

RESULTS AT 31 MARCH 2022

Disclaimer

This Interim Reporting at 31 March 2022 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

CONTENTS

GROUP RESULTS AND FINANCIAL POSITION	3
KEY PERFORMANCE INDICATORS BY SEGMENT	8
1. <i>HELICOPTERS</i>	8
2. <i>DEFENSE ELECTRONICS & SECURITY</i>	9
3. <i>AERONAUTICS</i>	10
4. <i>SPACE</i>	12
OUTLOOK	12
MAIN TRANSACTIONS OF THE FIRST 3 MONTHS OF 2022 AND SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END	13
EXPLANATORY NOTES	15
<i>FINANCIAL INCOME AND EXPENSES</i>	15
<i>LOANS AND BORROWINGS</i>	16
<i>CONTINGENT LIABILITIES</i>	17
ANNEXES	18
• Annex 1: Scope of consolidation	19
• Annex 2: Non-GAAP" alternative performance indicators.....	20
DECLARATION OF THE OFFICER IN CHARGE OF FINANCIAL REPORTING PURSUANT TO ART. 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE NO. 58/98 AS AMENDED AND SUPPLEMENTED .	23

GROUP RESULTS AND FINANCIAL POSITION

The results of these first three months of 2022 reflect the path to growth and increased profitability expected starting from 2020. The volume of new orders continued to increase significantly, as well as Revenues and EBITA in all the main Business areas.

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

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 indicators ("KPI")

Below are the key performance indicators by sector:

	March 2021	March 2022	Change	2021
New orders	3,421	3,789	10.8%	14,307
Order backlog	36,414	36,278	(0.4%)	35,534
Revenue	2,790	3,006	7.7%	14,135
EBITDA	202	251	24.3%	1,626
EBITA	95	132	38.9%	1,123
<i>ROS</i>	3.4%	4.4%	1.0 p.p.	7.9%
EBIT	75	123	64.0%	911
<i>EBIT Margin</i>	2.7%	4.1%	1.4 p.p.	6.4%
Net Result before extraordinary transactions	(2)	74	3800.0%	587
Net result	(2)	74	3800.0%	587
Group Net Debt	4,640	4,788	3.2%	3,122
FOCF	(1,422)	(1,080)	24.1%	209
<i>ROI</i>	10.0%	10.8%	0.8 p.p.	12.4%
Workforce	49,780	50,106	0.7%	50,413

Please refer to Annex 2 on "Non-GAAP performance indicators" for definitions.

RESULTS AT 31 MARCH 2022

	31 March 2021				
	New orders	Order backlog at 31 Dec.	Revenue	EBITA	ROS
Helicopters	855	12,377	792	31	3.9%
Defense Electronics & Security	2,133	14,237	1,494	127	8.5%
Aeronautics	621	10,033	611	(13)	(2.1%)
<i>of which Aircrafts (*)</i>	595		510	47	9.2%
<i>of which Aerostructures (*)</i>	36		111	(46)	(41.4%)
<i>of which GIE ATR</i>	<i>n.a.</i>		<i>n.a.</i>	(14)	<i>n.a.</i>
Space	-	-	-	3	<i>n.a.</i>
Other activities	56	48	97	(53)	(54.6%)
Eliminations	(244)	(1,161)	(204)	-	<i>n.a.</i>
Total	3,421	35,534	2,790	95	3.4%

	31 March 2022				
	New orders	Order backlog	Revenue	EBITA	ROS
Helicopters	863	12,318	923	36	3.9%
Defense Electronics & Security	2,154	14,632	1,498	146	9.7%
Aeronautics	868	10,206	687	(4)	(0.6%)
<i>of which Aircrafts (*)</i>	781		571	52	9.1%
<i>of which Aerostructures (*)</i>	94		123	(46)	(37.4%)
<i>of which GIE ATR</i>	<i>n.a.</i>		<i>n.a.</i>	(10)	
Space	-	-	-	7	<i>n.a.</i>
Other activities	68	295	135	(53)	(39.3%)
Eliminations	(164)	(1,173)	(237)	-	<i>n.a.</i>
Total	3,789	36,278	3,006	132	4.4%

	Change %				
	New orders	Order backlog	Revenue	EBITA	ROS
Helicopters	0.9%	(0.5%)	16.5%	16.1%	0.0 p.p.
Defense Electronics & Security	1.0%	2.8%	0.3%	15.0%	1.2 p.p.
Aeronautics	39.8%	1.7%	12.4%	69.2%	1.5 p.p.
<i>of which Aircrafts (*)</i>	31.3%		12.0%	10.6%	(0.1) p.p.
<i>of which Aerostructures (*)</i>	161.1%		10.8%	0.0%	4.0 p.p.
<i>of which GIE ATR</i>	<i>n.a.</i>		<i>n.a.</i>	28.6%	<i>n.a.</i>
Space	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	133.3%	<i>n.a.</i>
Other activities	21.4%	514.6%	39.2%	0.0%	15.3 p.p.
Eliminations	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total	10.8%	2.1%	7.7%	38.9%	1.0 p.p.

(*) Amounts before infra-Segment eliminations

Commercial performance

New orders came to €bil. 3.8, significantly increased (+10.8%) compared to the first quarter of 2021.

The order backlog ensures a coverage in terms of production slightly higher than 2.5 years. The book to bill ratio (the ratio of New Orders for the period to Revenues) is higher than 1.2.

RESULTS AT 31 MARCH 2022

Business performance.

Revenues of the first quarter (€bil. 3.0) showed a sharp increase (about +8%) compared to the first quarter of 2021 (€bil. 2.8) strongly affected by the performance of Helicopters and by the higher production volumes of the Aircraft Division.

EBIT, equal to €mil. 123, benefitted from an improvement of EBITA, compared to the first quarter of 2021 (€mil. 75). At EBIT level, non-recurring costs showed a significant decrease vis-à-vis the decision to stop classifying – starting from 2022 – the charges linked to the COVID-19 emergency within recurring costs included in EBITA. Overall, EBIT showed an increase of 64%.

EBIT, equal to €mil. 123, benefitted from an improved profitability at EBITA level, compared to the first quarter of 2021 (€mil. 75), despite the decision to stop classifying – starting from 2022 – the charges linked to the COVID-19 emergency within recurring costs included in EBITA and no longer within non-recurring costs that, accordingly, decreased significantly. Overall, EBIT showed an increase of 64%.

The **Net result before extraordinary transactions**, amounting to €mil. 74 (negative for €mil. 2 in the first quarter of 2021), is equal to the **Net Result** and benefitted from the EBIT performance, as well as from lower financial and tax charges.

Reclassified income statement

(<i>€ millions</i>)	For the 3 months ended 31 March		Change	% Change
	2021	2022		
Revenue	2,790	3,006	216	7.7%
Purchases and personnel expenses	(2,587)	(2,786)		
Other net operating income/(expenses)	(2)	18		
Equity-accounted strategic investments	1	13		
Amortisation, depreciation and write-offs	(107)	(119)		
EBITA	95	132	37	38.9%
<i>ROS</i>	3.4%	4.4%	1.0 p.p.	
Non-recurring income/(expenses)	(11)	(1)		
Restructuring costs	(4)	(2)		
Amortisation of intangible assets acquired as part of business combinations	(5)	(6)		
EBIT	75	123	48	64.0%
<i>EBIT Margin</i>	2.7%	4.1%	1.4 p.p.	
Net financial income/(expenses)	(46)	(30)		
Income taxes	(31)	(19)		
Net Result before extraordinary transactions	(2)	74	76	3800.0%
Net result related to discontinued operations and extraordinary transactions	-	-		
Net result attributable to:	(2)	74	76	3800.0%
- owners of the parent	(2)	74		
- non-controlling interests	-	-		

RESULTS AT 31 MARCH 2022

Financial performance

FOCF in the first quarter of 2022, which was negative for €mil. 1,080, showed a significant improvement (24%) compared to the first quarter of 2021 (negative for €mil. 1,422). 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.

Reclassified cash flow statement

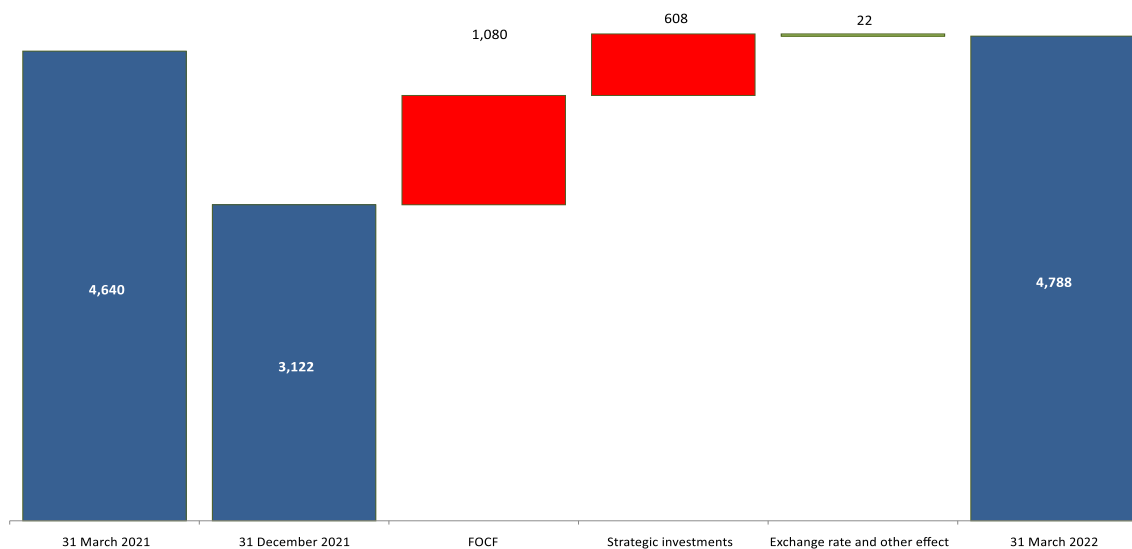
<i>(€ millions)</i>	For the 3 months ended 31 March		Change	% Change
	2021	2022		
Cash flows used in operating activities	(1,312)	(978)		
Dividends received	-	1		
Cash flows from ordinary investing activities	(110)	(103)		
Free Operating Cash Flow (FOCF)	(1,422)	(1,080)	342	24.1%
Strategic investments	-	(608)		
Change in other investing activities	2	1		
Net change in loans and borrowings	(402)	(418)		
Net increase (decrease) in cash and cash equivalents	(1,822)	(2,105)		
Cash and cash equivalents at 1 January	2,213	2,479		
Exchange rate differences and other changes	17	9		
Cash and cash equivalents at 31 March	408	383		

The **Group Net Debt**, equal to €mil. 4,788, 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 related transaction costs paid.

The acquisition of the aforesaid investment is also reflected in the increase in non-current assets.

RESULTS AT 31 MARCH 2022

Changes in Group Net Debt

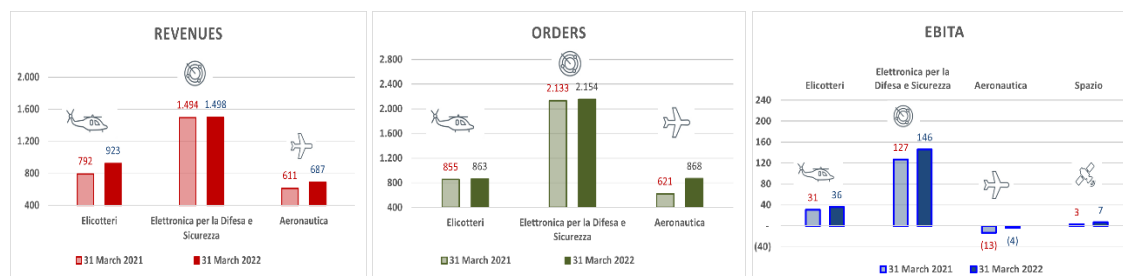


Reclassified statement of financial position

	31 March 2021	31 December 2021	31 March 2022
(€ millions)			
Non-current assets	12,186	12,810	13,479
Non-current liabilities	(1,986)	(2,216)	(2,150)
Capital assets	10,200	10,594	11,329
Inventories	2,232	1,292	1,547
Trade receivables	2,866	3,203	3,418
Trade payables	(3,164)	(3,372)	(2,859)
Working capital	1,934	1,123	2,106
Provisions for short-term risks and charges	(1,283)	(1,111)	(1,119)
Other net current assets (liabilities)	(710)	(1,046)	(981)
Net working capital	(59)	(1,034)	6
Net invested capital	10,141	9,560	11,335
Equity attributable to the Owners of the Parent	5,491	6,428	6,521
Equity attributable to non-controlling interests	11	27	27
Equity	5,502	6,455	6,548
Group Net Debt	4,640	3,122	4,788
Net (assets)/liabilities held for sale	(1)	(17)	(1)

KEY PERFORMANCE INDICATORS BY SEGMENT

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:



The business sectors are commented on below in terms of business and financial performance:

		31 March 2021	31 March 2022	Change	Change %
1. Helicopters	New orders	855	863	8	0.9%
	Order backlog at 31 Dec. 2021	12,377	12,318	(59)	(0.5%)
	Revenue	792	923	131	16.5%
	EBITA	31	36	5	16.1%
	ROS	3.9%	3.9%		0.0 p.p.
2. Defense Electronics & Security	New orders	2,133	2,154	21	1.0%
	Order backlog at 31 Dec. 2021	14,237	14,632	395	2.8%
	Revenue	1,494	1,498	4	0.3%
	EBITA	127	146	19	15.0%
	ROS	8.5%	9.7%		1.2 p.p.
3. Aeronautics	New orders	621	868	247	39.8%
	Order backlog at 31 Dec. 2021	10,033	10,206	173	1.7%
	Revenue	611	687	76	12.4%
	EBITA	(13)	(4)	9	69.2%
	ROS	(2.1%)	(0.6%)		1.5 p.p.
4. Space	EBITA	3	7	4	133.3%

1. Helicopters

The Sector shows an overall positive performance and increasing values, in line with the plan expectations. In particular, Revenues and EBITA grew by more than 16%, with profitability in line despite a mix of activities with higher pass-through volumes. During the period, 19 new helicopters were delivered, compared to 13 in the first quarter of 2021.

New orders. 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;

RESULTS AT 31 MARCH 2022

- The contract for the Mid Life Upgrade (MLU) of 1 AW101 helicopter of the Japan Maritime Self Defense Force.

Revenues. They were on the rise due to increased activities specifically on the NH90 programme for Qatar.

EBITA. It showed an increase as a result of higher revenues, with profitability in line with that of the first quarter of 2021.

2. Defense Electronics & Security

The first quarter of 2022 was characterised by a business performance in line with that of the comparative period, with volumes also basically in line. Profitability was 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.

Key Performance Indicators of the sector

31 March 2021	New orders	Revenue	EBITA	ROS
DES Europe	1,544	931	79	8.5%
Leonardo DRS	593	565	48	8.5%
Eliminations	(4)	(2)	-	n.a.
Total	2,133	1,494	127	8.5%
31 March 2022	New orders	Revenue	EBITA	ROS
DES Europe	1,489	955	91	9.5%
Leonardo DRS	665	545	55	10.1%
Eliminations	-	(2)	-	n.a.
Total	2,154	1,498	146	9.7%
Change %	New orders	Revenue	EBITA	ROS
DES Europe	(3.6%)	2.6%	15.2%	1.0 p.p.
Leonardo DRS	12.1%	(3.5%)	14.6%	1.6 p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	1.0%	0.3%	15.0%	1.2 p.p.

Average €/USD exchange rate: 1.1225 (first three months of 2022) and 1.2056 (first three months of 2021)

New Orders. They were basically in line with the first quarter of 2021. The main acquisitions in the quarter 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 (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.

RESULTS AT 31 MARCH 2022

Revenues. These were basically in line with the comparative period. As regards Leonardo DRS, it should be noted that last year volumes benefitted from the postponement of certain activities from 2020. This decline was partly mitigated 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. For Leonardo DRS, despite lower volumes, the growth in profitability that began last year is continuing, mainly due to the gradual shift from the development phase to the production phase of some programmes.

Leonardo DRS data in USD

	New orders	Revenue	EBITA	ROS
DRS (\$mil.) March 2021	715	681	58	8.5%
DRS (\$mil.) March 2022	747	612	62	10.1%

3. Aeronautics

The Sector showed an excellent performance in the Defense business area, while also recording the first signs of recovery in the regional transport sector, with the GIE-ATR consortium that recognised an increase in deliveries and orders. The Aerostructures Division continued working at lower capacity due to the slow recovery of the civil aviation business of major customers (Boeing and ATR).

From a production point of view:

- for the military programmes of the *Aircraft* Division 11 wings and 2 final assemblies were delivered to Lockheed Martin under the F-35 programme (12 wings and 2 final assemblies delivered in the first quarter of 2021). Furthermore, we must note other 2 deliveries of Typhoon aircraft to Kuwait (in addition to the first 2 deliveries in December 2021);
- for the Aerostructures Division 3 fuselage sections and 3 stabilisers were delivered under the B787 programme (10 fuselages and 6 stabilisers were delivered in the first quarter of 2021) and 2 fuselages were delivered under the ATR programme (3 in the first three months of the last year).

RESULTS AT 31 MARCH 2022

Key Performance Indicators for the sector

31 March 2021	New orders	Revenue	EBITA	ROS
Aircrafts	595	510	47	9.2%
Aerostructures	36	111	(46)	(41.4%)
GIE ATR	n.a.	n.a.	(14)	n.a.
Eliminations	(10)	(10)	-	n.a.
Total	621	611	(13)	(2.1%)
31 March 2022	New orders	Revenue	EBITA	ROS
Aircrafts	781	571	52	9.1%
Aerostructures	94	123	(46)	(37.4%)
GIE ATR	n.a.	n.a.	(10)	n.a.
Eliminations	(7)	(7)	-	n.a.
Total	868	687	(4)	(0.6%)
Change %	New orders	Revenue	EBITA	ROS
Aircrafts	31.3%	12.0%	10.6%	(0.1) p.p.
Aerostructures	161.1%	10.8%	0.0%	4.0 p.p.
GIE ATR	n.a.	n.a.	28.6%	n.a.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	39.8%	12.4%	69.2%	1.5 p.p.

New Orders: They showed an increase compared to the first quarter of 2021 due to major orders gained in the Aircraft Division. More in detail:

- the *Aircraft* Division recorded orders higher than those of the first quarter of 2021 thanks to the acquisition of the order for the remotely piloted aircraft system Euromale and for 1 C-27J aircraft to the Slovenian MoD, in addition to further orders on the JSF (Joint Strike Fighter) and logistic support programmes for Typhoon aircraft;
- the *Aerostructures* Division benefitted from higher orders from Airbus for the A220 and A321 programmes and from the agreement for Tooling Refurbishment on the B767 programme. Vice versa, no new orders were placed by customers Boeing (B787 programme) and the GIE consortium.

Revenues. They were on the rise as a result of higher volumes in the *Aircraft* Division and, to a lesser extent, in the *Aerostructures* Division; in particular, we must note:

- Higher production volumes in the Aircraft Division, on the business lines of the defence for the Kuwait programme and of the Airlifters for the new C-27J order within Europe;
- Increase in the Aerostructures Division, which benefitted from higher production rates on the Airbus programmes.

EBITA. It showed growth as a result of a higher contribution on the part of the Aircraft Division and a partial recovery in the business of the GIE-ATR consortium. Specifically:

- the *Aircraft* Division benefitted from higher volumes, confirming the high level of profitability;

RESULTS AT 31 MARCH 2022

- the GIE-ATR consortium recorded improved results compared to those of the first quarter of 2021 thanks to the deliveries made in the quarter (no. 2 deliveries compared to no deliveries in the first quarter of 2021);
- the *Aerostructures* Division, since the problems continued related to production sites working at lower capacity, confirmed difficulties in terms of EBITA, as already highlighted in the first quarter of 2021, although profitability showed signs of recovery thanks to a slight increase in production volumes.

4. Space

The first quarter of 2022 showed improved results that benefitted from higher production volumes and improved profitability in the manufacturing segment. The segment of satellite services confirmed a solid profitability already recorded in the first quarter of 2021.

OUTLOOK

In view of the results achieved in the first quarter of 2022 and the expectations for the coming periods, we confirm the guidance for the entire year as drawn up when preparing the annual financial statements as at 31 December 2021.

**MAIN TRANSACTIONS OF THE FIRST 3 MONTHS OF 2022 AND
SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END**

At the end of February 2022, Russia launched an offensive - which is still ongoing - against Ukraine, generating profound changes in the world's geopolitical and economic balance.

The process of integration and realisation of a European Defence and Security and, at the same time, the increase in defence spending by EU and neighbouring countries, are accelerating with consequent opportunities for companies operating in the sector. On the other hand, relations with Russia are significantly influenced by the numerous logistical and economic sanctions imposed by the European Union, other countries and other international bodies.

As reported in the 2021 Consolidated Financial Statements, to which reference is made, Leonardo has no significant exposure to these two countries and is carefully monitoring the situation to identify any consequences on its current and prospective situation.

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;
- **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 PA with a view to ensuring the highest possible level of data efficiency, security and reliability;
- **Sale of Global Enterprise Solutions (GES).** 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

RESULTS AT 31 MARCH 2022

at closing. GES is the largest provider of commercial satellite communications for the US government and offers mission-critical communications and world-class security solutions. The closing of the transaction is expected for the second half of 2022.

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.

Following the end of the reporting period, on 26 April 2022, Leonardo DRS signed a binding agreement for the sale of its interest in the joint venture Advanced Acoustic Concepts to TDSI, a subsidiary of Thales. The closing of the transaction, subject to customary regulatory approvals and specific conditions, is expected for the second half of 2022.

Financial transactions. No new transaction was carried out on the financial markets during the first quarter 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. Furthermore, as detailed in the Industrial Transactions, in January 2022 Leonardo acquired 25.1% of Hensoldt AG.

As at 31 March 2022 Leonardo had credit facilities available for a total of about €mil. 3,210 to meet the financing needs of the Group's recurring operations, broken down as follows: an ESG-linked Revolving Credit Facility totalling €mil. 2,400, divided into two tranches, and additional unconfirmed short-term lines of credit of about €mil. 810, which were used at the date for about €mil 65. Moreover, the subsidiary Leonardo US Holding had revocable short-term lines of credit in dollars, guaranteed by Leonardo Spa, for a total value of €mil. 225, entirely unused at 31 March 2022. Finally, Leonardo has unconfirmed lines of credit for guarantees for a total of €mil. 10,285, of which €mil. 3,575 available at 31 March 2022.

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. On the reporting date, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	Last update	Previous		Updated	
		Credit Rating	Outlook	Credit Rating	Outlook
Moody's	October 2018	Ba1	positive	Ba1	stable
Standard&Poor's	May 2022	BB+	stable	BB+	positive
Fitch	January 2022	BBB-	negative	BBB-	stable

EXPLANATORY NOTES

This interim reporting that has been approved today by the Board of Directors, was made available to the public at the registered office, with Borsa Italiana S.p.A., on the Company website (www.leonardocompany.com, in the section Investors/Results and Reports), as well as on the website of the authorised storage mechanism NIS-Storage (www.emarketstorage.com).

The accounting policies, measurement criteria and consolidation methods used for this interim reporting at 31 March 2022, which should be read in conjunction with the Consolidated Financial Statements at 31 December 2021, are unchanged from those of the Consolidated Financial Statements at 31 December 2021 (except for those specifically applicable to interim financial reports) and the interim reporting at 31 March 2021.

This interim reporting, approved by the Board of Directors on 5 May 2022, was not subject to any statutory review.

FINANCIAL INCOME AND EXPENSES

	For the 3 months ended 31 March	
	2021	2022
Interest	(34)	(29)
Commissions	(4)	(2)
Fair value gains (losses) through profit or loss	-	(1)
Premiums (paid) received on forwards	(1)	(1)
Exchange rate differences	1	1
Other financial income and expenses	(11)	(8)
Share of profits/(losses) of equity-accounted investees	3	10
	(46)	(30)

The performance of net financial expenses in the first quarter of 2022 showed an improvement mainly attributable to lower expenses linked to the bond issues repaid during 2021 and in January 2022.

LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	31 March 2021	of which current	31 December 2021	of which current	31 March 2022	of which current
Bonds	2,418	575	2,481	626	1,875	14
Bank debt	1,205	167	1,648	49	1,706	107
Cash and cash equivalents	(408)	(408)	(2,479)	(2,479)	(383)	(383)
Net bank debt and bonds	3,215		1,650		3,198	
Current loans and receivables from related parties	(94)	(94)	(45)	(45)	(32)	(32)
Other current loans and receivables	(21)	(21)	(16)	(16)	(16)	(16)
Current loans and receivables and securities	(115)		(61)		(48)	
Hedging derivatives in respect of debt items	(12)	(12)	(8)	(8)	16	16
Related party lease liabilities	32	4	30	4	28	4
Other related party loans and borrowings	854	754	856	756	956	856
Lease liabilities	529	61	538	78	534	75
Other loans and borrowings	137	68	117	45	104	31
Group Net Debt	4,640		3,122		4,788	

The reconciliation with the net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006, updated by the provisions of ESMA Guideline 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice no. 5/21 of 29 April 2021, is provided in Annex 2.

The decrease in bonds compared to 31 December 2021 is attributable to the repayment of the remaining nominal amount of €mil. 556 of the bond issued in 2009 (original nominal amount of €mil. 600), which reached its natural expiry in January 2022.

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 (worsened for the amortisation of rights of use) must not be higher than 3.75 and the ratio of EBITDA (worsened for the 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 2021, the tests on the data of the 2021 financial statements highlighted values largely within the ratios described above.

CONTINGENT LIABILITIES

Below are the updates, compared to the situation at 31 December 2021 described in the Consolidated Financial Statements at 31 December 2021, to which reference should be made, related to the criminal proceedings pending against some Group companies or Leonardo and some former directors, as well as executives for acts committed in the performance of their duties at Group companies or at Leonardo:

- With reference to legal actions brought by Leonardo Spa against notices of invitation to appear at the hearing before the Patiala House Court of New Delhi within proceedings brought by the Indian Judicial Authority (Central Bureau of Investigation and Directorate of Enforcement) in relation to the supply of 12 AW 101 VIP/VVIP helicopters to the Indian Government, the Judge for Preliminary Investigations of the Court of Milan with order filed on 22 March 2022 accepted the applications for enforcement review submitted by the Company, revoking the decrees through which the notices had been ordered by the Public Prosecutor of Milan;
- As regards the criminal proceedings before the Court of Naples against some suppliers and subcontractors of the then Selex SeMa (now Selex ES) concerning the SISTRI system within which the company appeared as an aggrieved party in the proceedings, following the hearing held on 22 March 2022, the Court declared that the offence was extinguished on grounds of the statute of limitations.

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With reference to the ongoing civil proceedings we note that – compared to what described in the Consolidated Financial Statements as at 31 December 2021, to which reference should be made – the action brought by Firema under extraordinary management before the Court of Naples was postponed to the hearing of 14 June 2022 for the joinder to the proceedings filed under case no. 16312/15.

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With reference to the Group's long-term contracts, we note the international commercial arbitration brought on 25 October 2019 by Leonardo S.p.a. and PSC S.p.A. (collectively referred to as "LP" unincorporated joint venture) against Galfar Misnad Engineering & Contracting W.L.L., Salini-Impregilo S.p.A. (now Webuild) and Cimolai S.p.A. (collectively referred to as "GSIC" unincorporated joint venture). As part of these proceedings, several trial activities have already been carried out and various defence briefs have been exchanged, lastly that of LP on 10 February 2022. According to the arbitration schedule currently in force, the award is expected to be issued in February 2023, after the hearing (4-15 July 2022) and the exchange of the statements of claim and reply between the parties.

For the Board of Directors
The Chairman
Luciano Carta

ANNEXES

ANNEX 1: SCOPE OF CONSOLIDATION

Below are the changes in the scope of consolidation compared with 31 March 2021:

Company	Event	Month
<u>Companies which entered the scope of consolidation:</u>		
G.E.M. Elettronica Srl	newly acquired	April 2021
Alea Srl	newly acquired	August 2021
Hensoldt Ag	newly acquired	January 2022
<u>Companies which left the scope of consolidation:</u>		
CCRT Sistemi Spa (in bankr.) (*)	deconsolidated	December 2021
Agustawestland Holdings Ltd	deconsolidated	January 2022
<u>Companies involved in merger transactions:</u>		
Merged company	Merging company	Month
Vitrociset Spa	Leonardo Spa	January 2022
<u>Companies which changed their name:</u>		
Old name	New name	Month
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
Fata Logistic Systems Spa	Leonardo Logistics Spa	September 2021

(*): companies valued at cost

ANNEX 2: NON-GAAP" ALTERNATIVE PERFORMANCE INDICATORS

Leonardo's Management assesses the Group's performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs. Specifically, EBITA is used as the primary indicator of profitability, since it allows us to analyse the Group's marginality by eliminating the impacts of the volatility associated with non-recurring, 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 contracts entered into with customers during the period that have commercial substance and represent an obligation for both parties to fulfil the contract.
- **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 (excluding amortisation of intangible assets from business combinations), depreciation and impairment losses (net of those relating to goodwill or classified among "non-recurring costs").
- **EBITA:** it is arrived at by eliminating from EBIT, as defined below, the following items:
 - any impairment in goodwill;
 - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
 - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
 - other non-recurring or unusual costs or income, i.e. connected to particularly significant or exceptional events that are not related to the ordinary performance of the business. The item includes charges incurred during M&A transactions, charges linked to disposed businesses and/or products and systems, and the recognition of losses on contracts that have become onerous as a result of non-operating events.

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:

RESULTS AT 31 MARCH 2022

<i>(€ millions)</i>	For the 3 months ended 31 March	
	2021	2022
Income before tax and financial expenses	74	110
Equity-accounted strategic investments	1	13
EBIT	75	123
Amortisation of intangible assets acquired as part of business combinations	5	6
Restructuring costs	4	2
Non-recurring (income) expense	11	1
EBITA	95	132

- **Return on Sales (ROS):** this is calculated as the ratio of EBITA to revenue.
- **EBIT:** this 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 Joint Ventures (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.
- **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. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006, updated by the provisions of the EMSA Guideline 32-382-1138 of 4 March 2021 as implemented by Consob warning notice no. 5/21 of 29 April 2021, is reported below:

	31 December 2021	31 March 2022
A - Cash	(2,479)	(383)
C - Other current financial assets	(61)	(48)
D - Liquidity	(2,540)	(431)
E - Current financial debt (*)	932	1,073
F - Current portion of non-current financial debt	626	14
G - Current financial debt	1,558	1,087
H - Net current financial debt (funds)	(982)	656
I - Non-current financial debt (*)	4,112	4,116
J - Debt instruments (**)	(8)	16
K - Trade payables and other non-current debt	165	166
L - Non-current financial debt	4,269	4,298
M - Total financial debt	3,287	4,954

(*) Includes payables for leases of €mil. 79 in current payables and €mil. 483 in non-current payables (€mil. 82 current and €mil. 486 non-current at 31 December 2021)

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

RESULTS AT 31 MARCH 2022

- **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 statement of cash flows shown in the section “Group results and financial position”.
- **Return on Investments (ROI):** this is calculated as the ratio of EBITA to the average net capital invested in the 12 months before the reporting period.
- **Workforce:** the number of employees recorded in the register on the last day of the period.

**DECLARATION OF THE OFFICER IN CHARGE OF FINANCIAL
REPORTING PURSUANT TO ART. 154-BIS, PARAGRAPH 2, OF
LEGISLATIVE DECREE NO. 58/98 AS AMENDED AND
SUPPLEMENTED**

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 as amended and supplemented, the undersigned Alessandra Genco, the Officer in charge of Financial Reporting of Leonardo Società per azioni certifies that this interim reporting at 31 March 2022 corresponds to the related accounting records, books and supporting documentation.

Rome, 5 May 2022

Officer in charge of Financial
Reporting
(Alessandra Genco)