR	1,500		100	100
LEONARDO TECHNOLOGIES & SERVICES LTD	Nairobi (Kenya)	LEONARDO INTERNATIONAL SPA	KES	109,600,000		100	100
LEONARDO TURKEI HAVACILIK SAVUNMA VE GUVENLIK SISTEMLERI AS	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	Yerrilyong (Australia)	LEONARDO AUSTRALIA PTY LTD	AUD	330,00		60	60
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	3083683 NOVA SCOTIA LIMITED	CAD	-		100	100
PRECISION AVIATION PROPERTY PTY LTD	Wonderboom (South Africa)	LEONARDO SOUTH AFRICA (PTY) LTD ex Precision Aviation Services (PTY) Ltd	ZAR	100		100	100
PRECISION AVIATION TRAINING ACADEMY PTY LTD	Wonderboom (South Africa)	LEONARDO SOUTH AFRICA (PTY) LTD ex Precision Aviation Services (PTY) Ltd	ZAR	1,000		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Swidnik (Poland)	PZL-SWIDNIK SA	PLN	7,072,000		74	74
SELEX ELSAG LTD	Basildon, Essex (UK)	LEONARDO UK LTD ex 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 INTERNATIONAL LTD	Basildon, Essex (UK)	LEONARDO SPA	GBP	100	100		100
SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	500,000		100	100
SELEX ES SPA (IN LIQ.)	Rome	SO.GE.PA. SPA	EUR	120,000		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	Carson City, Nevada (USA)	LEONARDO DRS INC	USD	10		100	100
TTI TACTICAL TECHNOLOGIES INC	Ottawa, Ontario (Canada)	LEONARDO UK Ltd ex Leonardo MW Ltd	CAD	2,500,001		100	100
UTM SYSTEMS & SERVICES SRL	Rome	LEONARDO SPA TELESPAZIO SPA	EUR	6,620,000	67	33	89
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	SELEX ES SPA	EUR	25,700		100	100
VITROCISSET SPA	Rome	LEONARDO SPA	EUR	24,500,000	100		100
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-SWIDNIK" SPOLKA AKCYJNA	Swidnik (Poland)	LEONARDO SPA	PLN	137,401,350	100		100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	-		51	51
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Shah Alam (Malaysia)	SELEX ES INTERNATIONAL LTD	MYR	10,000,000		30	30
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	LEONARDO SPA	AED	58,010,000	30		30
AIRBUS TELESPIAZIO CAPACITY OPERATOR SAS	Issy Les Moulineaux (France)	TELESPIAZIO FRANCE SAS	EUR	11,000,000		49	32.83
AMSH BV	Rotterdam (the Netherlands)	LEONARDO SPA	EUR	36,296,316	50		50
AVIO SPA	Rome	LEONARDO SPA	EUR	90,964,213	29.63		29.63
C-27J AVIATION SERVICES INC	Ottawa, Ontario (Canada)	LEONARDO CANADA CO	CAD	10,000		30	30
CONSORZIO ATR GIE	Toulouse (France)	LEONARDO SPA	USD	-	50		50
D-FLIGHT SPA	Rome	UTM SYSTEMS & SERVICES SRL	EUR	83,333		40	36
DISPOSITIVI PROTEZIONE INDIVIDUALE D.P.I. SRL	Rome	LARIMART SPA	EUR	309,600		78	46.752
E - GEOS SPA	Matera	TELESPIAZIO SPA	EUR	5,000,000		80	53.6
ELETTRONICA SPA	Rome	LEONARDO SPA	EUR	9,000,000	31.333		31.3
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	LEONARDO SPA	EUR	2,556,459	21		21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Hallbergmoos (Germany)	LEONARDO SPA	EUR	260,000	24		24
EUROMIDS SAS	Paris (France)	LEONARDO SPA	EUR	40,500	25		25
GAF AG	Munich (Germany)	E - GEOS SPA	EUR	256,000		100	54
G.E.M. ELETTRONICA SRL	San Benedetto del Tronto (Ascoli Piceno)	LEONARDO SPA	EUR	4,500,000	30		30.0
GULF SYSTEMS LOGISTICS SERVICES COMPANY WLL	Kuwait City (Kuwait)	ALENIA AERMACCHI SPA	KWD	75,000		40	40
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Venice	LEONARDO SPA	EUR	208,000	25		25
ICARUS SCPA (IN LIQ.)	Turin	LEONARDO GLOBAL SOLUTIONS SPA	EUR	3,192,724		53.06	53
INDUSTRIA ITALIANA AUTOBUS SPA	Rome	LEONARDO SPA	EUR	21,050,000	28.65		28.65
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	Jingdezhen (China)	LEONARDO SPA	CNY	6,000,000	40		40
JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	LEONARDO SPA	RUB	325,010,000	50		50
LEONARDO AEROSPACE DEFENSE & SECURITY INDIA PRIVATE LTD	New Delhi (India)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	INR	30,000,000		100.0000 0	100
LEONARDO CANADA CO	Halifax, Nova Scotia (Canada)	LEONARDO INTERNATIONAL SPA	CAD	298,421		100	100
LEONARDO (CHINA) CO. LTD	Beijing (China)	LEONARDO INTERNATIONAL SPA	USD	800,000		100	100
LEONARDO ELECTRONICS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD ex Leonardo MW Ltd	GBP	100		100	100
LEONARDO FOR AVIATION SERVICES (SPC)	Kuwait City (Kuwait)	LEONARDO SPA	KWD	300,000	100		100
LEONARDO FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES WLL	Kuwait City (Kuwait)	LEONARDO INTERNATIONAL SPA	KWD	303,000		93	93
LEONARDO FUTUREPLANNER (TRUSTEE) LIMITED	Yeovil, Somerset (UK)	LEONARDO UK LTD ex Leonardo MW Ltd	GBP	1		100	100
LEONARDO HELICOPTERES ALGERIE SPA	Bir Mourad Rais (DZ) (Algerie)	LEONARDO SPA LEONARDO INTERNATIONAL SPA	EUR	55,000,000	39	10	49
LEONARDO HELICOPTERS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD ex Leonardo MW Ltd	GBP	1		100	100
LEONARDO LIMITED	Yeovil, Somerset (UK)	LEONARDO UK LTD ex Leonardo MW Ltd	GBP	1		100	100
LEONARDO MW Ltd ex Cardprize Two Ltd	Basildon, Essex (UK)	LEONARDO UK LTD ex Leonardo MW Ltd	GBP	1		100	100
LEONARDO POLAND SP. Z OO	Varsavia (Poland)	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 SA	Maricà (Brazil)	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	53,824,021		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)	TELESPIAZIO SPA	RON	468,500		61.1	41
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 UK LTD ex Leonardo MW Ltd	GBP	100		100	100
SPACEOPAL GMBH	Munich (Germany)	TELESPIAZIO SPA	EUR	500,000		50	33.5
TELESPIAZIO ARGENTINA SA	Buenos Aires (Argentina)	TELESPIAZIO SPA TELESPIAZIO BRASIL SA	ARS	9,950,000		100	66.958
TELESPIAZIO BELGIUM SRL	Transinne (Belgium)	TELESPIAZIO SPA TELESPIAZIO FRENCH GUIANA SARL	EUR	1,282,750		100	67
TELESPIAZIO BRASIL SA	Rio de Janeiro (Brazil)	TELESPIAZIO LATIN AMERICA LTDA	BRL	58,724,000		99	66
TELESPIAZIO FRANCE SAS	Toulouse (France)	TELESPIAZIO SPA	EUR	33,670,000		100	67

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TELESPAZIO FRENCH GUIANA SARL	KOUROU (Guyana of France)	TELESPAZIO SPA	EUR	7,625		100	67
TELESPAZIO GERMANY GMBH	Darmstadt (Germany)	TELESPAZIO SPA TELESPAZIO FRANCE SAS	EUR	44,150		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 UK LTD	BRL	56,444,390		100	67
TELESPAZIO SPA	Rome	LEONARDO SPA	EUR	50,000,000	67		67
TELESPAZIO UK LTD	Luton (UK)	TELESPAZIO SPA	GBP	14,400,048		100	67
TELESPAZIO UK SL	Madrid (Spain)	TELESPAZIO 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
VITROCISSET JADWALEAN LTD	Riyadh (Saudi Arabia)	VITROCISSET SPA	SAR	2,000,000		45	45
WORLD'S WING SA (IN LIQ.)	Geneva (Switzerland)	LEONARDO SPA	CHF	811,876	100		100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwajji (United Arab Emirates)	LEONARDO SPA	AED	200,000	49		49
CCRT SISTEMI SPA (IN FALL)	Milan	SO.GE.PA. 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.	Mamer (Luxembourg)	TELESPAZIO FRANCE SAS E - GEOS SPA	EUR	4,875,000		54.4	34.17
ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	SO.GE.PA. SPA	UAH	7,945,000		49	49
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMM.STR.)	Genoa	SO.GE.PA. SPA	EUR	103,567		30.982	30.982

Below are the changes in the scope of consolidation at 30 June 2021 in comparison with 30 June 2020:

COMPANY'	EVENT	MONTH
<u>Companies which entered the scope of consolidation:</u>		
Leonardo Helicopters Usa Inc.	newly-established	November 2020
Leonardo For Aviation Services (SPC)	newly-established	January 2021
Dispositivi Protezione Individuale D.P.I. Srl	acquired	February 2021
G.E.M. Elettronica Srl	acquired	April 2021
<u>Companies which left the scope of consolidation:</u>		
Westland Support Services Ltd	cancellation	October 2020
Eurofighter Aircraft Management GmbH (in liq.)	cancellation	October 2020
Selex Es India Private Limited (in liq.)	cancellation	November 2020
Drs Technical Services GmbH & Co. KG	cancellation	January 2021
Win Bluewater Services Private Ltd (in liq.)	cancellation	February 2021
Leonardo International Ltd (*)	cancellation	March 2021
Selex Es Ltd	cancellation	March 2021
Vega Consulting Services Ltd	cancellation	March 2021
<u>Companies involved in merger transactions:</u>		
Merged company	Merging company	Month
Bredamenarinibus S.p.A.	SO.GE.PA. S.p.A.	August 2020
SELEX Service Management S.p.A. (in liq.)	SELEX ES S.p.A. (in liq.)	August 2020
Kopter Design AG	Kopter Group AG	January 2021

Companies which changed their name:

Old name	New name	Month
Telespazio Vega Deutschland GmbH	Telespazio Germany GmbH	January 2021
Telespazio Vega UK Ltd	Telespazio UK Ltd	January 2021
Telespazio Vega UK SL	Telespazio UK SL	January 2021
Precision Aviation Services PTY Ltd	Leonardo South Africa (PTY) Ltd	February 2021
Selex Es Saudi Arabia Ltd	Leonardo Saudi Ltd	February 2021
Leonardo MW Ltd	Leonardo UK Ltd	March 2021
Cardprize Two Ltd	Leonardo MW Ltd	March 2021
Leonardo Advanced Jet Training Srl	Leonardo Cae Advanced Jet Training Srl	April 2021
Vitrociset Belgium Sprl	Telespazio Belgium Srl	June 2021
Vitrociset France Sarl	Telespazio French Guiana Sarl	June 2021

(*): companies valued at cost

STATEMENT ON THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2021 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 2021.
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 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' interim 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, 29 July 2021

Chief Executive Officer

(Alessandro Profumo)

Officer in charge of financial reporting

(Alessandra Genco)

**INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED
CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2021**



Leonardo S.p.A.

Review report on the interim condensed consolidated financial statements as of 30 June 2021

(Translation from the original Italian text)

Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Leonardo S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the condensed separate income statement, the statement of comprehensive income, the condensed statement of financial position, the statement of cash flow, the statement of changes in equity and the related explanatory notes of Leonardo S.p.A. and its subsidiaries (the Leonardo Group) as of 30 June 2021. The Directors of Leonardo S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and 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 interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Leonardo Group as of 30 June 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.



Other matters

The consolidated financial statements for the year ended 31 December 2020 and the interim condensed consolidated financial statements for the half-year period ended 30 June 2020 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the consolidated financial statements on 11 March 2021 and expressed an unqualified conclusion on the interim condensed consolidated financial statements on 31 July 2020.

Rome, 30 July 2021

EY S.p.A.
Signed by: Riccardo Rossi, Partner

This report has been translated into the English language solely for the convenience of international readers