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Oggetto : LEONARDO, 1H RESULTS: NEW
ORDERS OF € 7.3 BN (+9.4%),
REVENUES OF € 6.6 BN (+3.6%)

Testo del comunicato

LEONARDO, 1H RESULTS: NEW ORDERS OF € 7.3 BN (+9.4%),
REVENUES OF € 6.6 BN (+3.6%), EBITA OF € 418 MLN (+11.8% VS
1H2021 RESTATED), NET RESULT OF 267 (+50.8%)

PRESS RELEASE

LEONARDO, 1H RESULTS: NEW ORDERS OF € 7.3 BN (+9.4%), REVENUES OF € 6.6 BN (+3.6%), EBITA OF € 418 MLN (+11.8% VS 1H2021 RESTATED), NET RESULT OF 267 (+50.8%).

Strong Group commercial momentum, with no jumbo orders

- Book to Bill > 1
- Backlog at € 36.4 billion, ensures a coverage slightly higher than 2.5 years

Strengthening of cash performance

- FOCF - € 962 million (- € 1,380 million 1H 2021) an improvement (+30.3%) of more than € 400 million compared to 1H 2021

FY 2022 GUIDANCE CONFIRMED

Rome, 28 July 2022 – Leonardo's Board of Directors, convened today under the Chairmanship of Luciano Carta, examined and unanimously approved results of the first half 2022.

Alessandro Profumo, Leonardo CEO, stated “Our good first half results allow us to confirm our full year 2022 Guidance. We have delivered a stronger performance in all metrics, including EBITA and FOCF, and achieved a strong performance and continued growth in new order intake, in all sectors, both domestically and internationally, carrying this commercial momentum into the second half. We are also pleased to see this positive performance being reflected by the revision of our outlook to a positive by S&P and Moody's”.

*“In addition to the positive business and financial performance - **Alessandro Profumo** concludes - during the first half we finalized important long-term strategic transactions that allow Leonardo to play a role as a global player in Aerospace and Defence. In Europe we completed the acquisition of the stake in Hensoldt, while in the US we first focused the Leonardo DRS portfolio with the disposals of GES and AAC, and then reinforced its core strategic business through RADA, providing further growth, margins expansion and opportunities in the wider Group. With this transaction we have also seized the opportunity of listing DRS in the current context of volatile markets, thus delivering on what we promised last year. Finally, few weeks ago, we organized our first ESG Investor Day demonstrating that ESG is at the core of our Plan to create long term sustainable growth and value for all our stakeholders”.*

1H 2022 financial results

The results of the first six months of 2022 confirm the well-established path to growth and increased profitability expected starting from 2020, even more pronounced considering that EBITA for the first half of 2021 - unlike the half-year period under comparison - includes as recurring costs the charges related to the COVID emergency. The restated figures for the comparative periods have been provided in order to make the two periods comparable.

The volume of new orders continued to increase significantly, while Revenues and EBITA showed increases in all the main Business areas.

Cash flows, although affected by the usual interim performance characterised by significant outflows in the first part of the year, are also clearly improving compared to the same period of the prior year.

Furthermore, the Group Net Debt figure reflects the acquisition of the 25.1% investment in the German company Hensoldt (€mil. 606, plus related transaction costs) occurred at the beginning of January 2022.

Key Performance Indicator

Group (Euro million)	1H 2021	1H 2022	Chg.	Chg. %	2021
New orders	6,682	7,310	628	9.4%	14,307
Order backlog	35,883	36,358	475	1.3%	35,534
Revenues	6,345	6,576	231	3.6%	14,135
EBITDA(*)	607	679	72	11.9%	1,626
EBITA (**)	400	418	18	4.5%	1,123
EBITA Restated ⁽¹⁾	374	418	44	11.8%	1,069
ROS	6.3%	6.4%	0.1 p.p.		7.9%
ROS Restated ⁽¹⁾	5.9%	6.4%	0.5 p.p.		7.6%
EBIT (***)	347	362	15	4.3%	911
EBIT Margin	5.5%	5.5%	0.0 p.p.		6.4%
Net result before extraordinary transactions	177	267	90	50.8%	587
Net result	177	267	90	50.8%	587
Group Net Debt	4,613	4,793	180	3.9%	3,122
FOCF	(1,380)	(962)	418	30.3%	209
ROI	10.3%	10.5%	0.2 p.p.		12.4%
ROE	6.7%	10.8%	4.1 p.p.		10%
Workforce	49,980	50,441	461	0.9%	50,413

(*) EBITDA 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 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 Income before tax and financial expenses (defined as earnings before "financial income and expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "Profit (loss) from discontinued operations") the Group's share of profit in the results of its strategic investments (MBDA, GIE ATR, TAS, Telespazio and Hensoldt), reported in the "share of profits (losses) of equity-accounted investees". Until 31 December 2021 this indicator included solely the part of the results of the strategic joint ventures (MBDA, GIE ATR, TAS and Telespazio) pertaining to the Group.

(1) EBITA and ROS have been restated to include charges related to the COVID emergency, which until the 2021 financial statements were excluded from these indicators as they were classified as 'non-recurring charges'

Commercial Performance

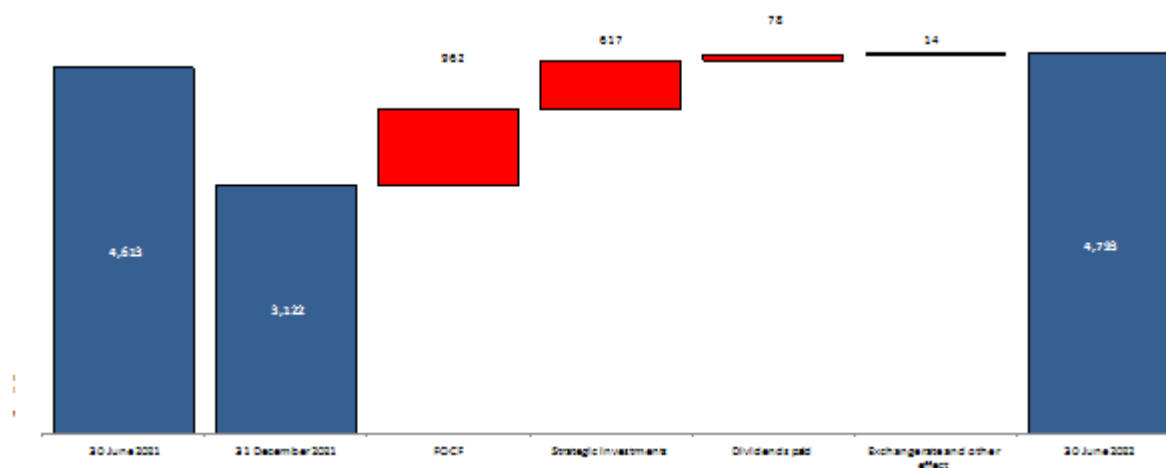
- **New Orders**, amounted to **EUR 7,310 million** showing significant growth (+9.4%) compared to the first half of 2021. An excellent commercial performance was recorded in all core business sectors, and especially in the Aircraft Division, which benefitted from major orders under the Typhoon program
- **Backlog**, amounted to **EUR 36,358 million**, ensures a coverage in terms of production equal to about 2.5 years. The book to bill ratio (the ratio of New Orders for the period to Revenues) is higher than 1

Business Performance

- **Revenues**, amounted to **EUR 6,576 million**, showed a positive trend (+4%) compared to the first half of 2021 (€bil. 6.3), mainly due to the performance of Helicopters
- **EBITA**, amounted to **EUR 418 million**, essentially recorded the same growth as noted in Revenues (+5%), with the GIE ATR zeroing out the negative performance reported in the previous six-month period. The figure for the current period also includes costs associated with the COVID-19 emergency, which vice versa had been classified as non-recurring charges in the first half of 2021. The growth in the first half of 2022 in relation to the Restated figure for the first half of 2021 to take account of these charges (€mil.374, with a Restated ROS of 5.9%) shows an improvement of 12%, equal to 0.5 p.p. of ROS
- **EBIT**, amounted to **EUR 362 million**, substantially benefitted from an improvement of EBITA, compared to the first half of 2021 (€mil. 347). Non-recurring costs for the period showed the write-down of the exposure to the countries involved in the conflict existing between Russia and Ukraine for an amount of about €mil. 33. On the contrary, the figure for the first half of 2021 had included, as noted, the charges linked to the COVID-19 emergency
- **Net Result before extraordinary transactions**, amounted to **EUR 267 million**, (€mil. 177 in the first half of 2021), is equal to the **Net Result** and benefitted from the EBIT performance, as well as from lower financial and tax charges.

Financial performance

- **Free Operating Cash Flow (FOCF)**, negative for **EUR 962 million**, improving significantly compared to the figure at 30 June 2021 (negative for €mil. 1,380). 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 4,793 million**, showed an increase compared to 31 December 2021 (€mil. 3,122) mainly as a result of the abovementioned FOCF performance as well as of the acquisition, completed in January 2022, of the investment in Hensoldt AG and the share of the related transaction costs paid by a total amount of €mil. 617



2022 Guidance

The first six months of the year recorded solid results, in terms of growth in orders, increase in profitability and strengthening of cash flow performance, in line with plan

The increased demand for security linked to the current geopolitical environment offers creates positive prospects for the defense sector. At the same time, the complex operational context, in particular relating to supply chain and labour market, represents important challenges to be faced and managed. In view of the results achieved in the first half, and on the basis of the actions underway to address the aforementioned challenges, the Group confirms the Guidance for the entire year as drawn up when preparing the annual financial statements as at 31 December 2021.

		FY2021A	FY2022 Guidance*
New Orders	(€ bn)	14.3	ca. 15
Revenues	(€ bn)	14.1	14.5-15
EBITA	(€ mln)	1,123	1,180-1,220**
FOCF	(€ mln)	209	ca. 500
Group Net Debt	(€ bn)	3.1	ca. 3.1***

* Based on the current assessment of the effects deriving from the geopolitical and global health situation on the supply chain and labour market and the global economy and assuming no additional major deterioration

** Including COVID-related costs previously included among non recurring costs below EBITA

*** Assuming 25.1% acquisition of Hensoldt for € 606 mln, disposals for ca. € 300 mln and dividend payment for € 0.14 p.s. Assuming USD/€ exchange rate at 1.18 and €/GBP exchange rate at 0.90

Significant recent developments

At the end of February 2022, the offensive launched by the Russian government against Ukraine – which is still ongoing – generated profound changes in the context of the world's geopolitical and economic equilibrium. The process of integration and creation of a European Defence and Security and, at the same time, the increase in Defence spending in EU and neighbouring countries have brought accelerations with consequent opportunities for companies operating in the sector. On the other hand, relations with Russia are significantly affected by the numerous logistical and economic sanctions imposed by the European Union, other countries and other International Bodies. Leonardo has no particularly significant exposure to these two countries and is continuing to monitor the situation to precisely identify the consequences on its current and prospective position. In view of the continuation of this scenario, which does not suggest a resolution in the short term, Leonardo has written down its net exposure to the two countries involved (mainly relating to Russia) by a total amount of €mil. 38, including tax effects.

With regard to the economic and financial scenarios that are emerging as a result of a higher demand for goods and services in the markets due to the aforementioned conflict in Ukraine, Leonardo has been taking some actions aimed at monitoring and mitigating the effects in the short and medium-term since the first signs of recovery in economy. Specifically, with respect to the recent inflationary pressures on the energy market and the consequent increase in the prices of raw materials and products used in its production processes, Leonardo has promptly entered into medium-term contracts to secure adequate supply conditions in good time, as well as has increased its inventory stock of raw materials and components, thus limiting the effects of both inflation and the shortage of mechanical and electronic components for the current financial year. Likewise, the measures put in place, based on the information available to date, ensure adequate coverage of potential effects for the year 2023 as well, although further tensions in price trends might require a revision of the forward-looking scenarios. As regards the current increases in interest rates on financial markets, Leonardo has carried out an analysis of the effects on discount rates in order to verify whether trigger events are occurring. At present, this analysis has not revealed findings that are such as to require the performance of new impairment tests in the half-year financial report, nor any evidence of impacts on existing contract assets. The aforesaid analyses will be performed again in the annual report in order to take account of any possible further development.

Furthermore, in June 2022 the Norwegian Defence Materiel Agency (NDMA) formalized a request for termination for default under the contract - governed by the Norwegian laws - for the supply of 14 NH90 helicopters, which had been entered into in 2001 with NH Industries (NHI), a company incorporated under French law the shareholdings of which are held by Leonardo, Airbus Helicopters and Fokker Aerostructure, due to alleged delays and alleged product non-conformities. The contract has been subject to extensions and amendments over the years and was expected to be completed by the end of 2023. NDMA's request is to return the 13 helicopters that have already been delivered and accepted and claim repayment of the disbursed amounts, including interest (furthermore, a request for enforcement has been filed for the portion of guarantees that are still pending, against contract advances paid out). At present, NHI is considering the most appropriate actions to oppose this request for termination, which it considers legally groundless and reasonably challengeable in any appropriate forum due to lack of factual and legal basis for a termination for default, misinterpretation of the contract and the Norwegian law as well as breach of confidentiality obligations.

Finally, it should be noted that on 27 July 2022 DRS finalised the disposal of the equity interest in the Joint Venture Advanced Acoustic Concepts (AAC) to TDSI, a company controlled by Thales.

With regard to the comparative period, taking account of the effects of the pandemic on the civil sector and the changed perspectives of the commercial aviation market, Leonardo had implemented the 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 up to 500 employees who would meet the criteria for early retirement in the three-year period 2021-2023.

SECTOR PERFORMANCE

1H 2021 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	2,009	12,377	1,890	148	7.8%
Defence Electronics & Security	3,618	14,237	3,200	297	9.3%
Aeronautics	1,340	10,033	1,511	47	3.1%
Aircraft (*)	1,235		1,234	150	12.2%
Aerostructures (*)	133		305	(82)	(26.9%)
GIE ATR	-		-	(21)	n.a.
Space	-	-	-	23	n.a.
Other activities	83	48	195	(115)	(59.0%)
Eliminations	(368)	(1,161)	(451)	-	n.a.
Total	6,682	35,534	6,345	400	6.3%

1H 2022 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	2,183	12,436	2,110	151	7.2%
Defence Electronics & Security	3,799	14,701	3,229	314	9.7%
Aeronautics	1,627	10,204	1,475	63	4.3%
Aircraft (*)	1,490		1,261	152	12.1%
Aerostructures (*)	158		234	(88)	(37.6%)
GIE ATR	-		-	(1)	n.a.
Space	-	-	-	3	n.a.
Other activities	168	330	260	(113)	(43.5%)
Eliminations	(467)	(1,313)	(498)	-	n.a.
Total	7,310	36,358	6,576	418	6.4%

Change %	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	8.7%	0.5%	11.6%	2.0%	(0.6) p.p.
Defence Electronics & Security	5.0%	3.3%	0.9%	5.7%	0.4 p.p.
Aeronautics	21.4%	1.7%	(2.4%)	34.0%	1.2 p.p.
Aircraft (*)	20.6%		2.2%	1.3%	(0.1) p.p.
Aerostructures (*)	18.8%		(23.3%)	(7.3%)	(10.7) p.p.
GIE ATR	n.a.		n.a.	95.2%	n.a.
Space	n.a.	n.a.	n.a.	(87.0%)	n.a.
Other activities	102.4%	587.5%	33.3%	1.7%	15.5 p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.
Total	9.4%	2.3%	3.6%	4.5%	0.1 p.p.

*ante Sector eliminations

Leonardo continued the path to growth in all sectors of its core business. The performance of New Orders, Revenues and EBITA by sector showed the following trend:



Helicopters

The Sector continued to show a positive performance and increasing values, compared to the first half of 2021, in line with the plan expectations. In particular, New Orders were higher than 9%, excluding the contract for the supply of 32 multi-role helicopters AW149 to the Polish Ministry of Defence, which will be signed in July, 2022. Revenues grew by 12%, with profitability in line, if we exclude pass-through volumes.

New Orders: they were on the rise due to higher orders of helicopters for commercial use and CS&T, which more than offset a decline in new orders gained from Governments, due to a distribution in the acquisition of orders that was particularly unbalanced in favour of the second half-year. Among the main acquisitions for the period we note:

- The contract concerning the supply of 6 AW189 helicopters for the Rescue and Salvage Bureau of the Chinese Ministry of Transport;
- The order for the supply of 4 AW609 tiltrotors for a commercial flight operator;
- The contract for the Mid Life Upgrade (MLU) of 1 AW101 helicopter for a foreign customer;
- The contract for 5 AW119Kx helicopters for Israel;
- Various orders for AW139 helicopters for commercial use

Revenues: they were on the rise, mainly due to activities on the NH90 programme for Qatar.

EBITA: it showed a slight increase, with profitability that was affected by pass-through revenues.

Defence Electronics & Security

The first half of 2022 was characterised by an improved business performance with respect to that of the comparative period, and volumes of Revenues which were basically in line, despite the deconsolidation of the Automation business occurred in 2022 (the Automation business was consolidated in the “Other activities” starting from 1 January 2022). Margins were on the rise in all the areas of operation in Europe and at Leonardo DRS, which continued to confirm the growth trend envisaged in the plan. A positive impact came from the USD/€ exchange rate.

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%

1H 2022 (Euro million)	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	2,540	2,109	210	10.0%
Leonardo DRS	1,307	1,133	104	9.2%
Eliminations	(48)	(13)	-	n.a.
Total	3,799	3,229	314	9.7%

Change %	New Orders	Revenues	EBITA	ROS %
Electronics – Europe	4.4%	0.8%	4.5%	0.4 p.p.
Leonardo DRS	9.8%	2.0%	8.3%	0.5 p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	5.0%	0.9%	5.7%	0.4 p.p.

Average USD/€ exchange rate: 1.0940 (1H 2022) and 1.2057 (1H 2021)

	New Orders	Revenues	EBITA	ROS %
Leonardo DRS (\$ mln) – 1H 2021	1,435	1,339	116	8.7%
Leonardo DRS (\$ mln) – 1H 2022	1,430	1,239	114	9.2%

New Orders: they were on the rise compared to the first half of 2021 due to higher orders for the Defence Systems component in the Electronic Division.

The main acquisitions in the half-year concerned the Electronics Division and included the order for the supply of naval guns and related logistic support, with which four F126-class frigates for the German Navy will be equipped, the order for the provision of a combat system and related logistics for a special operations support unit, to support underwater operations and to rescue damaged submarines (Special and Diving Operations - Submarine Rescue Ship, SDO-SuRS).

As for Leonardo DRS, additional orders were gained for the production of next-generation of U.S. Army mission command computing systems called Mounted Family of Computer Systems (MFoCS) M-SHORAD (Initial Manoeuvre-Short Range Air Defense) order for the initial supply of a Mission Equipment Package, which will be integrated into heavy Stryker-type vehicles and which will enable the neutralisation of low-altitude aerial threats, including remotely-controlled drones.

Revenues: these were basically in line with the same period in 2021. As regards Leonardo DRS, there was a slight decline due to the timing of new acquisitions and to certain postponements in the supply chain. Furthermore, revenues at DRS had benefitted, during the previous year, from the postponement of certain activities from 2020. This decline was neutralised by the positive effect of the USD/€ exchange rate.

EBITA: they increased in all the main European business areas and in particular in the Defense Systems. As regards Leonardo DRS, despite lower volumes, the growth in margins that began last year is continuing, mainly due to the gradual shift from the development phase to the production phase of some programmes. A positive impact came from the USD/€ exchange rate.

Aeronautics

The Sector showed an excellent commercial performance, thus confirming the strength of profitability driven by the Defence business. The Aerostructures Division continued working at lower capacity, but it is expected to increase production in the second half of the year.

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

1H 2022 <i>(Euro million)</i>	New Orders	Revenues	EBITA	ROS %
Aircraft	1,490	1,261	152	12.1%
Aerostructures	158	234	(88)	(37.6%)
GIE ATR	-	-	(1)	<i>n.a.</i>
<i>Eliminations</i>	(21)	(20)	-	<i>n.a.</i>
Total	1,627	1,475	63	4.3%

Change %	New Orders	Revenues	EBITA	ROS %
Aircraft	20.6%	2.2%	1.3%	(0.1) p.p.
Aerostructures	18.8%	(23.3%)	(7.3%)	(10.7) p.p.
GIE ATR	<i>n.a.</i>	<i>n.a.</i>	95.2%	<i>n.a.</i>
<i>Eliminations</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total	21.4%	(2.4%)	34.0%	1.2 p.p.

Aircraft

From a production point of view for the military programmes of the Aircraft Division 22 wings and 6 final assemblies were delivered to Lockheed Martin under the F-35 programme (22 wings and 3 final assemblies delivered in the same period of the previous year).

We must note 2 additional deliveries of Typhoon aircraft to Kuwait).

New Orders: the Division recorded orders higher than those of the same period of 2021 thanks to the acquisition of the export orders for 20 Typhoon aircraft for Spain, 1 C-27J aircraft to the Slovenian MoD and for the first phase of development of the remotely piloted aircraft system Euromale, in addition to further orders on the JSF (Joint Strike Fighter) and logistic support programmes for Typhoon aircraft.

Revenues: higher production volumes in the Aircraft Division, especially on the business lines of the Airlifters for the new C-27J order and greater logistics operations on the Typhoon.

EBITA: benefitted from higher volumes, confirming the high level of profitability.

Aerostructures

From a production point of view, 4 fuselage sections and 5 stabilisers were delivered under the B787 programme, decreasing compared to the first half of 2021 (24 fuselages and 12 stabilisers were delivered) since production for 2022 is planned to be more intense in the second half of the year. Moreover, 7 fuselages were delivered under the ATR programme (7 in the first half of the last year).

New Orders: the Division benefitted from higher orders from customer Airbus, specifically on the A220 programme.

Revenues: a decrease in revenues in line with the production expectations.

EBITA: the slight decline in the Division was due to the planned concentration of activities during the second half in order to mitigate the impact coming from production sites working at lower capacity.

GIE-ATR

EBITA: the consortium recorded improved results compared to those of 2021 thanks to actions taken to reduce costs and to the effects from contractual redefinition made during the six-month period.

Space

The first half of 2022 showed a decline, mainly attributable to the manufacturing business, which for the Italian component had benefitted from the effects of the realignment between the tax and statutory value of goodwill during the first half of 2021. To this must be added, always in relation to the manufacturing business, the recognition of costs for risks associated with a contract in Russia due to the conflict that is now in progress.

As regards the satellite services segment, good industrial performance was confirmed with growing revenues and solid profitability.

Industrial transactions

- **Acquisition of equity investment in Hensoldt AG.** 3 January 2022 saw the completion of the acquisition from Square Lux Holding II S.à r.l., a company controlled by funds advised by Kohlberg Kravis & Roberts & Co. L.P., of a 25.1% stake in Hensoldt AG, a company that is the leading German player in the field of sensor solutions for defence and security applications, with an ever-expanding portfolio in sensors, data management and robotics, at a price of €mil. 606. The transaction is an important step towards achieving the strategic objective of acquiring a leading position in the European Defence Electronics market, as defined in the “Be Tomorrow – Leonardo 2030” Plan, and reflects Leonardo’s determination to play a leading role in the ongoing consolidation process, also with a view to future cooperation programmes at continental level. The effects of the acquisition are highlighted in the notes to the condensed consolidated half-year financial statements.
- **National Strategic Hub for the Cloud.** On 21 March 2022, the partnership composed of TIM, Leonardo, Cassa Depositi e Prestiti (CDP, through the subsidiary CDP Equity) and Sogei, in compliance with the tender procedure, submitted the final bid for the National Strategic Hub (NSH) for the assignment, through a public-private partnership contract, of the design, implementation and management of an infrastructure for the provision of cloud services for the Public Administration. The offer envisages that, in the event of the tender being awarded, a joint venture will be set up between the members of the partnership in the form of an Italian law stock company for the provision of cloud solutions and services in support of the Public Administration with a view to ensuring the highest possible level of data efficiency, security and reliability. On 22 June 2022 the tender was awarded to Fastweb S.p.A. and Aruba S.p.A.. On 7 July 2022 the partnership Leonardo is part of exercised, in compliance with the applicable law, the pre-emption right undertaking to fulfil contractual obligations under the same conditions offered by the current provisional contractor. The partnership above was notified of the tender award on 11 July 2022 and is currently undergoing the verification of compliance with tender requirements. On 21 July 2022 Fastweb S.p.A. and Aruba S.p.A. filed an appeal against the awarding of the contract to the partnership above. In the meantime, the partnership filed a cross-appeal on 25 July 2022 to overrule the initial award of the tender to Fastweb/Aruba due to the different unlawful aspects of the offer presented by the latter.
- **Sale of Global Enterprise Solutions.** On 22 March 2022 the US subsidiary Leonardo DRS signed a definitive agreement to sell its Global Enterprise Solutions (GES) business to SES S.A. for USDmil. 450, gross of taxes, subject to customary working capital adjustments at closing. GES is the largest provider of commercial satellite communications for the US government and offers mission-critical communications and global-class security solutions. The closing of the transaction is expected for the second half of 2022.
- **Sale of equity investment in JV Advanced Acoustic Concepts.** On 26 April 2022 the US subsidiary Leonardo DRS signed a binding agreement to sell its investment in the Advanced Acoustic Concepts (AAC) Joint Venture to TDSI, a subsidiary of the French company Thales, thus marking a further step in the process of refocusing DRS’ business portfolio. The US company AAC is active in the sector of advanced sonar, training and knowledge management systems. The company works with the US Navy as a contractor in the US sector, providing innovative systems and solutions in the underwater sensor domain. The closing of the transaction occurred on 27 July 2022.
- **Acquisition of RADA.** On 21 June 2022, the US subsidiary Leonardo DRS and RADA Electronic Industries Ltd. signed a binding agreement that will lead to the acquisition of 100% of RADA’s share capital through the merger of RADA by incorporation into Leonardo DRS. RADA Electronic Industries

Ltd. is listed on the NASDAQ and Tel Aviv Stock Exchange (TASE) and is a leading provider of advanced software-defined tactical military radars serving attractive and high-growth markets, including critical infrastructure protection, border surveillance, active military protection, and counter-drone applications. This transaction will give Leonardo a stronger position in emerging areas of the tactical operational segment and a domestic footprint in Israel. As a result of the merger, Leonardo DRS will also acquire 100% of RADA's share capital in exchange for the assignment to RADA's current shareholders of about 19.5% in Leonardo DRS, in which Leonardo will continue to hold 80.5% through its US subsidiary Leonardo Holding. Upon closing of the transaction, which is expected by the end of 2022, Leonardo DRS will be listed on both NASDAQ and TASE under the symbol "DRS."

Moreover, we note that on 8 February 2022 Leonardo interrupted the process of selecting a partner for the automation business, as none of the parties that had expressed interest could guarantee the requirements of a long-term vision and an adequate investment plan that Leonardo had always considered to be essential elements. Leonardo is completing the analysis process to identify targeted actions on processes, organisation and governance in order to better face the reference market.

Financial transactions

No new transaction was carried out on the financial markets during the first half of 2022. However, in January 2022 the remaining amount of €mil. 556 of the bond issued in December 2009 was repaid, having reached its natural expiry.

Moreover, in June 2022 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. 1.6.

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 ESG-linked Revolving Credit Facility line of credit for a total of €mil. 2,400, 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 2021. These covenants are also included in the loan agreement with CDP for €mil. 100 and in the term-loans of €mil. 500 and €mil. 600, respectively, 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. 537 as at 30 June 2022), and to some loans granted by US banks in favour of Leonardo DRS in previous years.

Finally, it should be noted that Leonardo's Board of Directors has approved the launch of a Framework Multi-Currency Commercial Paper Program on the European market, for a maximum amount of €bil. 1.

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 July 2022 Moody's upgraded Leonardo's outlook from stable to positive in view of the operational performance Leonardo had recorded over the past two years, the favourable conditions in its industry, and the improvement in credit metrics it had estimated over the next 12 to 18 months. At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were then as follows:

Agency	Last update	Previous		Updated	
		Credit Rating	Outlook	Credit Rating	Outlook
Moody's	July 2022	Ba1	stable	Ba1	positive
Standard&Poor's	May 2022	BB+	stable	BB+	positive
Fitch	January 2022	BBB-	negative	BBB-	stable

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 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						
<i>€mln.</i>	1H 2021	1H 2022	Var. YoY	2Q 2021	2Q 2022	Var. YoY
Revenues	6,345	6,576	231	3,555	3,570	15
Purchases and personnel expense	(5,749)	(5,966)	(217)	(3,162)	(3,180)	(18)
Other net operating income/(expense)	(18)	40	58	(16)	22	38
Equity-accounted strategic JVs	29	29	-	28	16	(12)
Amortisation and depreciation	(207)	(261)	(54)	(100)	(142)	(42)
EBITA	400	418	18	305	286	(19)
ROS	6.3%	6.4%	0.1 p.p.	8.6%	8%	(0.6) p.p.
EBITA Restated	374	418	44	290	286	(1.4%)
ROS Restated	5.9%	6.4%	0.5 p.p.	8.6%	8.0%	(0.6) p.p.
Non recurring income (expense)	(35)	(43)	(8)	(24)	(42)	(18)
Restructuring costs	(7)	(2)	5	(3)	-	3
Amortisation of intangible assets acquired as part of Business combinations	(11)	(11)	-	(6)	(5)	1
EBIT	347	362	15	272	239	(33)
EBIT Margin	5.5%	5.5%	0.0 p.p.	7.7%	6.7%	(1.0) p.p.
Net financial income/ (expense)	(88)	(47)	41	(42)	(17)	25
Income taxes	(82)	(48)	34	(51)	(29)	22
Net result before extraordinary transactions	177	267	90	179	193	14
Net result	177	267	90	179	193	14
attributable to the owners of the parent	176	266	90	178	192	14
attributable to non-controlling interests	1	1	-	1	1	-
Earning per share (Euro)						
Basic e diluted	0.306	0.462	0.156	0.309	0.333	0.024
Earning per share of continuing operation (Euro)						
Basic e diluted	0.306	0.462	0.156	0.309	0.333	0.024
Earning per share of discontinuing operation (Euro)						
Basic e diluted	-	-	-	-	-	-

CONSOLIDATED BALANCE SHEET

<i>€mil.</i>	30.06.2021	31.12.2022	30.06.2022
Non-current assets	12,313	12,810	13,458
Non-current liabilities	(2,001)	(2,216)	(2,111)
Capital assets	10,312	10,594	11,347
Inventories	1,888	1,292	1,764
Trade receivables	3,137	3,203	3,402
Trade payables	(2,998)	(3,372)	(2,873)
Working capital	2,027	1,123	2,293
Provisions for short-term risks and charges	(1,153)	(1,111)	(1,095)
Other net current assets (liabilities)	(789)	(1,046)	(1,216)
Net working capital	85	(1,034)	(18)
Net invested capital	10,397	9,560	11,329
Equity attributable to the Owners of the Parent	5,775	6,428	6,676
Equity attributable to non-controlling interests	9	27	27
Equity	5,784	6,455	6,703
Group Net Debt	4,613	3,122	4,793
Net (assets)/liabilities held for sale	-	(17)	(167)

CONSOLIDATED CASH FLOW STATEMENT

<i>€mil.</i>	1H 2021	1H 2022
Cash flows used in operating activities	(1,146)	(804)
Dividends received	26	97
Cash flow from ordinary investing activities	(260)	(255)
Free operating cash flow (FOCF)	(1,380)	(962)
Strategic investments	(6)	(617)
Change in other investing activities	6	-
Net change in loans and borrowings	(460)	(490)
Dividends paid	-	(78)
Net increase/(decrease) in cash and cash equivalents	(1,840)	(2,147)
Cash and cash equivalents at 1 January	2,213	2,479
Exchange rate gain/losses and other movements	14	34
Cash and cash equivalents at 30 June	387	366

CONSOLIDATED FINANCIAL POSITION

<i>€mil.</i>	30.06.2021	31.12.2022	30.06.2022
Bonds	2,429	2,481	1,902
Bank debt	1,176	1,648	1,687
Cash and cash equivalents	(387)	(2,479)	(366)
Net bank debt and bonds	3,218	1,650	3,223
Current loans and receivables from related parties	(83)	(45)	(33)
Other current loans and receivables	(27)	(16)	(45)
Current loans and receivables and securities	(110)	(61)	(78)
Hedging derivatives in respect of debt items	(1)	(8)	9
Other related-party loans and borrowings	851	856	966
Leasing liabilities	521	538	549
Related-party leasing liabilities	31	30	27
Other loans and borrowings	103	117	97
Group net debt	4,613	3,122	4,793

EARNINGS PER SHARE

	1H 2021	1H 2022	Var. YoY
Average shares outstanding during the reporting period (in thousands)	575,174	575,307	133
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	176	266	90
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	176	266	90
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	-	-	-
BASIC AND DILUTED EPS (EUR)	0.306	0.462	0.156
BASIC AND DILUTED EPS from continuing operations	0.306	0.462	0.156
BASIC AND DILUTED EPS from discontinuing operations	-	-	-

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 31.12.2021	12,377	14,237	10,033	-	48	(1,161)	35,534
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>	<i>(59%)</i>	<i>n.a.</i>	6.3%
EBIT	137	276	29	23	(118)	-	347
Amortisation	40	71	30	-	37	-	178
Investments	96	99	40	-	16	-	251
Workforce (no.) 31.12.2021	12,392	24,871	11,342	-	1,808	-	50,413

1H 2022 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	2,183	3,799	1,627	-	168	(467)	7,310
Order backlog	12,436	14,701	10,204	-	330	(1,313)	36,358
Revenues	2,110	3,229	1,475	-	260	(498)	6,576
EBITA	151	314	63	3	(113)	-	418
<i>EBITA margin</i>	7.2%	9.7%	4.3%	<i>n.a.</i>	<i>(43.5%)</i>	<i>n.a.</i>	6.4%
EBIT	123	292	58	3	(114)	-	362
Amortisation	46	83	35	-	42	-	206
Investments	100	90	45	-	27	-	262
Workforce (no.)	12,310	24,098	11,207	-	2,826	-	50,441

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>	<i>(63.3%)</i>	<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

2Q 2022 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,320	1,645	759	-	100	(303)	3,521
Revenues	1,187	1,731	788	-	125	(261)	3,570
EBITA	115	168	67	(4)	(60)	-	286
<i>EBITA margin</i>	9.7%	9.7%	8.5%	<i>n.a.</i>	<i>(48.0%)</i>	<i>n.a.</i>	8.0%
EBIT	88	152	63	(4)	(60)	-	239
Amortisation and depreciation	27	44	16	-	22	-	109
Investments	61	46	29	-	20	-	156

Leonardo, a global high-technology company, is among the top world players in Aerospace, Defense 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 Indices (DJSI) since 2010 and has been confirmed among the global sustainability leaders in 2021. Leonardo is also included in the MIB ESG index.

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