Half-Year Financial Report at 30 June 2019

Disclaimer
This Half-Year Financial Report for 2019 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document

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Boards and Committees

BOARD OF DIRECTORS
(for the three-year period 2017 - 2019)

GIOVANNI DE GENNARO
Chairman

ALESSANDRO PROFUMO
Chief Executive Officer

GUIDO ALPA
Director (a, c)

LUCA BADER
Director (a, d)

MARINA ELVIRA CALDERONE
Director (b, c)

PAOLO CANTARELLA
Director (a, c)

MARTA DASSU'
Director (c, d)

DARIO FRIGERIO
Director (b, c)

FABRIZIO LANDI
Director (a, d)

SILVIA MERLO
Director (a, d)

MARINA RUBINI
Director (b, c)

ANTONINO TURICCHI
Director (b, c)

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

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

Regular Statutory Auditors

LUCA ROSSI **
Chairman

SARA FORNASIERO

FRANCESCO PERRINI

LEONARDO QUAGLIATA

DANIELA SAVI

Alternate Statutory Auditors

MARINA MONASSI

GIUSEPPE CERATI ***

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

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

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

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

a. Member of the Control and Risks Committee
b. Member of the Remuneration Committee
c. Member of the Nomination, Governance and Sustainability Committee
d. Member of the Analysis of International Scenarios Committee

Report on operations at 30 June 2019

Group results and financial position

Key Performance Indicators ("KPI")

	June 2019	June 2018	Change	2018
New orders	6,145	4,604	33.5%	15,124
Order backlog	36,321	32,611	11.4%	36,118
Revenue	5,962	5,589	6.7%	12,240
EBITDA	755	667	13.2%	1,534
EBITA	487	470	3.6%	1,120
ROS	*8.2%*	*8.4%*	*(0.2) p.p.*	*9.2%*
EBIT	462	240	92.5%	715
EBIT Margin	*7.7%*	*4.3%*	*3.4 p.p.*	*5.8%*
Net Result before extraordinary transactions	252	106	137.7%	421
Net result	349	106	229.2%	510
Group Net Debt	4,098	3,474	18.0%	2,351
FOCF	(1,050)	(809)	(29.8%)	336
ROI	*12.5%*	*13.0%*	*(0.5) p.p.*	*16.4%*
ROE	*10.9%*	*5.0%*	*5.9 p.p.*	*9.7%*
Research and development expenses	679	708	(4.1%)	1,440
Workforce	48,755	45,989	6.0%	46,462

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

The results for the first half of 2019 showed an increase compared to the same period of the prior year; specifically:

- New orders, equal to €bil. 6.1, showed an increase of about 34% compared to the first half of 2018 (€bil. 4.6), strongly driven by *Defense Electronics & Security* and, to a lesser extent, by *Helicopters*;
- Revenues, equal to €bil. 6.0, showed an increase equal to about 7% compared to the first half of 2018 (€bil. 5.6), mainly attributable to *Defense Electronics & Security*;
- EBITA is up thanks to an improvement of the operating performance in all businesses able to offset also the lower contribution from the GIE-ATR Consortium and the manufacturing component of the Space Alliance. Operating profits, equal to 8.2%, remained substantially in line with the comparative period (8.4% in the first half of 2018);
- Net result before extraordinary transactions of €mil. 252 benefited, compared to the first half of 2018 (€mil. 106), in addition to an improved operating result, from lower restructuring costs and from a reduction in the amortisation of assets deriving from Purchase Price Allocation;

- Net Result of €mil. 349 (€mil. 106 in the first half of 2018) was positively affected by the events mentioned above, as well as by the effects of the transaction with Hitachi, classified in the result from "Discontinued operations";
- Group Net Debt of €bil. 4.1 showed a deterioration compared to 31 December 2018 (€bil. 2.4) and 30 June 2018 (€bil. 3.5), which was due to the usual cash flow trend in the first part of the year, as well as to the recognition of financial liabilities arising from the adoption of IFRS 16 and to the effects arising from the acquisition of Vitrociset;
- The cash flow for the period, which posted a negative value of €mil. 1,050 (against a negative value of €mil. 809 in the first half of 2018), was adversely affected by the different financial terms and conditions of some contracts, including the EFA Kuwait contract.

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

	30 June 2019				
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS**
Helicopters	1,707	11,917	1,895	200	10.6%
Defense Electronics & Security	3,396	12,908	2,860	228	8.0%
Aeronautics	1,331	12,172	1,389	121	8.7%
Space	-	-	-	13	n.a.
Other activities	98	364	211	(75)	(35.5%)
Eliminations	*(387)*	*(1,040)*	*(393)*	-	*n.a.*
Total	**6,145**	**36,321**	**5,962**	**487**	**8.2%**

	30 June 2018				
	New orders	**Order backlog at 31 Dec. 2018**	**Revenues**	**EBITA**	**ROS**
Helicopters	1,329	12,151	1,830	153	8.4%
Defense Electronics & Security	2,355	12,572	2,521	207	8.2%
Aeronautics	1,129	12,220	1,426	123	8.6%
Space	-	-	-	21	n.a.
Other activities	45	146	176	(34)	(19.3%)
Eliminations	*(254)*	*(971)*	*(364)*	-	*n.a.*
Total	**4,604**	**36,118**	**5,589**	**470**	**8.4%**

	Change %				
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS**
Helicopters	28.4%	(1.9%)	3.6%	30.7%	2.2 p.p.
Defense Electronics & Security	44.2%	2.7%	13.4%	10.1%	(0.2) p.p.
Aeronautics	17.9%	(0.4%)	(2.6%)	(1.6%)	0.1 p.p.
Space	n.a.	n.a.	n.a.	(38.1%)	n.a.
Other activities	117.8%	149.3%	19.9%	(120.6%)	(16.2) p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**33.5%**	**0.6%**	**6.7%**	**3.6%**	**(0.2) p.p.**

Commercial performance

Compared to the first half of 2018, **new orders** showed a significant increase (33.5%) essentially in relation to the *Defense Electronics & Security* sector, which benefitted from important new orders mainly in the Europe Area and at Leonardo DRS and, to a lesser extent, in the *Helicopters* sector.

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

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Business performance.

		For the six months ended 30 June		*Change*	*% Change*
(€ millions)	***Note***	***2019***	***2018***		
Revenues		5,962	5,589	373	6.7%
Purchases and personnel expenses	*(*)*	(5,213)	(5,003)		
Other net operating income/(expenses)	*(**)*	(28)	22		
Equity-accounted strategic JVs		34	59		
Amortisation, depreciation and write-offs	*(***)*	(268)	(197)		
EBITA		**487**	**470**	**17**	**3.6%**
ROS		*8.2%*	*8.4%*	*(0.2) p.p.*	
Non-recurring income/(expenses)		(4)	-		
Restructuring costs		(7)	(182)		
Amortisation of intangible assets acquired as part of business combinations		(14)	(48)		
EBIT		**462**	**240**	**222**	**92.5%**
EBIT Margin		*7.7%*	*4.3%*	*3.4 p.p.*	
Net financial income/(expenses)	*(****)*	(124)	(118)		
Income taxes		(86)	(16)		
Net Result before extraordinary transactions		**252**	**106**	**146**	**137.7%**
Net result related to discontinued operations and extraordinary transactions	*(*****)*	97	-		
Net result		**349**	**106**	**243**	**229.2%**

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

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

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

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

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

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

Revenues showed, compared to the first half of 2018, an increase (+6.7%) mainly related to the *Defense Electronics & Security* sector, for higher activities in Leonardo DRS and within the *Airborne Systems*, and to the Helicopters sector for the higher activities on government programmes.

EBITA, equal to €mil. 487 (with a ROS of 8.2%) showed an increase, compared to the first half of 2018 (€mil. 470 - ROS of 8.4%), as a result of the improvement recorded in the *Helicopters* sector, in the *Defense Electronics & Security* sector and in the *Aeronautics* Divisions, which more than offset the decline in the results posted by the GIE-ATR Consortium, penalised by lower deliveries, and in the manufacturing segment of the Space sector.

EBIT equal to €mil. 462, showed, compared to the first half of 2018 (€mil. 240), an improvement of €mil. 222 (+92.5%), due to an improved EBITA, as well as to a decrease in restructuring costs and the completion of part of the amortisation of intangible assets deriving from the acquisition of Leonardo DRS (Purchase Price Allocation).

The **Net result before extraordinary transactions** (€mil. 252) benefitted, compared to the first half of 2018, from an improved operating result, net of any related tax burden.

The **Net Result** (€mil. 349) takes account, following the signature of the transaction with Hitachi, of the effects of the release of a portion of the provision set aside against the guarantees provided upon the disposal of the transport business unit of Ansaldobreda S.p.A..

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Financial performance

(€ millions)	*Note*	*For the six months ended 30 June*		*Change*	*% Change*
		2019	*2018*		
Cash flows used in operating activities	*(*)*	(832)	(684)		
Dividends received		129	178		
Cash flows from ordinary investing activities	*(**)*	(347)	(303)		
Free Operating Cash Flow (FOCF)		**(1,050)**	**(809)**	**(241)**	**(29.8%)**
Strategic investments	*(***)*	(44)	(10)		
Change in other investing activities	*(****)*	(19)	(5)		
Net change in loans and borrowings		326	(12)		
Dividends paid		(81)	(81)		
Net increase (decrease) in cash and cash equivalents		**(868)**	**(917)**		
Cash and cash equivalents at 1 January		2,049	1,893		
Exchange rate differences and other changes		4	-		
Net increase in cash and cash equivalents of discontinued operations		(6)	-		
Cash and cash equivalents at 30 June		**1,179**	**976**		

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

(*) Includes "Cash flows from operating activities", excluding debt payments pursuant to Law 808/1985;

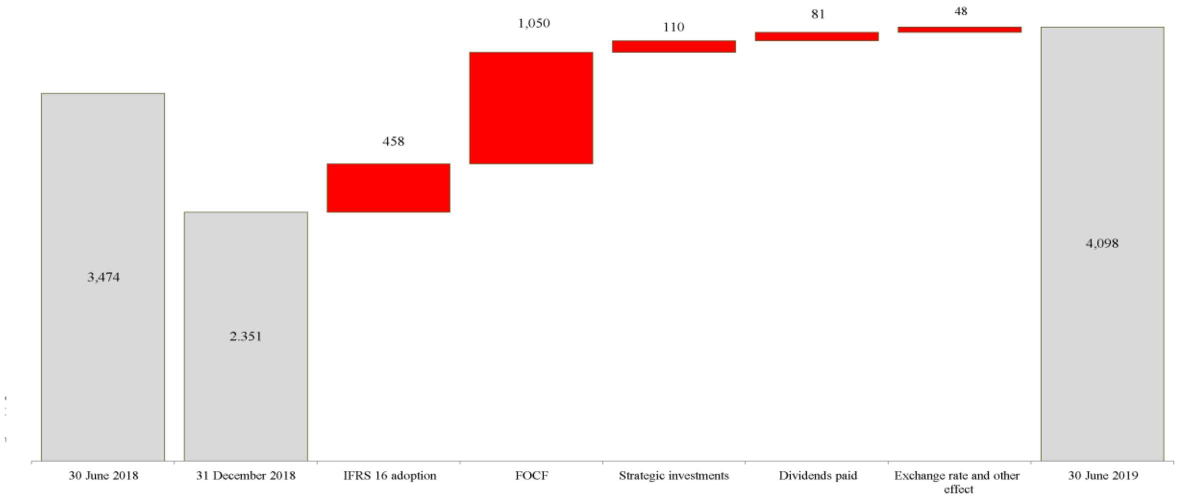
(**) Includes "Cash flow generated from (used in) investing activities", including debt payments pursuant to Law 808/1985 and excluding dividends collected;

(***) Includes the portion of "Other investing activities" classified as "Strategic investments";

(****) Includes "Other investing activities", excluding dividends collected and the operations classified as "Strategic transactions".

FOCF in the first half was negative for €mil. 1,050 (against a negative value of €mil. 809 in the first half of 2018), mainly due to the effect of the cash absorption expected during the first half of the year.

The **Group Net Debt**, equal to €mil. 4,098, showed an increase compared to 31 December 2018 (€mil. 2,351), as a result of the negative performance of FOCF, the recognition of financial liabilities arising from the application of IFRS 16 "Leases" (the effect on the Group Net Debt was equal to €mil. 458 at 1 January 2019) and the impact of the Vitrociset transaction on the net financial position (€mil. 110). Changes in the Group Net Debt are shown below:



Net invested capital showed a significant increase, compared to 31 December 2018, which was attributable to the effect arising from the recognition of rights of use following the adoption of IFRS 16.

	Note	*30 June 2019*	*31 December 2018*	*30 June 2018*
(€ millions)				
Non-current assets		12,190	11,824	11,671
Non-current liabilities		(2,396)	(2,611)	(2,795)
Capital assets	*(*)*	**9,794**	**9,213**	**8,876**
Inventories	*(**)*	844	(78)	750
Trade receivables	*(***)*	3,275	2,936	3,033
Trade payables	*(****)*	(3,017)	(3,028)	(2,930)
Working capital		1,102	(170)	853
Provisions for short-term risks and charges		(1,152)	(1,125)	(1,197)
Other net current assets (liabilities)	*(*****)*	(996)	(1,064)	(869)
Net working capital		**(1,046)**	**(2,359)**	**(1,213)**
Net invested capital		**8,748**	**6,854**	**7,663**
Equity attributable to the Owners of the Parent		4,706	4,499	4,187
Equity attributable to non-controlling interests		11	11	10
Equity		**4,717**	**4,510**	**4,197**
Group Net Debt		**4,098**	**2,351**	**3,474**
Net (assets)/liabilities held for sale	*(******)*	**(67)**	**(7)**	**(8)**

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

The Group Net Debt breaks down as follows:

(€ millions)	***30 June 2019***	*of which current*	***31 December 2018***	*of which current*	***30 June 2018***	*of which current*
Bonds	3,110	*358*	3,154	*408*	3,615	*564*
Bank debt	1,112	*160*	721	*70*	295	*107*
Cash and cash equivalents	(1,179)	*(1,179)*	(2,049)	*(2,049)*	(976)	*(976)*
Net bank debt and bonds	**3,043**		**1,826**		**2,934**	
Current loans and receivables from related parties	(140)	*(140)*	(153)	*(153)*	(132)	*(132)*
Other current loans and receivables	(44)	*(44)*	(32)	*(32)*	(36)	*(36)*
Current loans and receivables and securities	**(184)**		**(185)**		**(168)**	
Non current financial receivables from Superjet	(13)	-	(25)	-	(37)	-
Hedging derivatives in respect of debt items	7	*7*	(3)	*(3)*	9	*9*
Related-party loans and borrowings	730	*698*	669	*669*	660	*660*
Other loans and borrowings	515	*108*	69	*43*	76	*51*
Group Net Debt	**4,098**		**2,351**		**3,474**	

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

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Below are the key performance indicators by sector:

Helicopters

The performance of the first half of 2019 confirmed the efficacy of the path taken last year, showing a sound performance, with an increase in New Orders, Revenues and profitability, compared to the same period in the previous year.

<u>New orders</u>. They showed an increase compared to the first half of 2018 as result of higher new orders recorded in the government sector. Among the major acquisitions in the half-year were the contracts related to the supply of 23 NH90 tactical helicopters for the Spanish Ministry of Defence and the supply of 4 AW101 multi-purpose naval helicopters for the Polish Ministry of Defence, in addition to the orders related to *Customer Support and Training* activities.

<u>Revenues</u>. They showed an increase compared to the first half of 2018 as a result of the higher activities on governmental programmes that more than offset the effect deriving from the postponement of some

deliveries of helicopters for civil customers (in the first half of 2019 a total of 61 deliveries of new helicopters were recorded compared to 77 deliveries of the first half of 2018).

EBITA. This increased compared to the first half of 2018 as a result of higher revenues and an improvement in operating profits, which in the six months benefitted from a mix of activities on government programmes and from particularly positive *Customer Support and Training* activities, as well as from a revision of the terms of the UK pension scheme.

Defense Electronics & Security

The first half of 2019 was characterised by a good performance, both commercial and business, showing an increase in New Orders and Revenues, profits substantially in line compared to the previous year.

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

30 June 2019	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	2,008	1,871	172	9.2%
Leonardo DRS	1,396	999	56	5.6%
Eliminations	*(8)*	*(10)*	-	*n.a.*
Total	**3,396**	**2,860**	**228**	**8.0%**
30 June 2018	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	1,330	1,744	168	9.6%
Leonardo DRS	1,032	792	39	4.8%
Eliminations	*(7)*	*(15)*	-	*n.a.*
Total	**2,355**	**2,521**	**207**	**8.2%**
Change %	**New orders**	**Revenues**	**EBITA**	**ROS**
DES Europe	51.0%	7.3%	2.4%	(0.4) p.p.
Leonardo DRS	35.3%	26.1%	43.6%	0.8 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**44.2%**	**13.4%**	**10.1%**	**(0.2) p.p.**

Average €/USD exchange rate: 1.1298 (1st half of 2019) and 1.2108 (1st half of 2018)

New Orders: These increased considerably compared to the first half of 2018, due to higher orders gained both in the *Defense Electronics & Security* sector and at Leonardo DRS. Among the main orders in the period, note the order of Leonardo DRS for the production of new generation US Army mission command computing systems named Mounted Family of Computer Systems (MFoCS) II, the export order in the Electronics Division for the supply of a naval combat system and new orders for Airborne Systems in the United Kingdom for the development of electronic-scanning avionic radar systems and communication systems. As regards the *Automation* business, note the orders for the renewal of the baggage handling system for the international airport of Geneva and for that of Athens.

Revenues. These increased compared to 2018, mainly for higher activities in Leonardo DRS and within the Airborne Systems.

EBITA. They showed an increase compared the first half of 2018 due to higher volumes. The good levels of ROS were confirmed even if it was affected by a mix of revenues characterised by higher "pass-through" supplies and programmes being developed or gained in particularly competitive sectors, which are basic for the positioning on key customers and for achieving the objectives set for next years.

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

	New orders	Revenues	EBITA	ROS
DRS ($mil.) June 2019	1,577	1,129	63	5.6%
DRS ($mil.) June 2018	1,250	959	46	4.8%

Aeronautics

During the first half of 2019 New Orders were gained for an amount of €bil. 1.3, about 75% of which related to the *Aircraft* Division.

From a production point of view, 82 deliveries were made for fuselage sections and 41 stabilisers for the B787 programme (compared to 72 fuselage sections and 44 stabilisers delivered in the first half of 2018), and 36 fuselages for the ATR programme (41 delivered in the first half of 2018). For military programmes there was the delivery of two C27J aircraft to the Air Force of an African Country and of 18 wings to Lockheed Martin for the F-35 programme.

New Orders**.** They showed an increase compared to the first half of 2018 for higher orders in the *Aircraft* Division for the EFA and M345 programmes. Among the major orders gained in the first half of 2019 were:

- in the *Aircraft* Division the order for the supply of 13 additional M345 aircraft to the Italian Air Force and related logistic support for 5 years, the orders received from the Eurofighter Consortium for engineering services and support to the EFA aircraft fleet, as well as the orders from Lockheed Martin for the F-35 programme and from other customers for logistic support to the C27J and ATR Maritime Patrol aircraft and trainers;
- in the *Aerostructures* Division the orders for the supply of 50 B787 fuselage sections and 37 ATR fuselage sections, as well as those for production on the A321 and A220 programmes

Revenues. They were in line with those posted in the first half of 2018 as a whole.

EBITA. It remained in line with the first half of 2018. The improvement in the *Aircraft* Division, which confirmed excellent profitability levels, and in the *Aerostructures* Division, whose performance has started to benefit from efficiency improvement actions of industrial processes, offset the lower results posted by GIE-ATR Consortium, which was adversely affected by lower deliveries during the period and by a different production mix.

Space

The result for the first half of 2019 was affected by a deterioration in the performance of the manufacturing segment that recorded lower activities, in particular for telecommunication satellites, and by higher costs for the development of new generation satellite platforms.

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Outlook

In consideration of the results achieved in the first half of 2019 and of the expectations for the following months, we confirm the Guidance for the entire year that were made at the time of the preparation of the financial statements at 31 December 2018.

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Industrial and financial transactions

Industrial transactions*:* On 31 January 2019, as all required conditions were met including Golden Power and Antitrust approvals, Leonardo signed the closing of the acquisition of 98.54% in Vitrociset.

Furthermore, on 25 March 2019, Leonardo signed an arrangement with the Algerian Ministry of National Defence for the establishment of a joint venture for the assembly, sale and supply of services regarding helicopters.

Finally, on 27 June 2019 the Board of Directors of Leonardo S.p.a. approved the plan for the merger of Sistemi Dinamici S.p.A. - an engineering company, which is a subsidiary operating in the development, production and sale of remotely-controlled aircraft – by incorporation into Leonardo S.p.a.. The transaction falls within the scope of the overall One Company project for the rationalisation of some assets, in terms of strategy and corporate structure, used in the core business of the Aerospace, Defence and Security, in order to make Leonardo’s industrial operations more efficient and effective, with a view to completing the process of combination between the two companies, which had been started in 2016 with the acquisition of total control over Sistemi Dinamici. The merger will become effective on 1 January 2020.

Financial transactions. No new transaction was carried out on financial markets during the first half of 2019.

In May 2019 Leonardo used, for an amount of €mil. 300, the loan, which had been raised with the European Investment Bank (EIB) in November 2018 and which was aimed at supporting the investment projects envisaged in the Group's business plan. Still in May the Group renewed its EMTN (Euro Medium Term Notes) programme for 12 additional months, leaving the maximum available amount of €bil. 4 unchanged. No bond issues were launched in the Euromarket within the scope of said programme during the first half-year.

Furthermore, to meet the financing needs for ordinary Group activities, Leonardo obtained a Revolving Credit Facility for a total of €mil. 1,800, as well as additional unconfirmed short-term lines of credit for a total of €mil. 687. All the aforesaid lines of credit were entirely unused at 30 June 2019. Furthermore, unconfirmed unsecured lines of credit are also available for approximately €mil. 3,282.

Leonardo is the issuer of all the bonds in € and GBP placed on the market within the EMTN programme, and also acts as a guarantor for the bond issues launched by Leonardo US Holding Inc. in the US market. The Group's issues are governed by regulations laying down standard legal clauses for this type of transactions carried out by corporate entities in institutional markets, which do not require any commitment with respect to specific financial covenants, while they include, among others, negative pledge and cross default clauses. According to negative pledge clauses, the Group's issuers, Leonardo and their Material Subsidiaries (i.e. entities in which Leonardo holds more than 50% of the capital and whose gross revenues and total assets account for at least 10% of consolidated gross revenues and total assets) are specifically prohibited from creating collaterals or any other encumbrance as security for their debt comprised of bonds or financial instruments that are either listed or capable of being listed, unless these guarantees are extended to all the bondholders. This prohibition shall not apply to securitisation transactions and, with effect from July 2006, to any set of assets intended for specific businesses pursuant to Articles 2447-*bis* and ff. of the Italian Civil Code. On the contrary, cross default clauses grant the bondholders the right to request early repayment of bonds in their possession upon the occurrence of an event of default on the part of the Group's issuers and/or Leonardo and/or any of their Material Subsidiaries, the result of which would be their failure to make payments above the established limits.

Financial covenants are also included in the Revolving Credit Facility line of credit described above, for a total of €mil. 1,800, which provide for compliance by Leonardo with two financial ratios (a Group Net Debt, excluding payables to the joint ventures MBDA and Thales Alenia Space/EBITDA, of not more than 3.75 and an EBITDA/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 2018. In accordance with the contract provisions that provided for this option, these covenants were also extended to the EIB loan, which is currently outstanding for €mil. 178, as well as to the newly executed loan referred to above and to the Term Loan of €mil. 500, and to some loans recently granted by US banks in favour of DRS, in a total amount of USDmil.85 (which had been used for USDmil. 4 at 30 June 2019).

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

In May Moody's upgraded Leonardo's baseline credit assessment (BCA) from Ba2 to Ba1 – on the basis of an improvement reported in terms of profitability and cash generation –, while maintaining both the rating (Ba1) and the outlook (stable) unchanged. At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	**Latest update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	October 2018	Ba1	stable	Ba1	positive
Standard&Poor's	April 2015	BB+	stable	BB+	negative
Fitch	October 2017	BBB-	stable	BB+	positive

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

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

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Related party transactions

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

Pursuant to Article 5.8 of the Regulation, it should be noted that no transactions of greater importance (as defined by Article 4.1.a) and identified by the abovementioned Procedure pursuant to Annex 3 attached to the Regulation were carried out during the first half of 2019, nor were other related-party transactions, which would affect, in a significant manner, the consolidated financial position or the Leonardo Group's results for the reporting period. Finally, it should be noted that no changes or developments took place in relation to the related party transactions described in the 2018 Report on Operations.

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Main risks for the remaining months of the financial year: the main risks to which the Group is exposed in the following six months of the financial year are unchanged from those described in fuller detail in the Consolidated Financial Statements at 31 December 2018 in the section "*Leonardo and risk management*". Any updates relating to specific risk positions are illustrated in Note 17 to the condensed consolidated half-year financial statements at 30 June 2019.

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"Non-GAAP" performance indicators

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

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

- **New orders:** this includes sales contracts signed with customers during the period, which provide for the counterparties' obligation to comply therewith.
- **Order backlog:** this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.
- **EBITDA:** this is given by EBITA, as defined below, before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among "non-recurring costs").
- **EBITA:** it is arrived at by eliminating from EBIT, as defined below, the following items:
  - any impairment in goodwill;
  - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;

- restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
- other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

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

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

(€ millions)	**For the six months ended 30 June**	
	2019	***2018***
Income before tax and financial expenses	428	181
Equity-accounted strategic JVs	34	59
EBIT	**462**	**240**
Amortisation of intangible assets acquired as part of business combinations	14	48
Restructuring costs	7	182
Non-recurring (income) expense	4	-
EBITA	**487**	**470**

- **Return on Sales (ROS)***:* this is calculated as the ratio of EBITA to revenue.
- **EBIT**: this is obtained by adding to EBIT (defined as earnings before "financial income and expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of the strategic Joint Ventures of the Group (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".
- **Net result before extraordinary transactions**: this is the Net Result before the result from discontinued operations and effects of the extraordinary transactions (acquisitions and disposals).
- **Group Net Debt**: this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items, as well as the main non-current receivables. In particular, the Group Net Debt included the financial receivable (backed by bank guarantees) from SuperJet which will be repaid by 2020 based on the arrangements for the rescheduling of the Group's participation in this programme. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is provided in Note 16;
- **Free Operating Cash-Flow (FOCF)***:* this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of

equity investments that, due to their nature or significance, are considered "strategic investments") and dividends received. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section "Group results and financial position".

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

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

	Scheme	PPA amortis.	Restruct. and non recurring costs	strategic JVs	Onereous contracts (losses at completion)	**Reclassified scheme**
Revenue	5,962					5,962
Purchase and personnel expenses	(5,263)		3		47	(5,213)
Other net operating income/(expenses)	15		4		(47)	(28)
Equity-accounted strategic JVs				34		34
Amortisation, depreciation and financial assets value adjustments	(286)	14	4			(268)
EBITA						**487**
Non-recurring income/(expenses)			(4)			(4)
Restructuring costs			(7)			(7)
Amortisation of intangible assets acquired as part of business combinations		(14)				(14)
EBIT						**462**
Financial income/(expenses)	(129)					
Share of profits/(losses) of equity-accounted investees	39					
Net financial income/(expenses)	(90)			(34)		(124)
Income taxes	(86)					(86)
Net Result before extraordinary transactions						**252**
Net result related to discontinued operations and extraordinary transactions	97					97
Net result	**349**					**349**

	Scheme	**Financial receivables and cash**	**Financial payables**	**Hedging derivatives on debt items**	**Reclassified scheme**
Non-current assets	12,203	(13)			12,190
Non-current liabilities	(6,540)		4,144		(2,396)
Capital assets					**9,794**
Current assets	14,065	(1,363)		7	12,709
Current liabilities	(15,078)		1,323		(13,755)
Net working capital					**(1,046)**
Equity attributable to the owners of the parent	4,706				4,706
Equity attributable to non-controlling interests	11				11
Total equity	**4,717**				**4,717**
Group Net Debt		(1,376)	5,467	7	**4,098**
Net (assets)/liabilities held for sale	**(67)**				**(67)**

	Scheme	dividends	Cash out from Law no. 808/85 payables	Strategic investments	Other and rounding	Reclassified scheme
Gross cash flows from operating activities	759					
Change in other operating assets and liabilities and provisions for risks and charges	(233)					
Interests paid	(138)					
Income taxes paid	(35)					
Change in working capital	(1,285)					
Cash flows used in operating activities	(932)		100			(832)
Dividends received		129				129
Investments in property, plant and equipment and intangible assets	(254)					
Sales of property, plant and equipment and intangible assets	6					
Cash flows from ordinary investing activities	(248)		(100)		1	(347)
Free Operating Cash Flow (FOCF)						**(1,050)**
Strategic investments				(44)		(44)
Other investing activities	67	(129)		44	(1)	(19)
Cash flows used in investing activities						
Dividends paid	(81)					(81)
Net change in loans and borrowings	326					326
Net increase (decrease) in cash and cash equivalents	**(868)**					**(868)**
Cash and cash equivalents at 1 January	2,049					2,049
Exchange rate differences and other changes	4					4
Net increase (decrease) in cash of discontinued operations	(6)					(6)
Cash and cash equivalents at 30 June	**1,179**					**1,179**

Condensed consolidated half-year financial statements at 30 June 2019

Condensed consolidated separate income statement

		For the six months ended 30 June			
(€ millions)	*Note*	***2019***	*of which with related parties*	***2018***	*of which with related parties*
Revenue	*21*	5,962	*803*	5,589	*809*
Purchase and personnel expenses	*23*	(5,263)	*(143)*	(5,242)	*(138)*
Amortisation, depreciation and financial assets value adjustments	*24*	(286)		(245)	
Other net operating income/(expenses)	*22*	15	*2*	79	*2*
Income before tax and financial expenses		**428**		**181**	
Financial income/(expenses)	*25*	(129)	-	(124)	*2*
Share of profits/(losses) of equity-accounted investees	*26*	39		65	
Operating profit (loss) before income taxes and discontinued operations		**338**		**122**	
Income taxes		(86)		(16)	
Profit (loss) from discontinued operations	*27*	97		-	
Net profit/(loss) for the period attributable to:		**349**		**106**	
- owners of the parent		*349*		*106*	
- non-controlling interests		-		-	
Earnings/(losses) per share	*28*	*0.607*		*0.185*	
- basic and diluted from continuing operations		*0.438*		*0.185*	
- basic and diluted from discontinued operations		*0.169*		*n.a*	

The data at 30 June 2019 have been restated in the application of IFRS 16. On the contrary, the data for the comparative period have not been restated in accordance with the transition rules laid down and described in Note 5.

Consolidated statement of comprehensive income

(€ millions)	*Note*	For the six months ended 30 June 2019		2018	
Profit (loss) for the period			**349**		**106**
Other comprehensive income (expenses):					
Comprehensive income/expenses which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	*15*		(49)		47
- revaluation		*(49)*		*50*	
- exchange rate gains (losses)		*-*		*(3)*	
- Tax effect	*15*		6		(7)
			(43)		40
Comprehensive income/expenses which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	*15*		(34)		(10)
- change generated in the period		*(37)*		*(13)*	
- transferred to the profit (loss) for the period		*2*		*3*	
- exchange rate gains (losses)		*1*		*-*	
- Translation differences	*15*		10		45
- change generated in the period		*10*		*45*	
- transferred to the profit (loss) for the period		*-*		*-*	
- Tax effect	*15*		8		1
			(16)		36
Current portion of "Other comprehensive income (expense)", equity-accounted investees			(5)		2
Total other comprehensive income (expenses), net of tax:			**(64)**		**78**
Total comprehensive income (expenses), attributable to:			**285**		**184**
- *Owners of the parent*			285		184
- *Non-controlling interests*			-		-
Total comprehensive income (expenses), attributable to Owners of the parent			**285**		**184**
- from continuing operations			188		184
- from discontinued operations			97		-

The data at 30 June 2019 have been restated in the application of IFRS 16. On the contrary, the data for the comparative period have not been restated in accordance with the transition rules laid down and described in Note 5.

Condensed consolidated statement of financial position

(€ millions)	*Note*	*30 June 2019*	*of which with related parties*	*31 December 2018*	*of which with related parties*
Intangible assets	8	6,681		6,591	
Property, plant and equipment and investment properties	9	2,149		2,222	
Rights of use	10	452		-	
Deferred tax assets		1,175		1,208	
Other non-current assets	11	1,746	*1*	1,828	*1*
Non-current assets		**12,203**		**11,849**	
Inventories		6,034		5,449	
Trade receivables, including contract assets	13	6,028	*550*	5,464	*504*
Loans and receivables		184	*140*	185	*153*
Other current assets	14	640	*111*	516	*4*
Cash and cash equivalents		1,179		2,049	
Current assets		**14,065**		**13,663**	
Non-current assets held for sale	27	88		7	
Total assets		**26,356**		**25,519**	
Share capital	15	2,495		2,495	
Other reserves		2,211		2,004	
Equity attributable to the owners of the parent		4,706		4,499	
Equity attributable to non-controlling interests		11		11	
Total equity		**4,717**		**4,510**	
Loans and borrowings (non-current)	16	4,144	*32*	3,423	-
Employee benefits	18	516		506	
Provisions for risks and charges	17	737		885	
Deferred tax liabilities		294		322	
Other non-current liabilities	19	849	-	898	-
Non-current liabilities		**6,540**		**6,034**	
Trade payables, including contract liabilities	20	10,960	*114*	11,083	*153*
Loans and borrowings (current)	16	1,323	*698*	1,190	*669*
Income tax payables		67		35	
Provisions for short-term risks and charges	17	1,152		1,125	
Other current liabilities	19	1,576	*18*	1,542	*104*
Current liabilities		**15,078**		**14,975**	
Liabilities associated with assets held for sale	27	21		-	
Total liabilities		**21,639**		**21,009**	
Total liabilities and equity		**26,356**		**25,519**	

The data at 30 June 2019 have been restated in the application of IFRS 16. On the contrary, the data for the comparative period have not been restated in accordance with the transition rules laid down and described in Note 5.

Consolidated statement of cash flows

(€ millions)	*Note*	*For the six months ended 30 June* **2019**	*of which with related parties*	**2018**	*of which with related parties*
Gross cash flows from operating activities	*29*	759		671	
Change in working capital	*29*	(1,285)	*(85)*	(1,021)	*(51)*
Change in other operating assets and liabilities and provisions for risks and charges		(233)	*(193)*	(244)	*(199)*
Interests paid		(138)	*(1)*	(148)	*2*
Income taxes paid		(35)	-	(13)	-
Cash flows used in operating activities		**(932)**		**(755)**	
Investments in property, plant and equipment and intangible assets		(254)		(236)	
Sales of property, plant and equipment and intangible assets		6		4	
Other investing activities		67	-	163	-
Cash flows used in investing activities		**(181)**		**(69)**	
Dividends paid		(81)		(81)	
Bond Buy Back		-		(13)	
Net change in other loans and borrowings		326	*17*	1	*(62)*
Cash flows generated from financing activities		**245**		**(93)**	
Cash and cash equivalents at 1 January		2,049		1,893	
Net increase (decrease) in cash and cash equivalents		(868)		(917)	
Exchange rate differences and other changes		4		-	
Net increase (decrease) in cash of discontinued operations		(6)		-	
Cash and cash equivalents at 30 June		**1,179**		**976**	

The data at 30 June 2019 have been restated in the application of IFRS 16. On the contrary, the data for the comparative period have not been restated in accordance with the transition rules laid down and described in Note 5.

Consolidated statement of changes in equity

(€ millions)	Share capital	Retained earnings and other reserves	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 January 2018	**2,491**	**2,401**	**(57)**	**(158)**	**(478)**	**4,199**	**14**	**4,213**
IFRS 9 adoption		(121)				(121)	(1)	(122)
1 January 2018	**2,491**	**2,280**	**(57)**	**(158)**	**(478)**	**4,078**	**13**	**4,091**
Profit (loss) for the period		106				106	-	106
Other comprehensive income (expenses)			(12)	43	47	78		78
Total comprehensive income (expenses)	**-**	**106**	**(12)**	**43**	**47**	**184**	**-**	**184**
Dividends resolved		(80)				(80)	(1)	(81)
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	**-**	**(80)**	**-**	**-**	**-**	**(80)**	**(1)**	**(81)**
Other changes		6		(1)		5	(2)	3
30 June 2018	**2,491**	**2,312**	**(69)**	**(116)**	**(431)**	**4,187**	**10**	**4,197**
1 January 2019	**2,495**	**2,685**	**(104)**	**(168)**	**(409)**	**4,499**	**11**	**4,510**
Profit (loss) for the period		349				349	-	349
Other comprehensive income (expenses)			(27)	(47)	10	(64)	-	(64)
Total comprehensive income (expenses)	**-**	**349**	**(27)**	**(47)**	**10**	**285**	**-**	**285**
Dividends resolved		(80)	-	-	-	(80)	(1)	(81)
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	**-**	**(80)**	**-**	**-**	**-**	**(80)**	**(1)**	**(81)**
Other changes		1		(4)	5	2	1	3
30 June 2019	**2,495**	**2,955**	**(131)**	**(219)**	**(394)**	**4,706**	**11**	**4,717**

The data at 30 June 2019 have been restated in the application of IFRS 16. On the contrary, the data for the comparative period have not been restated in accordance with the transition rules laid down and described in Note 5.

Explanatory notes

1. GENERAL INFORMATION

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

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The half-year financial report of the Group at 30 June 2019 was prepared in accordance with Article 154-*ter*, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. The condensed consolidated half-year financial statements at 30 June 2019, included in the half-year financial report, were prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and comprise the condensed consolidated separate income statement, consolidated statement of comprehensive income, condensed consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the related explanatory notes.

In accordance with IAS 34, these notes are presented in condensed form and do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the Group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. This half-year financial report should, therefore, be read in conjunction with the 2018 annual consolidated financial statements. The statement of financial position and income statement are likewise presented in a condensed format compared to the annual financial statements. The related explanatory notes include a reconciliation with year-end schedules for items aggregated in condensed schedules.

This half-year financial report has been prepared by using the same accounting policies, recognition and measurement criteria, as well as consolidation methods as used to prepare the consolidated financial statements at 31 December 2018 and the half-year financial report at 30 June 2018, except for those specifically applicable to interim financial reports and for what is reported below (Note 5).

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

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

	30 June 2019		31 December 2018	30 June 2018	
	average	final	final	average	final
US dollar	1.1298	1.1380	1.1450	1.2108	1.1658
Pound sterling	0.8736	0.8966	0.8945	0.8797	0.8861

The Leonardo Group's condensed consolidated half-year report at 30 June 2019 was approved by the Board of Directors' meeting held on 30 July 2019 and was published on the same date.

Amounts are shown in millions of euros unless stated otherwise.

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

3. SIGNIFICANT ISSUES AND CRITICAL ESTIMATES BY MANGEMENT

No changes are reported in relation to significant issues that require critical estimates by management compared to the information provided in Note 4 of the 2018 consolidated financial statements, to which reference should be made.

4. BUSINESS SEASONALITY

Cash flows relating to operations

The Group's key business segments feature a high concentration of cash flows from customers in the last few months of the year. This has an impact on interim cash flows and the variability of the Group's debt over the various interim periods, which improves substantially in the last few months of the calendar years.

5. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

With effect from 1 January 2019 (First Time Adoption) the Group adopted the accounting standard IFRS 16 "Leases", which sets out new methods of recognition of contracts in the financial statements of lessee companies, imposing a single model for any and all types of contracts. For lessor companies the distinction between operating and finance leases is still adopted.

IFRS 16 replaces IAS 17 and related Interpretations (IFRIC 4); specifically, under this standard, any and all contracts that grant the right of use of an asset, which is identified or identifiable, for a certain period of time in exchange for a consideration, must be recognised by recording, in the statement of financial position, non-current assets and a financial liability equal to the present value of future lease payments using the implicit interest rate of the lease (or the lessee's marginal borrowing rate if the implicit interest rate cannot be identified).

After initial recognition the lessee recognises the amortisation of rights of use and any interest accrued on the liability.

In accordance with the approach previously adopted by the Group, the cash flow statement reports the repayment of principal of the financial liability among "cash flows from financing activities", while the amount of interest is recognised among "cash flow from operating activities."

Upon first-time adoption, the Group adopted the "modified" retrospective approach, which provides for the recognition of the impacts arising from first-time adoption at 1 January 2019, without restating comparative values, determining the value of the right of use related to each lease agreement in an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments at 1 January 2019.

The Group made use of the following practical expedients envisaged by the standard:

- The possibility of not reviewing the contracts in place at 1 January 2019, applying IFRS 16 to the contracts previously identified as leases (under IAS 17 and IFRIC 4) only;
- Excluding from the scope of application any lease with a term of less than 12 months from the date of first-time adoption and any lease concerning low-value assets (less than € 5,000);
- Excluding from the scope of application any lease with a residual term of less than 12 months at 1 January 2019;
- Applying a single discount rate for any lease agreement with similar features, taking account of the time horizon and the geographical area.

The effects arising from the adoption of the new standard on the position at 1 January 2019 were as follows:

Rights of use	445
Lease liabilities	458
Other liabilities	(13)

The table below provides the reconciliation of the amount of future minimum payments due for operating lease agreements which cannot be cancelled, reported in the financial statements at 31 December 2018 (Note 25) and the balance of lease borrowings at 1 January 2019:

Non-cancellable lease payments at 31 December 2018	**574**
Discounting effect *at 1 January 2019*	(95)
Exclusion of leases exempt from recognition	(22)
Recognition of lease instalments entered into but not started	(52)
Other changes	53
Lease borrowings at 1 January 2019	**458**

The lessee's weighted average borrowing rate applied to lease payables at 1 January 2019 was 3.3%.

Any lease previously classified as financial lease according to IAS 17 has been reclassified to rights of use. The definition of leases reported in IFRS 16 has been applied solely to those lease agreements entered into or modified starting from 1 January 2019.

6. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

On July 2019, in complying with the contract clauses laid down in the Space Alliance agreement (detailed in Note 12) Leonardo offered to the Space Alliance the space business unit taken over within the acquisition of Vitrociset. Negotiations are currently being held with Thales for the purposes of determining the value of the business unit.

7. SEGMENT REPORTING

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

The Report on Operations provides a detailed analysis of the main programmes, outlooks and operating indicators for each segment.

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

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

The results for each sector at 30 June 2019, as compared with those of the same period of the previous year are as follows:

For the six months ended 30 June 2019	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Elimin-ations	Total
Revenues	1,895	2,860	1,389	-	211	(393)	**5,962**
Inter-segment revenue (*)	(7)	(246)	(2)	-	(138)	393	**-**
Third party revenue	**1,888**	**2,614**	**1,387**	**-**	**73**	**-**	**5,962**
EBITA	**200**	**228**	**121**	**13**	**(75)**	**-**	**487**
Investments	238	128	55	-	42	(156)	**307**
For the six months ended 30 June 2018	**Helicopters**	**Defense Electronics & Security**	**Aeronautics**	**Space**	**Other Activities**	**Elimin-ations**	**Total**
Revenues	1,830	2,521	1,426	-	176	(364)	**5,589**
Inter-segment revenue (*)	(1)	(236)	(1)	-	(126)	364	**-**
Third party revenue	**1,829**	**2,285**	**1,425**	**-**	**50**	**-**	**5,589**
EBITA	**153**	**207**	**123**	**21**	**(34)**	**-**	**470**
Investments	59	75	51	-	8	-	**193**

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

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

For the six months ended 30 June 2019	Helicopters	Defense Electronics & Security	Aeronautics	Other Activities	Elimin-ations	Total
Italy	313	682	105	158	(265)	**993**
United Kingdom	254	642	-	-	(75)	**821**
Rest of Europe	691	262	455	2	(1)	**1,409**
North America	174	1,041	497	-	(2)	**1,710**
Rest of world	463	233	332	51	(50)	**1,029**
Revenue	**1,895**	**2,860**	**1,389**	**211**	**(393)**	**5,962**
Inter-segment revenue (*)	(7)	(246)	(2)	(138)	393	-
Third party revenue	**1,888**	**2,614**	**1,387**	**73**	**-**	**5,962**

For the six months ended 30 June 2018	Helicopters	Defense Electronics & Security	Aeronautics	Other Activities	Elimin-ations	Total
Italy	193	682	102	171	(343)	**805**
United Kingdom	255	563	-	-	(19)	**799**
Rest of Europe	706	244	487	4	-	**1,441**
North America	130	792	443	-	(2)	**1,363**
Rest of world	546	240	394	1	-	**1,181**
Revenue	**1,830**	**2,521**	**1,426**	**176**	**(364)**	**5,589**
Inter-segment revenue (*)	(1)	(236)	(1)	(126)	364	-
Third party revenue	**1,829**	**2,285**	**1,425**	**50**	**-**	**5,589**

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

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

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

For the six months ended 30 June 2018	Helicopters	Defense Electronics & Security	Aeronautics	Space	Other Activities	Total
EBITA	153	207	123	21	(34)	470
Amortisation of intangible assets acquired as part of business combinations	(4)	(44)	-	-	-	(48)
Restructuring costs	(1)	(9)	-	-	(172)	(182)
Equity-accounted strategic JVs	-	(19)	(19)	(21)	-	(59)
Income before tax and financial expenses	**148**	**135**	**104**	**-**	**(206)**	**181**

8. INTANGIBLE ASSETS

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

	30 June 2019	31 December 2018	Investments for the six months at	
			30 June 2019	30 June 2018
Goodwill	3,741	3,733	-	-
Development costs	468	476	30	20
Non-recurring costs	1,857	1,760	125	87
Concessions, licences and trademarks	204	207	1	1
Acquired through business combinations	309	322	-	-
Other intangible assets	102	93	11	5
	6,681	**6,591**	**167**	**113**

Goodwill increased due to the differences deriving from the conversion of the foreign currency assets, mainly referable to amounts in USD. At 30 June 2019, based on the performance of the cash generating units ("CGUs") and considering the positive margins from the impairment tests carried out when preparing the financial statements as at 31 December 2018, no impairment indicators are seen such that could require a revision of these tests.

It should be noted that, also with reference to development costs and non-recurring charges, no evidence of impairment was reported in relation to the performance of the programmes and of the sales plans used for the tests conducted upon the preparation of the 2018 Financial Statements.

Commitments are in place for the purchase of intangible assets for €mil. 4 (€mil. 5 at 31 December 2018).

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	30 June 2019	31 December 2018	Investments for the six months at	
			30 June 2019	30 June 2018
Land and buildings	941	947	1	1
Plant and machinery	361	402	5	7
Equipment	524	551	17	22
Other tangible assets	323	322	77	50
	2,149	**2,222**	**100**	**80**

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 33 (€mil. 37 at 31 December 2018).

10. RIGHTS OF USE

	30 June 2019	31 December 2018	Investments for the six months at	
			30 June 2019	30 June 2018
Right of use of land and buildings	406	-	36	-
Right of use of plant and machinery	3	-	-	-
Right of use of equipment	6	-	2	-
Right of use of other tangible assets	37	-	2	-
	452	**-**	**40**	**-**

Rights of use are recognised in the application of IFRS 16, which entailed the recognition of assets for €mil. 445 (Note 5) at 1 January 2019. This item showed an increase as a result of the capitalisations for the period, net of amortisation during the half-year.

11. OTHER NON-CURRENT ASSETS

	30 June 2019	*31 December 2018*
Financing to third parties	11	12
Non current financial receivables from Superjet	13	25
Deferred grants under Law no. 808/85	36	36
Defined benefit plan assets, net	299	309
Related party receivables (Note 30)	1	1
Other non-current receivables	69	67
Non-current receivables	**429**	**450**
Prepayments - non-current portion	5	5
Equity investments	1,094	1,157
Non-recurring costs pending under Law no. 808/1985	218	216
Non-current assets	**1,317**	**1,378**
	1,746	**1,828**

The decrease in the item of equity investments was due to the distribution of dividends in the period. Such decrease was partly offset by the results for the period of the companies valued at equity.

12. BUSINESS COMBINATIONS

On 31 January 2019 there was the closing of the transaction which involved the acquisition by Leonardo S.p.a. of 98.54% of the shares of Vitrociset S.p.A. and by Leonardo Global Solutions of 4 properties. Following this transaction, Leonardo now owns all the shares of Vitrociset S.p.A.. The consideration paid for the transaction was equal to €mil. 46, of which €mil. 27 for the acquisition of Vitrociset shares and €mil. 19 for the acquisition of the assets.

Such acquisition helped Leonardo strengthen its services core business, especially Logistics, Simulation & Training and Space Operations, including the *Space Surveillance and Tracking* segment. Moreover, Leonardo consolidated the Italian allied businesses to the Aerospace, Defense and Security industry, increasing the competitive edge under significant market prospects.

The Purchase Price Allocation process related to acquired values is currently in progress and is expected to be completed by the reporting date of the 2019 financial statements. Leonardo has proceeded with an assessment of the space business unit, which will be involved in the carve-out and has provisionally estimated the fair value of the net assets.

	Book values	***ADJ Fair value***	***Provisional Fair value***
Non-current assets	79	(6)	73
Current assets	176	(12)	164
Cash and cash equivalents	13	-	13
	268	**(18)**	**250**
Non-current liabilities	(43)	-	(43)
Current liabilities	(157)	(4)	(161)
Net assets acquired	**68**	**(22)**	**46**
Price paid			**46**
Goodwill deriving from the acquisition			-

The Space Alliance agreements that were entered into by the then Finmeccanica S.p.A. with Alcatel Partecipations (now Thales) in 2005 provided, among non-competition clauses, for the partners of the joint venture to be prohibited from operating in space-related businesses. These clauses also provided for the obligation to grant Space Alliance a pre-emption right concerning any such contract in the space business as should be gained by the shareholders after the establishment of the space joint ventures. In accordance with these provisions Leonardo has completed an assessment of the space business included in the Vitrociset Group's operations and has provisionally estimated the related fair value at €mil. 47 at 30 June 2019, which are classified in this half-year financial report as group of assets held for sale and "Discontinued Operations" (the breakdown of the values is reported in Note 27).

No business combinations took place during the first half of 2018.

13. TRADE RECEIVABLES, INCLUDING CONTRACT ASSETS

	30 June 2019	31 December 2018
Trade receivables	2,725	2,432
Related party trade receivables (Note 30)	550	504
	3,275	**2,936**
Contract assets	2,753	2,528
	6,028	**5,464**

For the primary credit risks related to the Group's business that did not change during this half-year, reference is made to Note 16 to the consolidated financial statements at 31 December 2018.

Below is the breakdown of net contract assets (liabilities):

	30 June 2019	31 December 2018
Contract assets	2,753	2,528
Contract liabilities	(7,943)	(8,055)
	(5,190)	**(5,527)**

14. OTHER CURRENT ASSETS

	30 June 2019		*31 December 2018*	
Income tax receivables		74		72
Derivatives		85		107
Other current assets:		481		337
Prepaid expenses - current portion	*72*		*64*	
Receivables for grants	*69*		*69*	
Receivables from employees and social security	*54*		*48*	
Indirect tax receivables	*47*		*47*	
Deferred receivables under Law no. 808/85	*11*		*11*	
Other related party receivables (Note 30)	*111*		*4*	
Other assets	*117*		*94*	
		640		**516**

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

	30 June 2019			31 December 2018		
	Level 2	Level 3	**Total**	Level 2	Level 3	**Total**
Other non-current assets	-	-	-	-	-	-
Other current assets	85	-	85	107	-	107
Other non-current liabilities	-	198	198	-	189	189
Other current liabilities	216	-	216	199	-	199

15. EQUITY

Share capital	**Number of ordinary shares**	**Par value**	**Treasury shares**	**Costs incurred (net of tax effect)**	**Total**
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,305,230)	-	(30)	-	(30)
31 December 2018	**574,845,165**	**2,544**	**(30)**	**(19)**	**2,495**
Repurchase of treasury shares less shares sold	-	-	-	-	-
30 June 2019	**574,845,165**	**2,544**	**(30)**	**(19)**	**2,495**
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,305,230)	-	(30)	-	(30)

At 30 June 2019, the Ministry of Economy and Finance owned 30.204% of the share capital. Dividends were paid for an amount of € 0.14 per share during the half-year.

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

	Group - consolidated entities			Group - equity accounted investments		
	Amount before taxes	Tax effect	**Net amount**	Amount before taxes	Tax effect	**Net amount**
For the six months ended 30 June 2019						
Revaluation of defined-benefit plans	(49)	6	**(43)**	(5)	1	**(4)**
Changes in cash-flow hedges	(34)	8	**(26)**	3	(4)	**(1)**
Foreign currency translation difference	10	-	**10**	-	-	**-**
Total	**(73)**	**14**	**(59)**	**(2)**	**(3)**	**(5)**
For the six months ended 30 June 2018						
Revaluation of defined-benefit plans	47	(7)	**40**	2	1	**3**
Changes in cash-flow hedges	(10)	1	**(9)**	(4)	1	**(3)**
Foreign currency translation difference	45		**45**	2		**2**
Total	**82**	**(6)**	**76**	**-**	**2**	**2**

16. LOANS AND BORROWINGS

	30 June 2019		31 December 2018	
	Non-current	**Current**	**Non-current**	**Current**
Bonds	2,752	358	2,746	408
Bank loans and borrowings	952	160	651	70
Related party loans and borrowings (Note 30)	32	698	-	669
Other loans and borrowings	408	107	26	43
	4,144	**1,323**	**3,423**	**1,190**

Some credit lines and debt positions of the Group imply the compliance with financial covenants, the probability of default of which is not regarded as significant by the management. Such clauses are reported in detail in the section "*Financial Transactions*" of the Report on Operations.

The increase in loans and borrowings was heavily affected by the recognition of lease payables (classified into "Other loans and borrowings"), in the application of IFRS 16 "Leases" from 1 January 2019.

With reference to the increase in payables to banks, it should be noted, that, during the half-year, the loan raised with the EIB in November 2018 (€mil. 300) was used, while the increase in the current portion was attributable to the use of the short-term credit line of €mil. 101 on the part of Leonardo US Holding Inc..

Related-party loans and borrowings showed an increase following the recognition of lease payables to Cardprize Two Limited for €mil. 32.

Below is the detail of the bonds at 30 June 2019 date which shows the bonds issued by Leonardo ("LDO") and by Leonardo US Holding, Inc ("LH").

Issuer		Year of issue	Maturity	Currency	Outstanding nominal amount (mil.)	Annual coupon		Type of offer
€mil. 500 LDO 2025*	(**)	2005	2025	€	500	4.875%		European Institutional
GBPmil. 400 LDO 2019*	(**)	2009	2019	GBP	278	8.000%	(1)	European Institutional
€mil. 600 LDO 2022*	(**)	2009	2022	€	556	5.250%		European Institutional
USDmil.300 LH 2039*	(***)	2009	2039	USD	169	7.375%		American Institutional Rule 144A/Reg. S
USDmil. 500 LH 2040*	(***)	2009	2040	USD	263	6.250%		American Institutional Rule 144A/Reg. S
€mil. 950 LDO 2021*	(**)	2013	2021	€	739	4.500%		European Institutional
€mil. 600 LDO 2024*		2017	2024	€	600	1.500%		European Institutional

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

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

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

(1) *The proceeds of the issue were translated into euros and the exchange rate risk arising from the transaction was fully hedged.*

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

	30 June 2019	*of which with related parties*	**31 December 2018**	*of which with related parties*
Cash and cash equivalents	**(1,179)**		**(2,049)**	
Securities held for trading	-		-	
Liquidity	**(1,179)**		**(2,049)**	
Current loans and receivables	**(184)**	*(140)*	**(185)**	*(153)*
Current bank loans and borrowings	160		70	
Current portion of non-current loans and borrowings	358		408	
Other current loans and borrowings	805	*698*	712	*669*
Current financial debt	**1,323**		**1,190**	
Net current financial debt (funds)	**(40)**		**(1,044)**	
Non-current bank loans and borrowings	952		651	
Bonds issued	2,752		2,746	
Other non-current loans and borrowings	440	32	26	-
Non-current financial debt	**4,144**		**3,423**	
Net financial debt	**4,104**		**2,379**	

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

	30 June 2019	*31 December 2018*
Net financial debt com. CONSOB no. DEM/6064293	**4,104**	**2,379**
Hedging derivatives in respect of debt items	7	(3)
Non current financial receivables from Superjet	(13)	(25)
Group net debt (KPI)	**4,098**	**2,351**

17. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

	30 June 2019		**31 December 2018**	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	10	26	108	30
Restructuring	149	65	155	86
Tax	20	76	20	80
Product guarantees	92	123	87	120
Onereous contracts (losses at completion)	-	380	-	384
Other provisions	466	482	515	425
	737	**1,152**	**885**	**1,125**

The decrease in provisions for guarantees given reflects the positive outcome of the settlement agreement signed with Hitachi in May 2019 concerning the guarantees issued by Leonardo upon the disposal of the transport business that took place in 2015 (€mil. 92). The transaction's effects through profit or loss, together with any related tax effect, are recognised among the result of "Discontinued operations" (see Note 27).

With regard to the provisions for civil, tax and administrative disputes, it should be noted that the Leonardo Group companies' operations regard industries and markets where many disputes, which are brought as both plaintiff and defendant, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the accounting standards, provisions have only been made for risks that are probable and for which the amount can be determined. No specific provisions have been set aside for other disputes in which the Group is a defendant as these disputes are reasonably expected to be resolved satisfactorily and without significantly impacting the results. Furthermore, it should be noted that, given their complexity, their cutting-edge technological content and the nature of the customers, the Group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account possible developments in the relevant disputes.

With respect to what was already described during the preparation of the 2018 consolidated financial statements, to which reference is made, the following updates related to the outstanding disputes should be noted:

- With reference to the action brought by GMR, following the hearing held on 14 May 2019, the Court, in accepting the defence arguments and exceptions submitted by Leonardo and Ansaldobreda, has ordered – by a judgment dated 14 June 2019 – the stay of the proceedings, pending the settlement of the case before the Supreme Court in relation to the appeal filed against the judgment issued by the Court of Appeal of Naples on the preliminary issue about the exclusion of the aforesaid companies from the proceedings.

It should be noted that in February 2011 GMR, as the sole shareholder of Firema Trasporti, summoned Leonardo and Ansaldobreda before the Court of Santa Maria da Capua Vetere. These proceedings were concluded with the declaration of lack of jurisdiction in favour of the Court of Naples. On 28 April 2015 the suit was dismissed following the failure by GMR to reinstate the action in accordance with the time limits prescribed by law. On 23 June 2015, GMR then served a new writ of summons before the Court of Naples, whereby it once again submitted the same claims as those brought in the previous proceedings. More specifically, according to the plaintiff company, during the period in which Leonardo held an investment in Firema Trasporti (from 1993 to 2005), its management and coordination were carried out to the detriment of the company itself and in the sole interest of the Leonardo Group. Moreover, even after the sale of the investment by Leonardo, Firema Trasporti was allegedly de facto subjected to an abuse of economic dependence from the abovementioned Group in performing the various agreements existing with Ansaldobreda. Leonardo and Ansaldobreda appeared before the court requesting that, on the merits, the plaintiff's claims be dismissed as clearly groundless, as a result of the non-fulfilment of any and all conditions required by law as requirements to bring an action against directors pursuant to Article 2497 of the Italian Civil Code. Moreover, the aforesaid companies also asked the Court to preliminarily hand down a ruling based on the principle of lis alibi pendens (i.e. the suit was pending elsewhere and then the claim was precluded) within these new proceedings with respect to the proceedings, between the same parties, pending before the Court of Naples, which were brought by Firema Trasporti under Extraordinary Management against, among others, Giorgio and Gianfranco Fiore as former directors of the company, who have, in turn, summoned Leonardo and Ansaldobreda before the court.

On 21 November 2018, the proceedings pending before the Court of Naples were also stayed, pending the ruling of the Supreme Court in relation to the preliminary issue about the exclusion of Leonardo and Ansaldobreda from the proceedings, which had been initially ordered by the first-instance court.

The proceedings before the Supreme Court are currently underway.

- Within the time limits set by the Court of Appeal of Rome, the proceedings brought by Mr Pio Maria Deiana, on his own account and in his capacity as Director of Janua Dei S.r.l. and of Società Progetto Cina S.r.l., have been resumed by one of the heirs of the plaintiff. It should be noted that Mr. Pio Maria Deiana had brought proceedings against Leonardo before the Court of

Rome, in order to ask the Court to rule the invalidity of the settlement agreement signed in December 2000 by the aforesaid companies and the then-Ansaldo Industria (a company which was a subsidiary of Leonardo until 2004 and which is now cancelled from the Register of Companies). The aforementioned agreement had settled, by way of conciliation, the action brought before the Court of Genoa in 1998 in order to ask the Court to find Ansaldo Industria liable for breach of contract with regard to the agreements for commercial cooperation in the construction of a waste disposal and cogeneration plant in China, which then was not built. As stated by the plaintiff, the above-mentioned settlement agreement was concluded based on unfair conditions, thus taking advantage of the distress of Mr Deiana and of the economic dependence of the plaintiff companies with respect to Ansaldo Industria. The claim was also submitted against Leonardo, by virtue of an alleged and general liability of the latter, as the parent company controlling Ansaldo Industria at the time of the events being disputed. The damages being sought, to be determined during the course of the proceedings, were estimated at €mil. 2,700. On 25 September 2013 Leonardo appeared before the Court, arguing, among other things, that it lacks the capacity to be sued and asking, on the merits, that the Court rejects the plaintiffs' claims as they are entirely groundless in fact and in law. A minority quotaholder of Società Progetto Cina S.r.l. and a minority quotaholder of Janua Dei Italia S.r.l. intervened in the case, respectively, at the hearings of 14 May 2014 and 25 September 2014.

By a judgment dated 31 May 2018 the Court of Rome rejected the claim submitted by the plaintiff, which took steps to file an appeal. The proceedings before the Court of Appeal of Rome were discontinued due to the death of the appellant and have now been resumed by one of the heirs.

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Furthermore, it should be noted that the Explanatory Notes to the consolidated financial statements at 31 December 2018 provide information on criminal proceedings that involve Group companies for various reasons. With respect to the information reported in the abovementioned financial statements, to which the reader is referred for more details, we highlight the following updates with reference to criminal proceedings pending against some Group companies or Leonardo and some former directors, as well as executives for facts committed in the performance of their duties at Group companies or at Leonardo:

- with reference to the criminal proceedings pending against the former Chairman and Chief Executive Officer of Leonardo S.p.a. and the former Chief Executive Officer of AgustaWestland S.p.A. for crimes under Articles 110, 112, paragraph 1, 318, 321 and 322-*bis*, paragraph 2(2) of the Italian Criminal Code and Article 2 of Legislative Decree 74/2000, in relation to the supply of 12 AW 101 VIP/VVIP helicopters to the Indian Government, on 22 May 2019 the Supreme

Court rejected the appeals against the acquittal ruling issued by the Court of Appeal of Milan on 8 January 2018.

As regards the investigations started by the Indian Judicial Authority (CBI) in February 2013 in relation to the same events as those mentioned above, it should be noted that on 2 February 2018 a notice was served on AgustaWestland International Ltd., whereby the latter was invited to appear at the hearing to be held on 30 May 2018 before the Patiala House Court in New Delhi within the criminal proceedings brought therein against the aforesaid company and other entities and persons, including Leonardo S.p.a..

On 13 April 2018 the Milan Public Prosecutor's Office served on Leonardo S.p.a. a notice of invitation to appear before court. The Company filed an application for enforcement review (*incidente di esecuzione*) with the Judge for Preliminary Investigations (*GIP*), before the Court of Milan, which was rejected on 22 May 2018, as well as an appeal with the Lazio Regional Administrative Court. The Company has brought the same legal actions before the administrative Court and before the Judge for Preliminary Investigations (*GIP*) of the Court of Milan, also with reference to the service of the notice of invitation to appear at the hearing to be held on 10 September 2018. By judgments dated 3 July 2019 the Lazio Regional Administrative Court rejected the appeals submitted by Leonardo S.p.a.. The period of time set out for filing an appeal before the Council of State is currently running.

Finally, it should be noted that AgustaWestland International Ltd appeared at the hearing held on 30 May 2018 within the proceedings brought in India mentioned above, which are continuing before the Patiala House Court of New Delhi;

- with reference to the criminal proceedings pending against the former Chief Executive Officer of Selex Service Management in liquidation, for crimes under Article 416, paragraphs 1, 2 and 5, of the Italian Criminal Code and Articles 81-paragraph 2, 110, 319, 320 and 321 of the Italian Criminal Code and Articles 2 and 8 of Legislative Decree 74/2000, in relation to the award of the contract for the implementation and operation of the Waste tracking and control system SISTRI, on 26 June 2019 the Supreme Court partially confirmed the sentence issued by the Court of Appeal of Naples on 5 January 2018. It should be noted that, within these proceedings, Selex Service Management in liquidation has appeared as the aggrieved party claiming damages in civil action;
- with reference to the criminal proceedings pending before the Court of Rome against, among others, the former Chief Executive Officer of Selex Service Management for the offence under Articles 110, 319 and 321 of the Italian Criminal Code and Articles 81, paragraph 2, 110, 326, 353 of the Italian Criminal Code, as well as the Company for the unlawful act referred to in Article 25 of Legislative Decree no. 231/2001, concerning the tender for awarding a contract in

the ICT area for operational, contract management and procurement services launched by the Prime Minister's Office in 2010, on 17 July 2019 the Court of Rome issued a judgment of acquittal of the accused persons from the charges attributed to them;

- with reference to the criminal proceedings pending against three former employees of AgustaWestland SpA (who are currently working for Leonardo – Helicopters Division) and an employee of AgustaWestland Philadelphia Corporation, for the crime referred to in Article 449 of the Italian Criminal Code in relation to Articles 428 and 589 of the Italian Criminal Code, in relation to the accident that occurred in Santhià on 30 October 2015, on 16 April 2018 the Judge of the Preliminary Hearing of the Court of Vercelli ordered for all the persons and entities involved to be referred for trial;
- Criminal proceedings are pending before the Benevento Public Prosecutor's Office against the person in charge under Article 152/06 of the plant in Benevento (Helicopters Division) for the crime referred to in Article 452 quinquies in relation to Article 452 bis of the Italian Criminal Code. In this respect, we point out that the abovesaid person had reported the facts to the relevant Authorities pursuant to Article 242 of Legislative Decree 152/06.

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

* * * * * * * *

With regard to contracts in progress affected by uncertainties and issues under discussion with customers with respect to what was already described during the preparation of the 2018 consolidated financial statements, to which reference should be made, the following developments are reported:

- The proceedings brought by Selex Service Management against the Ministry for the Environment, Land and Sea before the Court of Rome in relation to the performance of the Sistri contract, were finally postponed for specifying the conclusions to the hearing scheduled on 16 July 2020. It should be noted that the Sistri contract was signed between the Ministry for the Environment, Land and Sea and Selex Service Management in December 2009 in relation to the design, operation and maintenance of the waste tracking system until 30 November 2014.

  The performance of the contract was affected by a number of legislative acts aimed at postponing the time at which it was to come into force, at a drastic reduction of the categories of persons under an obligation to adopt the system, at introducing simplification and/or optimisation measures of the system and at indefinitely postponing the applicable penalties.

Such legislative acts had a significant impact on the financial stability of the contract, which was further impaired by the non-payment of a large part of the amounts due to the company.

Moreover, on 8 May 2014 the then Italian Public Contracts Regulator (*Autorità di Vigilanza dei Contratti Pubblici*) concluded the procedure that it had opened in July 2012 by resolution no. 10 whereby the Regulator ruled that the award of the Sistri contract did not comply with Article 17 of the Italian Code of Public Contracts in the matter of contracts subject to a secrecy classification and ordered the papers of the case to be sent to the Ministry and to the Court of Auditors, as well as to the DDA (*Direzione Distrettuale Antimafia*) organised crime unit at the Naples Public Prosecutor's Office. The company then appealed against this Resolution before the Lazio Regional Administrative Court, challenging its lawfulness under various aspects and the related proceedings are still underway. In the wake of this resolution, the Ministry blocked a number of payments owed to the Company and asked the Government Lawyers (*Avvocatura dello Stato*) for an opinion on the matter. Partial payments were made in December 2014 in response, we assume, to the confirmation by the Government Lawyers that the contract is valid and legal.

On 21 July 2014 Selex Service Management informed the Ministry that it was not its intention to continue with the operation of the system beyond the time-limit of 30 November 2014 set in the contract, forewarning that it would take steps to protect its rights in order to recoup the capital invested and obtain compensation for damages.

Afterwards, Law 116 of 11 August 2014 as amended which converted Law Decree 91 of 24 June 2014, by introducing certain significant changes to the wording of Article 11 of Law Decree 101 of 31 August 2013 (which had provided, *inter alia*, (i) that the payment of the amounts due would be subject to an audit of the fairness of the final costs throughout 30 June 2013 and to the availability of the amounts paid by users at that date and (ii) a financial rebalancing of the contract, which was then not carried out), extended the ultimate effective date of the contract with Selex Service Management until 31 December 2015, granting Selex Service Management the compensation for the production costs calculated up until the aforesaid date, subject to the fairness assessment by the Agency for Digital Italy (*Agenzia per l'Italia digitale*), to the maximum extent of the fees paid by the operators.

Said Law provided that by 30 June 2015 the Ministry for the Environment, Land and Sea had to start the procedures for the award of the service under concession in accordance with the provisions and methods set out in the Italian Code of Public Contracts. Decree Law no. 244 of 30 December 2016 extended again the ultimate effective date of the contract with Selex Service Management "*until the date of entry of the new concessionaire (…) and anyway within the time limit of 31 December 2017*." Law no. 205 of 27 December 2017 once again extended the term of the SISTRI service operation on the part of Selex Service Management until 31 December 2018. On 14 December 2018, Law Decree no. 135 of 14 December 2018 – Urgent provisions on supporting and simplifying companies and Public Administration – was published on the Ordinary Supplement to the Official Gazette no. 290, as amended by Law of 11 February 2019. Article 6 of the mentioned Law Decree provides for the cancellation of the control system for waste tracking (SISTRI).

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

By an order dated 17 February 2016, the Court granted the claims submitted by Selex Service Management pursuant to Article 186-*ter* of the Italian Code of Civil Procedure and ordered the Ministry to pay the plaintiff company an amount of €mil. 12, plus interest and VAT. By virtue of the abovementioned order, on 12 December 2016 the Ministry paid Selex Service Management an amount of €mil 17.

- Within the dispute pending between Augusta Westland International Ltd. and the Indian Ministry of Defence in relation to the supply contract for 12 helicopters signed in 2010, worth around €mil. 560 in total, Augusta Westland International Ltd., following the hearing held on 28 February 2019, served on the Arbitration Court the order whereby the New Delhi High Court, in granting the company's request, declared the arbitration proceedings concluded. It should be noted that on 15 February 2013 the Indian Ministry of Defence sent a Show Cause Notice asking the company to provide information on the bribery alleged to have occurred in violation of the contract and the Pre-Contract Integrity Pact. In the letter, in addition to notifying the company that it was suspending payments, the Indian government suggested that it could possibly cancel the contract if the company was unable to provide proof that it was not involved in the alleged corrupt conduct. The company promptly provided the information and documentation requested to the Indian authorities and also invited the Ministry to initiate bilateral discussions to settle the matter.

  Not having received any indication of interest on the part of the Indian Ministry in beginning a dialogue, on 4 October 2013 AgustaWestland International Ltd started arbitration proceedings provided for by the contract in New Delhi. On 21 October 2013, the Indian Ministry served the second Show Cause Notice requesting further documents and once again claiming violation of the Pre-Contract Integrity Pact. In a letter sent on that date, the Ministry also challenged the applicability of the arbitration clause contained in the contract. On 25

November 2013, the company appointed its own arbitrator, the Hon. Justice B. N. Srikrishna, a former justice of the Indian Supreme Court, inviting the Ministry to designate its own arbitrator within the next 60 days.

On 1 January 2014, the Indian Ministry of Defence formally communicated its decision to cancel/terminate/rescind the contract, and simultaneously notified the company that it had taken steps to execute the guarantees and counter-guarantees given in relation to the aforesaid contract in the total amount of €mil. 306. After having taken office, the Arbitration Court invited the parties to file their statements of defence. On 29 September 2017, the company filed its own Statement of Claim whereby it specified its claims restating their reasonableness. On 28 February 2018, the Indian Ministry filed its Statement of Defence whereby it requested the rejection of the plaintiff's claim and asked a as counterclaim that AgustaWestland International Ltd be ordered to pay damages quantified in €mil. 514. Finally, it should be recalled that, on 23 May 2014, in the framework of the proceedings pursuant to Article 700 of the Italian Code of Civil Procedure brought by AgustaWestland S.p.A. and AgustaWestland International Ltd to prevent the enforcement of the guarantees, the Court of Milan - in partial acceptance of the complaint submitted by the Indian Ministry of Defence - partially amended the order it had previously handed down and revoked its injunction with regard to the whole amount of the Performance Bond equal to about €mil. 28 and up to an amount of about €mil. 200 as regards the Advance Bank Guarantees, as only about €mil. 50 of the guarantees cannot be enforced (corresponding to the reduction that, according to the contract, was to be made from the Advance Bank Guarantees after the customer accepted three of the helicopters).

As to the portion of the delivery already made (3 helicopters already delivered, plus spare parts and support), which is only partially covered by the advances received and not subject to the enforceability of the guarantees, the recoverability of the remaining balance as at 30 June 2019, as well as the recognition of any compensation to be paid or received, are dependent upon the settlement of the overall lawsuit.

18. EMPLOYEE BENEFITS

	30 June 2019	**31 December 2018**
Severance pay provision	311	302
Defined-benefit plans	182	178
Defined contribution plans	23	26
	516	**506**

The change in the provision for employee severance pay was due to the acquisition of Vitrociset.

The slight increase in the deficit of the defined-benefit plans is due to the decrease in the discount rates partially offset by the gain obtained thanks to the revision of the terms of the UK pension scheme of the *Helicopters* division (Note 22).

19. OTHER CURRENT AND NON-CURRENT LIABILITIES

	30 June 2019		31 December 2018	
	Non-current	**Current**	**Non-current**	**Current**
Employee obligations	50	453	49	351
Deferred income	90	112	106	78
Amounts due to social security institutions	1	180	-	164
Payables to MED (Law no. 808/85)	158	-	204	52
Payables to MED for royalties (Law no. 808/85)	187	24	179	19
Other liabilities (Law no. 808/85)	158	-	158	-
Indirect tax liabilities	-	109	-	117
Derivatives	-	216	-	199
Other liabilities	205	464	202	458
Other payables to related parties (Note 30)	-	18	-	104
	849	**1,576**	**898**	**1,542**

“Other liabilities” include, in particular, the payable due to Bell Helicopter of €mil. 198 (€mil. 189 at 31 December 2018), deriving from the acquisition of 100% of the AW609 programme.

20. TRADE PAYABLES, INCLUDING CONTRACT LIABILITIES

	30 June 2019	*31 December 2018*
Suppliers	2,903	2,875
Trade payables to related parties (Note 30)	114	153
Trade payables	**3,017**	**3,028**
Contract liabilities	7,943	8,055
	10,960	**11,083**

21. REVENUE

	For the six months ended 30 June	
	2019	**2018**
Revenues from contract with customers	4,859	4,308
Change in contract assets	300	472
Revenue from related parties (Note 30)	803	809
	5,962	**5,589**

The trends in revenue by business segment are more fully described in the Report on Operations.

22. OTHER OPERATING INCOME (EXPENSES)

	For the six months ended 30 June					
	2019			2018		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Grants for research and development costs	22	-	22	14	-	14
Exchange rate differences on operating items	41	(42)	(1)	71	(70)	1
Indirect taxes	-	(16)	(16)	-	(17)	(17)
Restructuring costs	-	(4)	(4)	2	(3)	(1)
Reversal of (accruals to) provisions for risks	115	(97)	18	135	(64)	71
Other income (expenses)	8	(14)	(6)	21	(12)	9
Other from/to related parties (Note 30)	2	-	2	2	-	2
	188	**(173)**	**15**	**245**	**(166)**	**79**

The net value showed a decrease compared to the previous period due to the combined effect of higher accruals to and lower reversals of provisions for risks, mainly attributable to *Helicopters* and *Aeronautics*.

23. PURCHASES AND PERSONNEL EXPENSES

	For the six months ended 30 June	
	2019	**2018**
Purchases	2,152	1,741
Services	1,661	1,793
Costs to related parties (Note 30)	143	138
Personnel expenses	1,711	1,772
Wages, salaries and contributions	*1,581*	*1,454*
Defined-benefit plans costs	*6*	*31*
Defined contribution plans costs	*57*	*54*
Net restructuring costs	*2*	*178*
Other personnel expenses	*65*	*55*
Change in finished goods, work in progress and semi-finished products	(273)	(67)
Work performed by the Group and capitalised	(131)	(135)
	5,263	**5,242**

The Group recorded short-term lease rentals for €mil. 29 and lease rentals for low-value assets for €mil. 7 during the half-year.

Personnel costs benefitted, compared to the first half of 2018, from lower restructuring charges (a provision of €mil. 170 had been set aside in relation to the start of the procedure under Article 4 of the so-called Fornero Act during the comparative period), which were partially offset by higher costs due to the growth in the workforce, mainly at Leonardo DRS and in the Aeronautics division, as well as arising from the inclusion of the Vitrociset group in the consolidation area.

The costs for defined-benefit plans take advantage of the effects arising from the revision of the terms of the UK pension scheme of the *Helicopters* division.

The average workforce at 30 June 2019 (47,774 people) showed an increase compared to 30 June 2018 (45,134), as a result of the inclusion of the Vitrociset group in the consolidation area (+1,000) and an increase in the number of staff members at Leonardo DRS (+586) and in the Aeronautics Division (+393).

The breakdown of the total workforce is as follows:

	30 June 2019	31 December 2018	Change
Senior managers (*)	1,181	1,167	14
Middle managers	5,974	5,725	249
Clerical employees	28,308	26,922	1,386
Manual labourers (**)	13,292	12,648	644
	48,755	**46,462**	**2,293**

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

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

	30 June 2019	31 December 2018	Change
Helicopters	11,880	11,596	284
Defense Electronics & Security	23,340	22,860	480
Aeronautics	10,977	10,659	318
Other	2,558	1,347	1,211
	48,755	**46,462**	**2,293**

24. AMORTISATION, DEPRECIATION AND FINANCIAL ASSETS VALUE ADJUSTMENTS

	For the six months ended 30 June			
	2019		***2018***	
Amortisation of intangible assets		86		97
Development costs	*23*		*9*	
Non-recurring costs	*28*		*15*	
Acquired through business combinations	*14*		*48*	
Concessions, licences and trademarks	*7*		*8*	
Other intangible assets	*14*		*17*	
Depreciation of property, plant and equipment and investment properties		156		148
Depreciation of right of use		35		-
Impairment of other assets		2		-
financial assets value adjustments		7		-
		286		**245**

The increase was mainly due to the amortisation of the rights of use relating to the lease agreements, which were recognised in the application of IFRS16 as from 2019.

25. FINANCIAL INCOME AND EXPENSES

	For the six months ended 30 June					
	2019			2018		
	Income	Expenses	Net	Income	Expenses	Net
Interest	3	(93)	(90)	3	(100)	(97)
Loan fees	-	(3)	(3)	-	(11)	(11)
Other commissions	-	(4)	(4)	-	(3)	(3)
Fair value gains (losses) through profit or loss	22	(29)	(7)	18	(9)	9
Premiums (paid) received on forwards	20	(30)	(10)	17	(26)	(9)
Exchange rate differences	23	(21)	2	18	(16)	2
Net interest cost on defined-benefit plans	-	-	-	-	(1)	(1)
Financial income (expenses) - related parties (Note 30)	2	(2)	-	4	(2)	2
Other financial income and expenses	4	(21)	(17)	8	(24)	(16)
	74	**(203)**	**(129)**	**68**	**(192)**	**(124)**

Net financial expenses were substantially in line with the figure for the first half of 2018.

In particular, the benefit attributable to lower interest deriving from the redemption of a portion of the bond issues, which took place in the second half of 2018, was more than offset by higher charges arising from the measurement of derivatives at fair value and the recognition of charges for financial lease liabilities, which were stated starting from 1 January 2019 in the application of IFRS 16.

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

	For the six months ended 30 June	
	2019	2018
Thales Alenia Space	6	15
Telespazio	7	6
MBDA	22	19
GIE ATR	(1)	19
Strategic Joint Ventures	**34**	**59**
Other	5	6
	39	**65**

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

27. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As detailed in Note 12 the Space Alliance agreements provided that, following the establishment of the space JVs, none of the counterparties were authorised to operate autonomously in the space business, with the obligation to offer the Space Alliance the opportunity to operate any such business unit active in this sector as should be acquired at a later time.

Within the acquisition of Vitrociset Leonardo also incorporated the space business unit of Vitrociset S.p.A. and of its investees (Vitrociset Belgium S.p.r.l. and Vitrociset France S.a.r.l.). In fulfilling the abovementioned contractual obligations, the operations of the space business unit were assessed in order to be offered to the Space Alliance. Accordingly, the assets and liabilities held by the business unit, the fair value of which was provisionally estimated at €mil. 47 at 30 June 2019, have been recognised as a group of assets held for sale.

Assets held for sale also include the value of assets owned by Leonardo Global Solutions which are to be disposed of (€mil. 20).

	30 June 2019	*31 December 2018*
Non-current assets	49	7
Current assets	39	-
Assets held for sale	**88**	**7**
Non-current liabilities	(3)	-
Current liabilities	(18)	-
Liabilities associated with assets held for sale	**(21)**	**-**
		-
	67	**7**

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

Furthermore, as reported in Note 17, on 12 June 2019 Ansaldobreda S.p.A., Leonardo S.p.a., Hitachi Ltd. and Hitachi Rail signed a proposal concerning the settlement of the positions arising from the disposal of the transport business unit of Ansaldobreda, which took place in 2015. Consistently with the accounting effects of the transaction involving the disposal of the business unit of Ansaldobreda recognised in previous financial statements, the related effects through profit or loss have been classified under the result of “Discontinued operations”. In particular, the item includes the reversal of a portion of the provision for guarantees stated to cover the obligations envisaged as per contract (€mil. 92) and the tax effect arising from the transaction (for a positive value of €mil. 4).

	For the six months ended 30 June	
	2019	*2018*
Operating income	124	-
Operating expenses	(30)	-
Income before tax and financial expenses	**94**	**-**
Financial income/(expenses)	-	-
Income taxes	3	-
Profit (loss) for the period	**97**	**-**

28. EARNINGS PER SHARE

	For the six months ended 30 June	
	2019	**2018**
Average shares outstanding during the reporting period (in thousands)	574,845	574,441
Earnings for the period (excluding non-controlling interests) (€ millions)	349	106
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	252	106
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	97	-
Basic and Diluted EPS (€)	**0.607**	**0.185**
Basic and Diluted EPS from continuing operations (€)	0.438	0.185
Basic and Diluted EPS from discontinued operations (€)	0.169	-

Basic earnings per share at 30 June 2019, as well as those relating to the comparative period, were equal to diluted earnings per share, since there were no dilutive elements.

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

	For the six months ended 30 June	
	2019	***2018***
Net result	349	106
Amortisation, depreciation and write-offs	286	245
Share of profits/(losses) of equity-accounted investees	(39)	(65)
Income taxes	86	16
Costs for defined-benefit plans	6	31
Net financial expenses/(income)	129	124
Net allocations to the provisions for risks and inventory write-downs	25	194
Profit from discontinued operations	(97)	-
Other non-monetary items	14	20
	759	**671**

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

	For the six months ended 30 June	
	2019	**2018**
Inventories	(550)	(436)
Contract assets and liabilities	(242)	(489)
Trade receivables and payables	(493)	(96)
	(1,285)	**(1,021)**

30. RELATED PARTY TRANSACTIONS

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

RECEIVABLES at 30 June 2019	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Associates						
NH Industries SAS				144		144
Eurofighter Jagdflugzeug GmbH				77		77
Macchi Hurel Dubois SAS				21		21
Iveco - Oto Melara Scarl				12		12
AgustaWestland Aviation Services LLC				11		11
Orizzonte - Sistemi Navali SpA				10		10
Other with unit amount lower than €mil. 10			2	14		16
Joint Ventures						
GIE ATR				58	107	165
Joint Stock Company Helivert				40		40
MBDA SAS				17		17
Thales Alenia Space SAS			135	16	1	152
Telespazio SpA			1	10	2	13
Other with unit amount lower than €mil. 10				5	1	6
Consortia (*)						
Other with unit amount lower than €mil. 10			2	22		24
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10	1			93		94
Total	**1**	**-**	**140**	**550**	**111**	**802**
% against total for the period	*8.3%*	-	*76.1%*	*16.8%*	*38.0%*	

RECEIVABLES at 31 December 2018	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Associates						
NH Industries SAS				140		140
Eurofighter Jagdflugzeug GmbH				70		70
Macchi Hurel Dubois SAS				15		15
AgustaWestland Aviation Services LLC				13		13
Iveco - Oto Melara Scarl				11		11
Other with unit amount lower than €mil. 10			1	18	1	20
J.V.						
GIE ATR				60		60
Joint Stock Company Helivert				34		34
Thales Alenia Space SAS			147	21	1	169
MBDA SAS				13		13
Other with unit amount lower than €mil. 10			2	14	2	18
Consortia (*)						
Other with unit amount lower than €mil. 10			2	14		16
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10	1		1	81		83
Total	**1**	**-**	**153**	**504**	**4**	**662**
% against total for the period	*7.7%*	-	*82.7%*	*17.2%*	*2.2%*	

PAYABLES at 30 June 2019	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total
Unconsolidated subsidiaries						
Cardprize TWO Ltd	32			1		33
Associates						
Eurofighter Jagdflugzeug GmbH			29	2		31
Leonardo Helicopteres Algerie SpA			20			20
Gulf System Logistic Services Company W.L.L				38		38
Elettronica S.p.A.				11		11
Other with unit amount lower than €mil. 10			3	8	7	18
Joint Ventures						-
MBDA SAS			636	16		652
Rotorsim Srl				15		15
Telespazio SpA			9	4	4	17
Other with unit amount lower than €mil. 10			1	8	1	10
Consortia (*)						
Other with unit amount lower than €mil. 10				2		2
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10				9	6	15
Total	**32**	**-**	**698**	**114**	**18**	**862**
% against total for the period	*0.8%*	*-*	*52.8%*	*3.8%*	*1.4%*	

PAYABLES at 31 December 2018	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total
Associates						
Eurofighter Jagdflugzeug GmbH			27			27
Elettronica S.p.A.				12		12
Gulf System Logistic Services Company W.L.L				62		62
Other with unit amount lower than €mil. 10			2	13	7	22
Joint Ventures						
MBDA SAS			612	24		636
Telespazio S.p.A.			28			28
Rotorsim Srl				17		17
GIE ATR				1	86	87
Other with unit amount lower than €mil. 10				7	5	12
Consortia (*)						
Other with unit amount lower than €mil. 10				2		2
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10				15	6	21
Total	**-**	**-**	**669**	**153**	**104**	**926**
% against total for the period	-	-	*56.2%*	*5.1%*	*8.2%*	

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

Trade receivables are commented on later, along with revenue from related parties. Loans and receivables mainly refer to receivables from joint ventures. Related-party loans and borrowings include in particular the amount of €mil. 636 (€mil. 612 at 31 December 2018) due by Group companies to the joint venture MBDA and payables for €mil. 29 (€mil. 27 at 31 December 2017) to

Eurofighter, as well as payables of €mil. 20 to Leonardo Helicopteres Algerie for capital to be called up. Non-current borrowings were fully attributable to the lease payables to Cardprize.

For the six months ended 30 June 2019	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Associates						
Eurofighter Jagdflugzeug GmbH	226		38			
NH Industries SAS	125					
Orizzonte - Sistemi Navali SpA	77					
Macchi Hurel Dubois SAS	33					
Iveco-Oto Melara Scarl	20		1			
Gulf System Logistic Services Company W.L.L			56			
Other with unit amount lower than €mil. 10	19		5			
Joint Ventures						
GIE ATR	139		2			
Thales Alenia Space SAS	41		1			
MBDA SAS	24		9			2
Rotorsim SRL		1	10			
Other with unit amount lower than €mil. 10	10	1	5			
Consortia (*)						
Other with unit amount lower than €mil. 10	10					
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10	79		16		2	
Total	**803**	**2**	**143**	**-**	**2**	**2**
% against total for the period	***13.5%***	***1.1%***	***2.7%***	***-***	***2.7%***	***1.0%***

For the six months ended 30 June 2018	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Associates						
Eurofighter Jagdflugzeug GmbH	257		52			
NH Industries SAS	86					
Orizzonte - Sistemi Navali SpA	61					
Iveco-Oto Melara Scarl	17					
Macchi Hurel Dubois SAS	31					
Advanced Air Traffic Systems SDH BHD	25					
Other with unit amount lower than €mil. 10	17		7			
Joint Ventures						
GIE ATR	153		19			
MBDA SAS	33		16			
Thales Alenia Space SAS	17					
Other with unit amount lower than €mil. 10	6	2	22			2
Consortia (*)						
Other with unit amount lower than €mil. 10						
Companies subject to the control or considerable influence of the MEF						
Enel SpA			17			
Fintecna	48					
Other with unit amount lower than €mil. 10	58		5		4	
Total	**809**	**2**	**138**	**-**	**4**	**2**
% against total for the period	***14.5%***	***0.8%***	***2.6%***	***-***	***5.9%***	***1.0%***

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

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

- Eurofighter in the scope of the EFA aeronautical programme;
- Iveco-OTO Melara for production and post-sales assistance on defence and security ground vehicles (VBM Freccia and spare parts);
- NHIndustries in the scope of the NH90 helicopter programme;
- Orizzonte - Sistemi Navali for the FREMM programme;
- Macchi Hurel Dubois for the commercialisation of nacelles.

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

- Eurofighter and Gulf System for operations in the scope of the EFA/Kuwait aeronautical programme;
- Subsidiaries or entities subject to significant influence on the part of the Ministry of Economy and Finance, including relations with ENEL.

For the Board of Directors
The Chairman
Giovanni De Gennaro

Annex: scope of consolidation

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership Direct	Indirect	% Group shareholding
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)	ENGINEERED SUPPORT SYSTEMS INC	CAD	-		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Essendon, Victoria (Australia)	LEONARDO INTERNATIONAL SPA	AUD	400,000		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	LEONARDO SPA	GBP	500,000	100		100
AGUSTAWESTLAND INDIA PRIVATE LTD (IN LIQ.)	New Delhi (India)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	INR	11,519,450		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	GBP	511,000		100	100
AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1,520,304		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	2,500,000		100	100
AGUSTAWESTLAND PHILADELPHIA CO	Wilmington, Delaware (USA)	LEONARDO SPA	USD	20,000,000	100		100
AGUSTAWESTLAND SPA	Rome	SOGEPA SPA	EUR	120,000		100	100
ALENIA AERMACCHI SPA	Rome	SOGEPA SPA	EUR	120,000		100	100
ANSALDOBREDA SPA	Naples	LEONARDO SPA	EUR	10,000,000	100		100
BREDAMENARINIBUS SPA	Rome	SOGEPA SPA	EUR	1,300,000		100	100
DAYLIGHT DEFENCE LLC	Wilmington, Delaware (USA)	DAYLIGHT SOLUTIONS INC.	USD	1		100	100
DAYLIGHT SOLUTIONS INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS ADVANCE ISR LLC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	-		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1		100	100
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	2		100	100
DRS GLOBAL ENTERPRISE SOLUTIONS INC.	Baltimore, Maryland (USA)	DRS D.S. LLC	USD	50		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS NETWORK & IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)	DRS POWER & C. T. INC	USD	1		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)	DRS C3 & AVIATION COMPANY	USD	-		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	10		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1,000		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Stuttgart (Germany)	DRS GLOBAL ENT. SOLUTIONS INC.	EUR	-		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)	DRS TECHNOLOGIES CANADA INC	CAD	100		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)	LEONARDO DRS INC	SAR	2,000,000		49	100
DRS TECHNOLOGIES UK LIMITED	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Stuttgart (Germany)	DRS GLOBAL ENT. SOLUTIONS INC.	EUR	25,000		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee, Florida (USA)	DRS D.S. LLC	USD	510		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)	DRS GLOBAL ENT. SOLUTIONS INC.	USD	-		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)	DRS T. & C. SYSTEMS LLC	USD	1		100	100
ENGINEERED COIL COMPANY	Jefferson City, Missouri (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC	Jefferson City, Missouri (USA)	LEONARDO DRS INC	USD	1		100	100
ESSI RESOURCES LLC	Frankfort, Kentucky (USA)	DRS SUSTAINMENT SYSTEMS INC	USD	-		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)	LEONARDO GLOBAL SOLUTIONS SPA	EUR	100,000		100	100
GLOBAL NETWORK SERVICES LLC	Wilmington, Delaware (USA)	DRS GLOBAL ENT. SOLUTIONS INC.	USD	1		100	100
LARIMART SPA	Rome	LEONARDO SPA	EUR	2,500,000	60		60
LASERTEL INC	Phoenix, Arizona (USA)	SELEX GALILEO INC	USD	10		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	DRS SYSTEMS MANAG. LLC DRS SIGNAL SOLUTIONS INC	USD	-		100	100
LEONARDO BELGIUM S.A. ex AGUSTA AEROSPACE SERVICES AAS SA	Grace Hollogne (Belgium)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL	EUR	500,000		100	100
LEONARDO DO BRASIL LTDA ex AGUSTAWESTLAND DO BRASIL LTDA	Osasco (Brazil)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	BRL	11,817,172		100	100
LEONARDO DRS INC	Wilmington, Delaware (USA)	LEONARDO US HOLDING, INC	USD	1		100	100
LEONARDO GERMANY GMBH	Neuss (Germany)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	EUR	2,500,000		100	100
LEONARDO GLOBAL SOLUTIONS SPA	Rome	LEONARDO SPA	EUR	49,945,983	100		100
LEONARDO HISPANIA S.A.U.	Loriguilla, Valencia (Spain)	LEONARDO INTERNATIONAL SPA	EUR	5,189,019		100	100
LEONARDO INTERNATIONAL SPA	Rome	LEONARDO SPA	EUR	1,000,000	100		100
LEONARDO MW LTD	Basildon, Essex (UK)	LEONARDO SPA	GBP	314,500,100	100		100
LEONARDO POLAND SP. Z O.O.	Varsavia (Polonia)	LEONARDO INTERNATIONAL SPA	PLN	850,000		100	100
LEONARDO PORTUGAL S.A.	Lisbon (Portugal)	LEONARDO INTERNATIONAL SPA	EUR	100,000		100	100
LEONARDO ROMANIA AEROSPACE, DEFENCE & SECURITY S.A.	Ploiesti (Romania)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	RON	10,847,960		100	100
LEONARDO SINGAPORE PTE. LTD.	Singapore (Singapore)	LEONARDO INTERNATIONAL SPA	USD	1		100	100
LEONARDO TECHNOLOGIES & SERVICES LTD	Nairobi (Kenya)	LEONARDO INTERNATIONAL SPA	KES	109,600,000		100	100
LEONARDO TECHNOLOGY PAKISTAN (SMC-PRIVATE) LIMITED	Islamabad (Pakistan)	LEONARDO INTERNATIONAL SPA	PKR	30,000,000		100	100
LEONARDO TURKEI HAVACILIK SAVUNMA VE GUVENLIK SISTEMLERI A.S. ex SELEX ES ELEKTRONIK TURKEY AS	Ankara (Turkey)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	TRY	79,557,009		100	100
LEONARDO US AIRCRAFT, INC.	Wilmington, Delaware (USA)	LEONARDO US HOLDING, INC	USD	44		100	100
LEONARDO US HOLDING, INC	Wilmington, Delaware (USA)	LEONARDO SPA	USD	10	100		100
OTO MELARA NORTH AMERICA LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	100
PARTECH SYSTEMS PTY LTD	Yerriyong (Australia)	SELEX ES AUSTRALIA PTY LTD	AUD	330,00		60	60
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	3083683 NOVA SCOTIA LIMITED	CAD	-		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Swidnik (Poland)	PZL-SWIDNIK S. A.	PLN	7,072,000		73.8829	73.2595
SELEX ELSAG LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	25,800,100		100	100
SELEX ES AUSTRALIA PTY LTD	Melbourne (Australia)	LEONARDO INTERNATIONAL SPA	AUD	500,000		100	100
SELEX ES INC	Wilmington, Delaware (USA)	LEONARDO INTERNATIONAL SPA	USD	1		100	100
SELEX ES INDIA PRIVATE LTD (IN LIQ.)	New Delhi (India)	LEONARDO MW LTD SELEX ES (PROJECTS) LTD	INR	30,100,000		100	100
SELEX ES INTERNATIONAL LTD	Basildon, Essex (UK)	LEONARDO SPA	GBP	100	100		100
SELEX ES LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	1		100	100
SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	500,000		100	100
SELEX ES SPA (IN LIQ.)	Rome	SOGEPA SPA	EUR	120,000		100	100
SELEX ES SAUDI ARABIA LTD	Riyadh (Saudi Arabia)	LEONARDO MW LTD SELEX ES (PROJECTS) LTD	SAR	500,000		100	100
SELEX GALILEO INC	Wilmington, Delaware (USA)	LEONARDO MW LTD	USD	17,750,000		100	100
SELEX SERVICE MANAGEMENT SPA (IN LIQ.)	Rome	SELEX ES SPA	EUR	3,600,000		100	100
SISTEMI DINAMICI SPA	Pisa	LEONARDO SPA	EUR	200,000	100		100
SO.GE.PA. - SOCIETA` GENERALE DI PARTECIPAZIONI SPA	Rome	LEONARDO SPA	EUR	1,000,000	100		100
T - S HOLDING CORPORATION	Austin, Texas (USA)	TECH-SYM LLC	USD	280,000		100	100
TECH-SYM LLC	Reno, Nevada (USA)	LEONARDO DRS INC	USD	10		100	100
TTI TACTICAL TECNOLOGIES INC	Ottawa, Ontario (Canada)	LEONARDO MW LTD	CAD	2,500,001		100	100

UTM SYSTEMS & SERVICES SRL	Rome	LEONARDO SPA TELESPAZIO SPA	EUR	5,959,000	66.66	33.33	88.9911
VEGA CONSULTING SERVICES LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	1		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	SELEX ES SPA	EUR	25,700		100	100
VITROCISET S.P.A.	Rome	LEONARDO S.P.A.	EUR	24,500,000	100		100
VITROCISET BELGIUM S.P.R.L.	Transinne (Belgium)	VITROCISET SPA VITROCISET FRANCE S.A.R.L.	EUR	1,282,750		100	100
VITROCISET FRANCE S.A.R.L.	KOUROU (French Guiana)	VITROCISET SPA	EUR	7,625		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)	AGUSTAWESTLAND LTD	GBP	5,000		100	100
WORLD'S WING SA	Geneva (Switzerland)	LEONARDO SPA	CHF	811,876	100		100
WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Swidnik (Poland)	LEONARDO SPA	PLN	137,401,350	99.1562		99.1562

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
A4ESSOR SAS	Neuilly Sur Seine (France)	LEONARDO SPA	EUR	100,000	23.1		23.1
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	-		51	51
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Shah Alam (Malaysia)	SELEX ES INTERNATIONAL LTD	MYR	10,000,000		30	30
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	LEONARDO SPA	AED	58,010,000	30		30
AMSH BV	Rotterdam (the Netherlands)	LEONARDO SPA	EUR	36,296,316	50		50
AVIO SPA	Rome	LEONARDO SPA	EUR	90,964,213	25.88		25.88
C-27J AVIATION SERVICES INC.	Ottawa, Ontario (Canada)	LEONARDO CANADA CO	CAD	10,000		30	30
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	1		100	100
CONSORZIO ATR GIE	Toulouse (France)	LEONARDO SPA	USD	-	50		50
CONSORZIO TELAER (IN LIQ.)	Rome	E - GEOS SPA	EUR	103,291		49.23	26.39
DISTRETTO TECNOLOGICO AEROSPAZIALE SC A RL	Brindisi	LEONARDO SPA	EUR	150,000	24		24
E - GEOS SPA	Matera	TELESPAZIO SPA	EUR	5,000,000		80	53.6
ELETTRONICA SPA	Rome	LEONARDO SPA	EUR	9,000,000	31.333		31.333
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH (IN LIQ.)	Hallbergmoos (Germany)	LEONARDO SPA	EUR	127,823	21		21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	LEONARDO SPA	EUR	2,556,459	21		21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Hallbergmoos (Germany)	LEONARDO SPA	EUR	260,000	24		24
EUROMIDS SAS	Paris (France)	LEONARDO SPA	EUR	40,500	25		25
EUROSYSNAV SAS (IN LIQ.)	Paris (France)	LEONARDO SPA	EUR	40,000	50		50
EUROTECH SPA	Amaro (Udine)	LEONARDO SPA	EUR	8,878,946	11.08		11.08
FINMECCANICA UK LTD	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
GAF AG	Munich (Germany)	E - GEOS SPA	EUR	256,000		100	53.6
GULF SYSTEMS LOGISTICS SERVICES COMPANY WLL	Kuwait City (Kuwait)	ALENIA AERMACCHI SPA	KWD	75,000		40	40
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Venice	LEONARDO SPA	EUR	208,000	25		25
ICARUS SCPA (IN LIQ.)	Turin	LEONARDO GLOBAL SOLUTIONS SPA	EUR	3,192,724		53.06	53.06
INDUSTRIA ITALIANA AUTOBUS S.P.A	Rome	LEONARDO SPA	EUR	21,050,000	29		29
INMOVE ITALIA SRL	Naples	ANSALDOBREDA SPA	EUR	120,000		100	100
IVECO - OTO MELARA SC A RL	Rome	LEONARDO SPA	EUR	40,000	50		50
JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)	LEONARDO SPA	USD	6,000,000	40		40
JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	LEONARDO SPA	RUB	325,010,000	50		50
LEONARDO AEROSPACE DEFENSE & SECURITY INDIA PRIVATE LTD	New Delhi (India)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	INR	30,000,000		100	100
LEONARDO CANADA CO.	Halifax, Nova Scotia (Canada)	LEONARDO INTERNATIONAL SPA	CAD	1	100		100
LEONARDO ELECTRONICS PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	100		100	100
LEONARDO FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES WLL	Kuwait City (Kuwait)	LEONARDO MW LTD	KWD	303,000		93	93
LEONARDO FUTUREPLANNER (TRUSTEE) LIMITED	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
LEONARDO HELICOPTERES ALGERIE S.P.A.	Bir Mourad Rais (Algeria)	LEONARDO SPA LEONARDO INTERNATIONAL SPA	EUR	55,000,000	39	10	49
LEONARDO HELICOPTERS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO MW LTD	GBP	1		100	100
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	AGUSTAWESTLAND SPA LEONARDO SPA	EUR	8,000,000	25	25	50
MACCHI HUREL DUBOIS SAS	Versailles (France)	LEONARDO SPA	EUR	100,000	50		50
MBDA SAS	Paris (France)	AMSH BV	EUR	53,824,000		50	25
NHINDUSTRIES (SAS)	Aix en Provence (France)	LEONARDO SPA	EUR	306,000	32		32
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	LEONARDO SPA	EUR	20,000,000	49		49
RARTEL SA	Bucharest (Romania)	TELESPAZIO SPA	RON	468,500		61.061	41
ROTORSIM SRL	Sesto Calende (Varese)	LEONARDO SPA	EUR	9,800,000	50		50
ROTORSIM USA LLC	Wilmington, Delaware (USA)	AGUSTAWESTLAND PHILADELPHIA CO	USD	12.607.452		50	50
SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO LTD	Beijing (China)	LEONARDO INTERNATIONAL SPA	USD	800,000		100	100
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	LEONARDO MW LTD	GBP	100		100	100
SPACEOPAL GMBH	Munich (Germany)	TELESPAZIO SPA	EUR	500,000		50	34
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	TELESPAZIO SPA TELESPAZIO BRASIL SA	ARS	9,900,000		100	67.0
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	TELESPAZIO LATIN AMERICA LTDA	BRL	58,724,000		98.774	66.1786
TELESPAZIO FRANCE SAS	Toulouse (France)	TELESPAZIO SPA	EUR	33,670,000		100	67
TELESPAZIO IBERICA SL	Madrid (Spain)	TELESPAZIO SPA	EUR	2,230,262		100	67
TELESPAZIO LATIN AMERICA LTDA	Rio de Janeiro (Brazil)	TELESPAZIO SPA TELESPAZIO VEGA UK LTD	BRL	56,444,390		100	67
TELESPAZIO NORTH AMERICA INC. (IN LIQ.)	Dover, Delaware (USA)	TELESPAZIO SPA	USD	10		100	67
TELESPAZIO SPA	Rome	LEONARDO SPA	EUR	50,000,000	67		67
TELESPAZIO VEGA DEUTSCHLAND GMBH	Darmstadt (Germany)	TELESPAZIO SPA TELESPAZIO FRANCE SAS	EUR	44,150		100	67
TELESPAZIO VEGA UK LTD	Luton (UK)	TELESPAZIO SPA	GBP	30,000,100		100	67
TELESPAZIO VEGA UK SL	Madrid (Spain)	TELESPAZIO VEGA UK LTD	EUR	14,400,048		100	67
THALES ALENIA SPACE SAS	Cannes (France)	LEONARDO SPA	EUR	918,037,500	33		33
TORPEDO SOUTH AFRICA (PTY) LTD	Gauteng (South Africa)	LEONARDO SPA	ZAR	-	49		49
VITROCISET JADWALEAN LTD	Riyadh (Saudi Arabia)	VITROCISET FRANCE S.A.R.L.	SAR	2,000,000		45	45
WIN BLUEWATER SERVICES PRIVATE LIMITED (IN LIQ.)	New Delhi (India)	LEONARDO SPA SELEX ES INTERNATIONAL LTD	INR	12,000,000	99.9999	0.0001	100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	LEONARDO SPA	AED	200,000	49		49
ANSALDOBREDA FRANCE SAS (IN LIQ)	Marseille (France)	ANSALDOBREDA SPA	EUR	200,000		100	100
CCRT SISTEMI SPA (IN FALL)	Milan	SOGEPA SPA	EUR	697,217		30.34	30.34
CHONGQING CHUANYI ANSALDOBREDA RAILWAY TRANSPORT. EQUIP.CO.LTD	Chongqing (China)	ANSALDOBREDA SPA	CNY	50,000,000		50	50
D-FLIGHT S.P.A.	Rome	UTM SYSTEMS & SERVICES	EUR	83,333		40	32.04
EARTHLAB LUXEMBOURG S.A.	Luxembourg (Luxembourg)	TELESPAZIO FRANCE SAS E - GEOS SPA	EUR	5.375.000		54.4	34.17
ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	SOGEPA SPA	UAH	7,945,000		49	49
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMM.STR.)	Genoa	LEONARDO SPA	EUR	103,567	30.982		30.982
LEONARDO TECHNOLOGY PAKISTAN (SMC-PRIVATE)LTD	Islamabad (Pakistan)	LEONARDO INTERNATIONAL	PKR	30,000,000		100	100
LEONARDO INTERNATIONAL LTD	Grantham, Lincolnshire (UK)	LEONARDO MW LTD	GBP	1		100	100

Below are the main changes in the scope of consolidation at 30 June 2019 in comparison with 30 June 2018:

COMPANY	**EVENT**	**MONTH**
Companies which entered the scope of consolidation:		
Vitrociset Group	acquired	January 2019
D-Flight S.P.A.	acquired	February 2019
UTM Systems & Services S.r.l.	became operating	February 2019
Leonardo Poland SP. Z O.O.	newly established	March 2019
Leonardo Technology Pakistan (SMC-Private) Ltd	newly established	March 2019
Leonardo Helicopters Algerie S.P.A.	newly established	March 2019
Leonardo Singapore PTE. Ltd	newly established	May 2019
Companies which left the scope of consolidation:		
Zaklad Obrobki Plastycznej SP. Z O.O.	sold	December 2018
Aviation Training International Ltd	sold	December 2018
AgustaWestland North America Inc.	elimination	May 2019

Companies involved in merger transactions:

Merged company	**Merging company**	**Month**
Leonardo Do Brasil LTDA	AgustaWestland Do Brasil LTDA	June 2019
OtoMelara Do Brasil LTDA	AgustaWestland Do Brasil LTDA	June 2019
Selex ES Do Brasil LTDA	AgustaWestland Do Brasil LTDA	June 2019

Companies which changed their name:

Old name	New name	Month
SELEX ES Technologies Ltd	LEONARDO Technologies & Services Ltd	August 2018
SELEX ES GmbH	LEONARDO Germany GmbH	September 2018
Alenia North America-Canada Co.	LEONARDO Canada Co.;	November 2018
Oto Melara Iberica S.A.U.	LEONARDO Hispania S.A.U.	November 2018
AgustaWestland Portugal S.A.	LEONARDO Portugal S.A..	December 2018
Agusta Aerospace Services A.A.S. S.A.	LEONARDO Belgium S.A.	January 2019
SELEX ES Elektronk Turkey A.S.	Leonardo Turkey Havacilik Savunma Ve Guvenlik Sistemleri A.S.	April 2019
AgustaWestland Do Brasil LTDA	LEONARDO Do Brasil LTDA	June 2019

Statement on the condensed consolidated half-year financial statements at 30 June 2019 pursuant to Art. 154-bis, paragraph 5, of Legislative Decree no. 58/98 as amended

1. The undersigned Alessandro Profumo as Chief Executive Officer and Alessandra Genco as the Officer in charge of financial reporting for Leonardo Società per azioni, certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998
   - the appropriateness of the financial statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the condensed consolidated half-year financial statements at 30 June 2019.
2. In this respect it is noted that no significant matters arose.
3. It is also certified that:

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

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

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

Rome, 30 July 2019

Chief Executive Officer	Financial Reporting Officer
(Alessandro Profumo)	(Alessandra Genco)

Independent Auditor's Report on the review of the condensed consolidated half-year financial statements at 30 June 2019

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

Report on review of condensed consolidated half-year financial statements

*To the Shareholders of
Leonardo S.p.a.*

Introduction

We have reviewed the accompanying condensed consolidated half-year financial statements of the Leonardo Group comprising the separate income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2019. The parent's directors are responsible for the preparation of these condensed consolidated half-year financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of the Leonardo Group as at and for the six months ended 30 June 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Rome, 2 August 2019

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit