

Leonardo: New Orders at € 6.7 bn (+9.5% YoY), Revenues at € 6.3 bn (+7.9% YoY), strong industrial performance (EBITA at € 400 mln, +37% YoY), and FOCF significantly improved (+26.9% YoY), these in summary are 1H 2021 key performance indicators. FY 2021 Guidance confirmed. Strong fundamentals supporting medium-long term growth.

Military/Governmental business remains strong and robust; some signs of recovery in civil aeronautics but cautious about timing

Solid first half results, back on growth path

- Defence Electronics, Helicopters and Aircraft all performing strongly
- Backlog of € 35.9 billion, book to bill >1
- Order intake of € 6.7 billion, up 9.5% YoY
- Revenues of € 6.3 billion, up 7.9% YoY
- EBITA of € 400 million, up 37% YoY
- FOCF, significantly improved (+26.9% YoY) at € -1.4 billion, reflecting usual seasonality
- Strong financial position
- No refinancing needs until 2022

FY 2021 Guidance confirmed

Strong fundamentals give us confidence in the short, medium and long term outlook

- Competencies, advanced technologies and innovation capabilities as a base for new growth opportunities post COVID

The BoD has approved the start of the merger by incorporation of Vitrociset

Rome, 29 July 2021– Leonardo's Board of Directors, convened today under the Chairmanship of Luciano Carta, examined and unanimously approved the results of the first half 2021.

Alessandro Profumo, Leonardo CEO, stated *“First half 2021 results are solid, and we are back on a sustainable growth path. Our commercial activity has been intensive and we are continuing to achieve strong order intake, despite the pandemic; our strong backlog has supported good top line growth (revenues and new orders), our industrial performance and FOCF materially improved. Our Military/Governmental business remains very strong and robust. We are seeing some more positive signs in civil aeronautics, although remaining cautious about the timing of its recovery.”*

*“We are on track to achieve our full year 2021 Guidance – concludes **Alessandro Profumo** -. Our strong fundamentals give us confidence in our ability to create value sustainably for all our stakeholders in the medium-long term. We intend to leverage competencies, advanced technologies and innovation capabilities as a base for new growth opportunities post COVID.”*

Leonardo, a global high-technology company, is among the top world players in Aerospace, Defence and Security and Italy's main industrial company. Organized into five business divisions, Leonardo has a significant industrial presence in Italy, the United Kingdom, Poland and the USA, where it also operates through subsidiaries that include Leonardo DRS (defense electronics), and joint ventures and partnerships: ATR, MBDA, Telespazio, Thales Alenia Space and Avio. Leonardo competes in the most important international markets by leveraging its areas of technological and product leadership (Helicopters, Aircraft, Aerostructures, Electronics, Cyber Security and Space). Listed on the Milan Stock Exchange (LDO), in 2020 Leonardo recorded consolidated revenues of €13.4 billion and invested €1.6 billion in Research and Development. The company has been part of the Dow Jones Sustainability Index (DJSI) since 2010 and has been named as sustainability global leader in the Aerospace & Defence sector for the second year in a row of DJSI in 2020.

The results recorded in the first half of 2021 confirm the expectations of recovery in growth and an increase in profitability as 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 had been in fact particularly affected by the initial effects of the COVID-19 pandemic outbreak, which then gradually stabilised over the subsequent months, including as a result of the measures put in place in order to ensure the business continuity. 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 challenges 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, Aerostructures 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 are clearly improving, although affected by the usual seasonal trend characterised by significant outflows in the first part of the year.

Key Performance Indicators

Group (Euro million)	1H 2020	1H 2021	Chg.	Chg. %	FY 2020
New orders	6,104	6,682	578	9.5%	13,754
Order backlog	35,920	35,883	(37)	(0.1%)	35,516
Revenues	5,878	6,345	467	7.9%	13,410
EBITDA(*)	543	607	64	11.8%	1,458
EBITA (**)	292	400	108	37.0%	938
ROS	5.0%	6.3%	1.3 p.p.		7.0%
EBIT (***)	227	347	120	52.9%	517
EBIT Margin	3.9%	5.5%	1.6 p.p.		3.9%
Net result before extraordinary transactions	59	177	118	200.0%	241
Net result	60	177	117	195.0%	243
Group Net Debt	5,074	4,613	(461)	(9.1%)	3,318
FOCF	(1,889)	(1,380)	509	26.9%	40
ROI	6.5%	8.4%	1.9 p.p.		11.3%
Workforce	49,733	49,980	247	0.5%	49,882

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

(**) EBITA is obtained by eliminating from EBIT the following items: any impairment in goodwill; amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, restructuring costs that are a part of defined and significant plans; other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

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

Commercial Performance

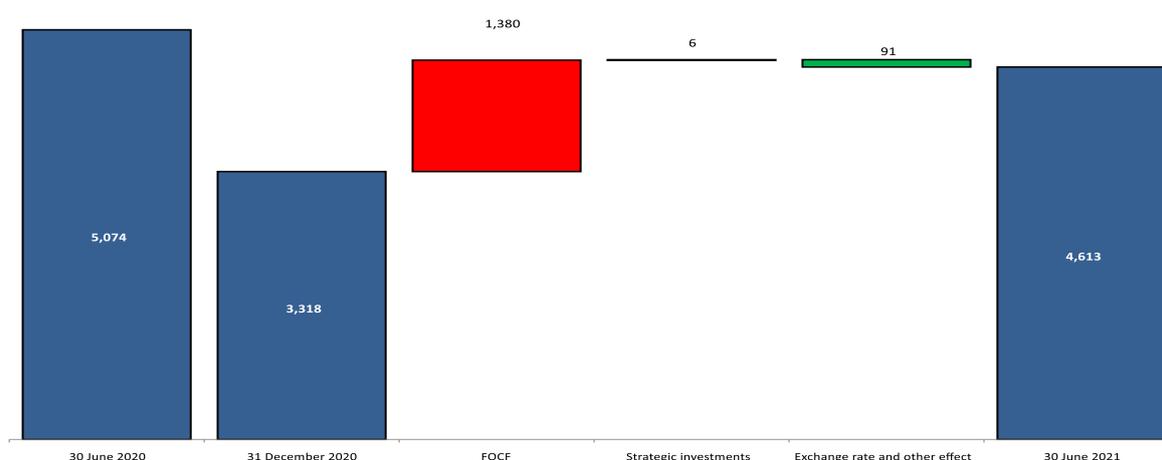
- **New Orders**, amounted to **EUR 6,682 million showing a strong** increase compared to the first six months of 2020. The Defence Electronics and Security business in the European component and Aircraft within Aeronautics recorded an excellent performance in terms of sales. The Helicopters business showed a downturn, although against the previous year which was positively affected by the acquisition of the major IMOS order, while in Aeronautics the decline in the civil component continues
- **Backlog**, amounted to **EUR 35,883 million**, ensures a coverage in terms of equivalent production of more than 2.5 years

Business Performance

- **Revenues**, amounted to **EUR 6,345 million**, showed during the first half of 2021 a significant increase, driven by the performance of the Defence Electronics and Security and Helicopters, and was only partially offset by the expected reduction in volumes in the Aerostructures, which continued to be adversely affected by a decline in production rates on the B787 and ATR programmes
- **EBITA**, amounted to **EUR 400 million**, (with a 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. There was also a higher contribution provided by all the strategic Joint Ventures, with particular reference to the Manufacturing sector of the Space Alliance
- **EBIT**, amounted to **EUR 347 million**, showed, compared to the first half of 2020 (€ 227 mln), a substantial increase (+53%) while continuing to record – albeit to a lesser extent – charges linked to the compliance with the Government's instructions relating to COVID-19, including to protect the health of its workers
- **Net Result before extraordinary transactions**, which posted a profit of **EUR 177 million**, equal to **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

Financial performance

- **Free Operating Cash Flow (FOCF)**, negative for **EUR 1,380 million**, improving significantly compared to the figure of 30 June 2020 (negative for € 1,889 mln). 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
- **Group Net Debt**, of **EUR 4,613 million**, showed an increase compared to 31 December 2020 (€ 3,318 mln), mainly as a result of the above mentioned FOCF performance



2021 Guidance

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

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

*Assuming progressive improvement in the global health situation through the year with consequent normalization of operating / market conditions

**Assuming no dividend payable for 2020 results

2021 exchange rate assumptions: € / USD = 1.18 and € / GBP = 0.90

SECTOR PERFORMANCE

1H 2020 (Euro million)	New Orders	Order Backlog at 31.12.2020	Revenues	EBITA	ROS
Helicopters	2,526	12,377	1,693	139	8.2%
Defence 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%)
Eliminations	(323)	(1,093)	(420)	-	n.a.
Total	6,104	35,516	5,878	292	5.0%

1H 2021 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	2,009	12,393	1,890	148	7.8%
Defence 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%)
Eliminations	(368)	(1,170)	(451)	-	n.a.
Total	6,682	35,883	6,345	400	6.3%

Change %	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	(20.5%)	0.1%	11.6%	6.5%	(0.4) p.p.
Defence 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%	n.a.	(45.6%)	(18.5) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.
Total	9.5%	1.0%	7.9%	37.0%	1.3 p.p.

	Revenues			EBITA			ROS		
	30 June 2020	30 June 2021	Chg. %	30 June 2020	30 June 2021	Chg. %	30 June 2020	30 June 2021	Chg. %
Aircraft	1,074	1,234	14.9%	122	150	23.0%	11.4%	12.2%	0.8 p.p.
Aerostructure	473	305	(35.5%)	(12)	(82)	(583.3%)	(2.5%)	(26.9%)	(24.4) p.p.

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 an environment still characterized by the pandemic

New Orders: 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 business. 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: rising 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: 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

Defence 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.

1H 2020 (Euro million)	New Orders	Revenues	EBITA	ROS %
Electronics – 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%

1H 2021 (Euro million)	New Orders	Revenues	EBITA	ROS %
Electronics – 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	Revenues	EBITA	ROS %
Electronics – 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: 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 were 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 wider programme Quadriga, the contract for the supply of radars of air protection systems that will equip 38 Eurofighter Typhoon aircraft intended to replace the Tranche 1 aircraft, which are currently used by the German Ministry of Defence. Furthermore in the area of Cyber security, the contract for the Phase 4 of the SICOTE (*Sistema di Controllo del Territorio*, Territory Control System) 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 new generation computing systems named Mounted Family of Computer Systems (MFoCS) for mission commands 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: 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: 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.

	New Orders	Revenues	EBITA	ROS %
Leonardo DRS (\$ mln) – 2020 1H	1,592	1,219	70	5.7%
Leonardo DRS (\$ mln) – 2021 1H	1,435	1,339	116	8.7%

Aeronautics

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

1H 2020 (Euro million)	New Orders	Revenues	EBITA	ROS %
Aircraft	669	1,074	122	11.4%
Aerostructures	343	473	(12)	(2.5%)
GIE ATR	-	-	(34)	n.a.
Eliminations	(34)	(34)	-	n.a.
Total	978	1,513	76	5.0%

1H 2021 (Euro million)	New Orders	Revenues	EBITA	ROS %
Aircraft	1,235	1,234	150	12.2%
Aerostructures	133	305	(82)	(26.9%)
GIE ATR	-	-	(21)	n.a.
Eliminations	(28)	(28)	-	n.a.
Total	1,340	1,511	47	3.1%

Change %	New Orders	Revenues	EBITA	ROS %
Aircraft	84.6%	14.9%	23.0%	0.8 p,p,
Aerostructures	(61.2%)	(35.5%)	(583.3%)	(24.4) p,p,
GIE ATR	n.a.	n.a.	38.2%	n.a.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	37.0%	(0.1%)	(38.2%)	(1.9) p,p,

Aircraft

From a production point of view for military programmes, there was the delivery of 22 wings to Lockheed Martin for the F-35 programme (18 wings delivered in June 2020)

New Orders: were higher than in the same period of 2020 thanks to the finalisation of a major contract for the export of M-346 aircraft

Revenues: higher production volumes achieved, specifically on the line of M-346 trainers

EBITA: The effect of higher volumes and an improved manufacturing efficiency compared to the first half of 2020 led to a considerable increase in profitability

Aerostructures

From a production point of view, 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).

New Orders: 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: affected by a reduction in the production rates of the B787 and ATR programmes

EBITA: 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

GIE-ATR

EBITA: 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)

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".

Industrial transactions

- **Acquisition of GEM Elettronica.** On 27 January Leonardo signed a contract with GEM Investment S.r.l. and two minority shareholders in order to acquire 30% of GEM Elettronica S.r.l. ("GEM") for a consideration of € 5 mln. 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 stake 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 stake of 15% and paid a total amount of € 6 mln
- **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 € 606 mln 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. 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 € 200 mln 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 € 250 mln 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 (€ 739 mln) of the bond issue launched for an initial amount of € 950 mln 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 € 4 bn. At the date of this report, the Programme is used for a total of € 2.2 bn.

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 € 1,800 mln, which provide for compliance by Leonardo with two financial ratios (a Group Net Debt, excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities/EBITDA including amortisation of the rights of use of not more than 3.75 and an EBITDA including amortisation of the rights of use/Net interest ratio of not less than 3.25), which are tested on an annual basis on year-end consolidated data and which had been complied with in full at 31 December 2020. These covenants are also included in the loan agreement with CDP for € 100 mln and in the term-loan of € 500 mln, 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 € 583 mln 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. In view of the possibility that Leonardo's results of operations and financial position could be put under pressure as a result of the COVID-19 epidemic, in April 2020 Standard&Poor's revised Leonardo's outlook from positive to stable; subsequently, Fitch also revised its outlook from stable to negative in May 2020. 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.

The Leonardo's Board of Directors, which met today, approved the merger by incorporation plan into Leonardo S.p.a of Vitrociset S.p.A., company directly and wholly owned, focused on providing solutions and services to support the Customer for the operational management of technological assets, with applications in the defense, security and space sectors.

The operation is part of the overall strategic / corporate rationalization project of some of Leonardo's assets, as a function of a more efficient and effective operation of its industrial activities, to complete the integration / interaction process between the two companies launched in 2019 with the acquisition of the entire share capital of Vitrociset.

Today, the merger by incorporation plan has also been approved by the Board of Directors of Vitrociset.

Subsequently, according to current regulations, the operation shall be submitted both to the extraordinary Shareholders' Meeting of the merged company and to the Board of Directors of Leonardo. The merger operation - which benefits from the simplified provisions concerning the absorption of wholly-owned companies - is based on the latest balance sheets approved by each company (as of June 30, 2021) and will be effective - also for tax and accounting purposes - from January 1st, 2022 and will not involve for Leonardo any issue of new shares or assignment of Leonardo shares. Furthermore, the Leonardo's Articles of Association shall not be amended.

The documents relating to the aforementioned operation will be made available to the public according to terms and conditions set forth in the current regulations.

The operation ("of lesser importance") benefits from the exemption from the application of the "Procedure for Related Parties Transactions" adopted by the Board of Directors of Leonardo, established for transactions entered into with subsidiaries, pursuant to art. 14, paragraph 2 of Consob Regulation No. 17221/2010, as amended and supplemented, and to art. 11.2, letter e) of the aforementioned Procedure.

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

CONSOLIDATED INCOME STATEMENT

€mln.	1H 2020	1H 2021	Var. YoY	2Q 2020	2Q 2021	Var. YoY
Revenues	5,878	6,345	467	3,287	3,555	268
Purchases and personnel expense	(5,337)	(5,749)	(412)	(2,917)	(3,162)	(245)
Other net operating income/(expense)	26	(18)	(44)	26	(16)	(42)
Equity-accounted strategic JVs	(24)	29	53	(12)	28	40
Amortisation and depreciation	(251)	(207)	44	(133)	(100)	33
EBITA	292	400	108	251	305	54
<i>ROS</i>	5.0%	6.3%	1.3 p.p.	7.6%	8.6%	1.0 p.p.
Non recurring income (expense)	(45)	(35)	10	(45)	(24)	21
Restructuring costs	(6)	(7)	(1)	(2)	(3)	(1)
Amortisation of intangible assets acquired as part of Business combinations	(14)	(11)	3	(7)	(6)	1
EBIT	227	347	120	197	272	75
<i>EBIT Margin</i>	3.9%	5.5%	1.6 p.p.	6.0%	7.7%	1.7 p.p.
Net financial income/ (expense)	(139)	(88)	51	(58)	(42)	16
Income taxes	(29)	(82)	(53)	(21)	(51)	(30)
Net result before extraordinary transactions	59	177	118	118	179	61
Net result related to discontinued operations and extraordinary transactions	1	-	(1)	1	-	(1)
Net result	60	177	117	119	179	60
<i>attributable to the owners of the parent</i>	59	176	117	118	178	60
<i>attributable to non-controlling interests</i>	1	1	-	1	1	-
Earning per share (Euro)						
<i>Basic e diluted</i>	0.103	0.306	0.203	0.206	0.309	0.103
Earning per share of continuing operation (Euro)						
<i>Basic e diluted</i>	0.101	0.306	0.205	0.204	0.309	0.105
Earning per share of discontinuing operation (Euro)						
<i>Basic e diluted</i>	0.002	-	(0.002)	0.002	-	(0.002)

CONSOLIDATED BALANCE SHEET			
	30.06.2020	31.12.2020	30.06.2021
<i>€mln.</i>			
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)	-

CONSOLIDATED CASH FLOW STATEMENT		
	1H 2020	1H 2021
<i>€mln.</i>		
Cash flows used in operating activities	(1,878)	(1,146)
Dividends received	53	26
Cash flow from ordinary investing activities	(64)	(260)
Free operating cash flow (FOCF)	(1,889)	(1,380)
Strategic investments	(200)	(6)
Change in other investing activities	5	6
Net change in loans and borrowings	631	(460)
Dividends paid	(81)	0
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 gain/losses and other movements	1	14
Cash and cash equivalents at 31 March	429	387

CONSOLIDATED FINANCIAL POSITION

<i>€mln.</i>	30.06.2020	31.12.2020	30.06.2021
Bonds	2,696	3,220	2,429
Bank debt	1,699	896	1,176
Cash and cash equivalents	(429)	(2,213)	(387)
Net bank debt and bonds	3,966	1,903	3,218
Current loans and receivables from related parties	(156)	(149)	(83)
Other current loans and receivables	(31)	(18)	(27)
Current loans and receivables and securities	(187)	(167)	(110)
Hedging derivatives in respect of debt items	12	(6)	(1)
Related-party leasing liabilities	32	30	31
Other related-party loans and borrowings	713	881	851
Leasing liabilities	439	525	521
Other loans and borrowings	99	152	103
Group net debt	5,074	3,318	4,613

EARNINGS PER SHARE

	1H 2020	1H 2021	Var. YoY
Average shares outstanding during the reporting period (in thousands)	575,008	575,174	166
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	59	176	117
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	58	176	118
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	1	-	(1)
BASIC AND DILUTED EPS (EUR)	0.103	0.306	0.203
BASIC AND DILUTED EPS from continuing operations	0.101	0.306	0.205

1H 2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	2,526	2,858	978	-	65	(323)	6,104
Order backlog 31.12.2020	12,377	13,449	10,696	-	87	(1,093)	35,516
Revenues	1,693	2,897	1,513	-	195	(420)	5,878
EBITA	139	166	76	(10)	(79)	-	292
<i>EBITA margin</i>	8.2%	5.7%	5.0%	<i>n.a.</i>	(40.5%)	<i>n.a.</i>	5.0%
EBIT	127	123	70	(10)	(83)	-	227
Amortisation	39	67	70	-	35	-	211
Investments	34	87	55	-	27	-	203
Workforce (no.) 31.12.2020	12,326	24,504	11,278	-	1,774	-	49,882

1H 2021 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	2,009	3,618	1,340	-	83	(368)	6,682
Order backlog	12,393	14,021	10,543	-	96	(1,170)	35,883
Revenues	1,890	3,200	1,511	-	195	(451)	6,345
EBITA	148	297	47	23	(115)	-	400
<i>EBITA margin</i>	7.8%	9.3%	3.1%	<i>n.a.</i>	(59.0%)	<i>n.a.</i>	6.3%
EBIT	137	277	28	23	(118)	-	347
Amortisation	39	71	30	-	37	-	178
Investments	96	99	40	-	16	-	251
Workforce (no.)	12,367	24,642	11,209	-	1,762	-	49,980

2Q 2020 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,040	1,385	334	-	29	(105)	2,683
Revenues	989	1,539	869	-	109	(219)	3,287
EBITA	121	86	93	(8)	(41)	-	251
<i>EBITA margin</i>	12.2%	5.6%	10.7%	<i>n.a.</i>	(37.6%)	<i>n.a.</i>	7.6%
EBIT	112	52	87	(8)	(46)	-	197
Amortisation and depreciation	23	33	33	-	19	-	108
Investments	-	45	29	-	18	-	92

2Q 2021 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,154	1,485	719	-	27	(124)	3,261
Revenues	1,098	1,706	900	-	98	(247)	3,555
EBITA	117	170	60	20	(62)	-	305
<i>EBITA margin</i>	10.7%	10.0%	6.7%	<i>n.a.</i>	(63.3%)	<i>n.a.</i>	8.6%
EBIT	112	160	44	20	(64)	-	272
Amortisation and depreciation	22	37	15	-	20	-	94
Investments	53	53	23	-	13	-	142